



**驴迹科技**  
LVJI TECHNOLOGY

**Lvji Technology Holdings Inc.**  
**驴迹科技控股有限公司**

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1745

Annual Report  
2020





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## Corporate Information

### BOARD OF DIRECTORS

#### Executive Directors

Mr. Zang Weizhong  
*(Chairman and Chief Executive Officer)*  
Ms. Sun Hongyan  
Mr. Long Chao

#### Non-Executive Directors

Mr. Cheung King Him Edmund  
Mr. Fan Baoguo (appointed on February 10, 2021)  
Mr. Zhang Jun  
*(resigned with effect from February 10, 2021)*  
Mr. Zhou Qinyong  
*(resigned with effect from August 21, 2020)*

#### Independent Non-Executive Directors

Ms. Gu Jianlu  
Ms. Wu Daxiang  
Ms. Gu Ruizhen (appointed on November 4, 2020)  
Mr. Liu Yong  
*(resigned with effect from November 4, 2020)*

### AUDIT COMMITTEE

Ms. Gu Jianlu *(Chairlady)*  
Ms. Wu Daxiang  
Ms. Gu Ruizhen (appointed on November 4, 2020)  
Mr. Liu Yong  
*(resigned with effect from November 4, 2020)*

### REMUNERATION COMMITTEE

Ms. Gu Jianlu *(Chairlady)*  
Mr. Zang Weizhong  
Ms. Gu Ruizhen (appointed on November 4, 2020)  
Mr. Liu Yong  
*(resigned with effect from November 4, 2020)*

### NOMINATION COMMITTEE

Ms. Wu Daxiang *(Chairlady)*  
Mr. Long Chao  
Ms. Gu Ruizhen (appointed on November 4, 2020)  
Mr. Liu Yong  
*(resigned with effect from November 4, 2020)*

### COMPANY SECRETARY

Ms. Lam Shi Ping, *ACIS, ACS*

### AUTHORIZED REPRESENTATIVES

Mr. Zang Weizhong  
Ms. Lam Shi Ping, *ACIS, ACS*

### REGISTERED OFFICE IN THE CAYMAN ISLANDS

Cricket Square, Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Room 501, 238 Gaotang Road  
Tianhe District  
Guangzhou City  
The PRC

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F., 148 Electric Road  
North Point  
Hong Kong

## Corporate Information

### 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 SHARE REGISTRAR

Boardroom Share Registrars (HK) Limited  
2103B, 21/F., 148 Electric Road  
North Point  
Hong Kong

### LEGAL ADVISORS

*As to Hong Kong law*  
Morrison & Foerster  
33/F, Edinburgh Tower, The Landmark  
15 Queen's Road  
Central  
Hong Kong

### COMPLIANCE ADVISOR

Giraffe Capital Limited  
3/F, 8 Wyndham Street  
Central  
Hong Kong

### INDEPENDENT AUDITOR

Ernst & Young  
22/F, CITIC Tower  
1 Tim Mei Avenue  
Central  
Hong Kong

### PRINCIPAL BANKS

China Construction Bank Corporation  
(Guangzhou Gaoxin District Tianhe Science and  
Technology Park Sub-branch)  
No.101, 1/F, 1021 Gaopu Road  
Tianhe District, Guangzhou  
The PRC

Bank of China  
(Guangzhou Zhihuicheng Sub-branch)  
No.1933 Huaguan Road  
Tianhe District, Guangzhou  
The PRC

China Merchants Bank  
(Science and Technology Park Sub-branch)  
1/F, Block A, Guangzhou Information Port  
No.33-49 Keyun Road  
Tianhe District, Guangzhou  
The PRC

China Construction Bank Corporation  
(Huoerguosi Ya Ou Bei Lu Sub-branch)  
No.1 Ya Ou Bei Lu  
Huoerguosi Port  
Ili, Xinjiang  
The PRC

### STOCK CODE

1745

### COMPANY'S WEBSITE

[www.lvji.cn](http://www.lvji.cn)

## Key Highlights

For the year ended December 31, 2020:

- Revenue decreased by approximately 45.5% year-to-year to RMB295.1 million from RMB541.8 million in 2019. The decrease in revenue was mainly due to the significant decrease in online tour guides through OTAs. However, the business of sale of customized content grew rapidly and the revenue significantly increased by approximately 49.9% compared to 2019 from approximately RMB8.7 million in 2019 to approximately RMB13.0 million in 2020.
- Loss for the year amounted to approximately RMB100.6 million compared to the profit for the year of 2019 of approximately RMB160.8 million.
- Excluding listing expenses, our adjusted loss for the year (a non-GAAP measure) amounted to approximately RMB61.1 million compared to adjusted profit of approximately RMB178.8 million recorded for the year of 2019.
- Number of coverage for online tour guides increased from 19,493 for the year ended December 31, 2019 to 26,052 for the year ended December 31, 2020, among which the number of tourist attractions covered in China increased from 11,238 for the year ended December 31, 2019 to 14,229 for the year ended December 31, 2020.

### 1. FINANCIAL SUMMARY

	Year ended December 31,		Year-to-year change
	2020 (RMB'000)	2019 (RMB'000)	
Revenue	<b>295,051</b>	541,813	(45.5)%
Gross profit	<b>74,678</b>	232,382	(67.9)%
(Loss)/Profit before tax	<b>(98,844)</b>	171,363	(157.7)%
(Loss)/Profit for the year	<b>(100,647)</b>	160,784	(162.6)%
Net (loss)/profit margin	<b>(34.1)%</b>	29.7%	(63.8) percentage points
(Loss)/Profit for the year excluding listing expenses*	<b>(61,086)</b>	178,796	(134.2)%
Net (loss)/profit margin excluding listing expenses*	<b>(20.7)%</b>	33.0%	(53.7) percentage points

\* Non-GAAP measure

### 2. OPERATING METRICS

	Year ended December 31,		Change (number)
	2020	2019	
Online tour guides developed	<b>26,052</b>	19,493	6,559
Tourist attractions covered in China	<b>14,229</b>	11,238	2,991

## Chairman's Statement

On behalf of the Board, I present our annual report for the year ended December 31, 2020 to our Shareholders.

### **BUSINESS REVIEW AND OUTLOOK**

The outbreak of COVID-19 has severely affected the economy in China and the world. The outbreak has become a global pandemic as the number of global infections increased continuously during the Reporting Period. Cities across China and the whole world were locked down and the restriction for social distance was introduced during the Reporting Period. The consumption and tourism industry were basically stalled and halted in the first half of the Reporting Period with significant decrease in travel demand of consumers, resulting in the hardest hit to the tourism industry in decades.

The Chinese government responded rapidly to the pandemic in early 2020 by implementing personnel isolation, crowd control and public health measures. Our business thus was severely affected in the first half of the Reporting Period due to the significant decrease in travel demand. Fortunately, with the pandemic being gradually controlled, the easing of crowd control, recovery of domestic tourism market and industry confidence, and the increase in domestic tourism reception scale since the second quarter, our domestic tourism business has also resumed growth. However, based on the requirements of pandemic prevention and control, tourist attractions in China were still implementing passenger flow control and some consumers were still vigilant to travel. In addition, our overseas online tour guide business has been under pressure due to the severe condition of overseas pandemic prevention and control, partially offsetting the growth brought by the recovery of domestic tourism industry. Therefore, our revenue and results both experienced an overall decline during the Reporting Period.

Despite the above, we still endeavored to capture the tourism recovery opportunities by continuously increasing the coverage of our tourist attractions, optimizing and upgrading the production of online tour guides of tourist attractions in China. In the stage of regular epidemic prevention and control, consumers' demand for short-distance travel in peripheral regions was rising rapidly, therefore we strategically increased the coverage of suburban tourist attractions in domestic cities to actively capture the opportunities brought by the recovery of domestic tourism industry and meet the diverse travel demand of consumers. As at December 31, 2020, we had developed 26,052 online tour guides covering tourist attractions in China and overseas, representing an increase of 6,559 from 19,493 online tour guides developed as at December 31, 2019.

We have been continuously strengthening cooperation with tourist attractions by assisting tourist attractions in VR and AI tour guides and establishing a mobile phone tour and a big tourism data platform to improve the comprehensive service and operation platform of all-rounded tourism. In addition, we have been continuously upgrading our technology to create a smart tourism service integrating "hardware terminal + software development + platform construction + data operation + creative planning + destination tourism + security control" based on the online tour guide platform.

In relation to our SaaS business, we built a one-stop smart tourism ecological platform with smart management, smart marketing and smart service as the core, connecting consumers' dining, accommodation, transportation, entertainment, shopping and other supporting consumer service facilities to help tourist attractions arrange reservation through code scanning, ticket reservation and rapid construction of high-internet-traffic platforms and e-commerce channels, resulting in the realization of digital upgrade.

## Chairman's Statement

During the Reporting Period, we participated in the establishment of Chongqing Chengyu Baijing Fund (as defined below) through a subscription of RMB30.0 million as a limited partner, representing 10.0% of the total capital contribution of Chongqing Chengyu Baijing Fund. Formation of Chongqing Chengyu Baijing Fund enables us to rely on the manager's rich investment experiences and strong ability of consolidating industry resources, further develop a cooperation model combining industries and capital, and support extended growth with both internal and external drivers. Chongqing Chengyu Baijing Fund intends to invest in enterprises that focuses on pan-cultural entertainment, tourism, consumption, education and related projects and its upstream and downstream industries, which is highly relevant to our business. We believe that the investment to be made by Chongqing Chengyu Baijing Fund will generate business development synergy to our Group. On December 15, 2020, the Company contributed RMB15.0 million out of the total subscribed capital contribution of RMB30.0 million into Chongqing Chengyu Baijing Fund. The term of Chongqing Chengyu Baijing Fund shall be seven years commencing from the date of establishment and no longer than ten years if there is any extension. As of December 31, 2020, the investment fund filling and registration was still subject to approval by relevant authorities.

## Results Highlights

During the Reporting Period, as the revenue of online tour guides decreased significantly due to the shrinking demand for travel caused by the outbreak of COVID-19, our total revenue decreased by approximately 45.5% from RMB541.8 million for the year ended December 31, 2019 to RMB295.1 million for the year ended December 31, 2020; with factors such as the increase in the amortization of intangible assets, gross profit margin decreased from approximately 42.9% as at December 31, 2019 to approximately 25.3% as at December 31, 2020; due to the implementation of social distance measures and cross-border restrictions in most of the tourist attractions around the globe, the revenue from overseas online tour guides significantly decreased, therefore the corresponding intangible assets recorded a one-time non-cash impairment and provision of approximately RMB70.4 million (2019: nil). Loss during the Reporting Period amounted to RMB100.6 million compared to the profit for the year ended December 31, 2019 of RMB160.8 million.

During the Reporting Period, we further consolidated our market leading position of online tour guides by continuously investing research and development resources and increasing the coverage of tourist attractions. The number of online tour guides developed by us and the number of tourist attractions covered by our online tour guides increased. The number of online tour guides increased from 19,493 as at December 31, 2019 to 26,052 as at December 31, 2020 while the number of tourist attractions in China covered by our online tour guides increased from 11,238 as at December 31, 2019 to 14,229 as at December 31, 2020.

With industry-leading technological advantages and outstanding product performance, we were one of the 56 Chinese enterprises on the "Forbes Best Under A Billion List in Asia For 2020" in August 2020, and were awarded the title of excellent supplier for smart tourism system of tourist attractions in 2020 World Cultural & Tourism Industry Expo by the China Tourist Attractions Association and the Organizing Committee of World Cultural & Tourism Industry Expo.

## Business Review

Despite the impact of the pandemic on our business, we further consolidated our leading position in China's online tour guide industry. During the Reporting Period, we continued to increase the number of tourist attractions covered by tour guides and increased in-depth cooperation with local culture and tourism bureaus by focusing on schemes of all-round tourism and smart tourist attractions to help the recovery and development of the tourism market. At the same time, we have been using new technologies and investing in research and development resources to enhance the production capacity of online tour guide and customized content, expand marketing channels, so as to continue to maintain our market leadership.

## Chairman's Statement

### **The number of tourist attractions covered continued to increase and the content of tour guides was multi-dimensionally optimized**

During the Reporting Period, we increased the number of tourist attractions covered in China. The types of tourist attractions for which we provide online tour guides include landscape, historical sites, cities, theme parks, zoos and botanical gardens, etc. In particular, as at December 31, 2020, our online tour guides covered 279 AAAAA tourist attractions, 2,343 AAAA tourist attractions, 1,724 AAA tourist attractions.

In addition to a wide coverage of tourist attractions, we have been continuously optimizing the original content of tour guides. Specifically, we carried out multi-dimensional technological innovation on online tour guides, including creative radio drama, audio production for tour guides, video editing, animation, 3D scene and sticker design; we upgraded the content of articles, strengthened the content of cultural tourism, explored and enhanced the cultural connotation of tourist attractions to display the cultural essence from multiple angles and strengthen the construction of the content of tourist attractions; we expanded the sharing of practical and personalized content from single tourist attraction explanation mode to sharing and recommendation of multiple content to realize the transformation of creative characters and perspectives; we upgraded audio-visual module and integrated video animation with the cultural knowledge of tourist attractions to enrich the display form of tourist attractions; we enriched drawing style and created 3D hand-painted maps to intuitively display the panorama of tourist attractions and provide more interesting content for users to enhance the tourism experience.

### **Continuous development of all-rounded tourism and smart tourist attractions management service system**

We established in-depth cooperation with the culture and tourism bureaus across China, aiming to change the service mode of the tourism industry and consumers' way of travelling. The all-rounded tour guide system we built contains high-definition exquisite hand-painted maps, which, combined with "location-based service" (LBS) precise positioning and local characteristics, comprehensively presents the information of tourist attractions, food recommendation, tourist center, parking lot, accommodation to provide consumers with all-round travel assurance and makes it easy for consumers to realize smart and convenient travel. We are also working with AutoNavi to create the "Future Tourist Attractions" project, aiming to satisfy the personalized service needs of consumers through digital transformation and upgrading. Consumers only need one mobile phone to enjoy the whole smart travel service of "before, during and after the tour".

We developed a smart tourist attractions management service system to assist management departments of the government in efficient management and reasonable deployment of local tourism resources in the form of big data center, command center, Internet portal, etc. For example, in the tourist attractions operation service, the system can perform passenger flow monitoring, heat map analysis, intelligent terminal management, artificial intelligence learning, which could analyze tourists' consumption habits, provide data reference for the management of tourist attractions resulting in the digital upgrading of tourist attractions. During the Reporting Period, we successfully delivered several key projects of smart tourist attractions management service system. The revenue from sale of customized content increased by approximately 49.9% on a year-on-year basis from approximately RMB8.7 million for the year ended December 31, 2019 to approximately RMB13.0 million for the year ended December 31, 2020.



## Chairman's Statement

In addition, in order to improve the digital marketing and detailed operation service of tourist attractions, we also developed SaaS system “Lvji Travel Tool” to help tourist attractions enhance their digital operation ability, diversify the options for consumers’ returning purchase, construct private internet traffic pool system in tourist attractions, provide solutions for smart tourist attractions and facilitate the digitization of tourist attractions, creating a extensive application prospect for China’s action plan on “tourism industry + Internet”.

### Applying innovative technology and diversified channels

As a technology-driven company, we always insist on the application of innovative technology to the cooperative tourist attractions, using VR and other innovative technologies combined with online tour guides to provide consumers experience not only the sensory effect of visual impact but also seamless switching of pictures perfectly. “Lvji VR” has functions such as 720 panoramic VR, VR panoramic live broadcast, VR comic live broadcast and VR video documentary filming. We have core technology for autonomous data collection, panoramic pictures, panoramic views, video synthesis, VR playback and live broadcast and post-processing synthesis technology capabilities to provide static, dynamic, online comprehensive VR solution capabilities to enable us to provide higher quality services for the tourism market at the stage of epidemic normalization prevention and control. During the Reporting Period, “Lvji VR” has finished the delivery of projects such as Xijiang Thousand Household Miao Village of Guizhou Province, Guilin Tourism University of Guangxi Province and all-round Luoning County of Henan Province, and carried out VR live broadcast for trails of “Hanfu super model competition” in south China and the ninth opening ceremony of Shawan Town together with tourist attractions of Guangzhou Baomo Garden and Shawan Town in 2020.

Combined with the current popular innovative sales mode, we increased the offline market layout and expansion of sale of online tour guides. During the Reporting Period, we negotiated with a number of well-known tourism groups, local travel agencies and large organizations and developed innovative sales and marketing strategies, including projects such as live broadcasting promotions, “reservation + ticketing” initiates, SaaS sales model, which has enriched the diversity of channels.

### Business Outlook and Strategies

The outbreak of COVID-19 has greatly changed the industrial structure of domestic tourism market. The pandemic has promoted the development of tourism industry in terms of smart tourism. “Virtual reality”, “smart tour guide” and “data monitoring” have become the basic requirements for tourist attractions to promote the construction of smart tourism. In the stage of regular epidemic prevention and control, the Chinese government has also launched a number of measures to stimulate domestic consumption, resulting in the accelerated recovery of the tourism market. At the same time, the increasing demand of consumers for contactless tourism, reserved tour and peripheral tour have been promoting the continuous improvement of digital facilities in tourist attractions and thus continuously improves the tourism experience of consumers. We believe that we are well-positioned to capture the recovery of tourism industry and the opportunity of popularization of smart tourism to resume the growth within a short period of time with our core competitive advantages on continuous technological innovations and strategic cooperation with OTAs. We will continue to focus on our core strategy in combination with the enterprise positioning of “China’s leading culture and tourism industry chain service platform”, maintain our leading position in online tour guide market, reduce costs and increase efficiency. We are confident to capture the opportunity of recovery, continue to lead the development of online tour guide industry, and gradually build a service platform for the whole industry chain of culture and tourism. We believe that we will develop into a stronger enterprise in the future after going through the difficulties in 2020.

## Chairman's Statement

In the long run, we believe that tourism will continue to develop rapidly benefiting from the continuous increase in the number of Chinese middle class and upgrading consumption. With the further increase in the support for “Internet + Tourism” in China and the advocacy of the government to develop high-quality development of tourism with the help of technological innovation, it is expected that the online penetration of online tourism products will increase continuously, and the digital development of China's tourism will accelerate and generate considerable potential for growth. Local governments are expected to make continuous efforts in smart travel, safe travel, contactless services and other aspects to accelerate the return of tourism economy to the track of rapid development.

In the future, we will strive to build an industry chain of culture and tourism service platform to continue to strengthen our leadership market position. Specifically, we will continuously optimize tour guide products, enrich the content of tour guides, cultivate 3D painters, and upgrade 3D hand-painted maps combined with AR and AI technology to make the interactive experience of consumers more interesting; pay close attention to the latest development of overseas epidemic and outbound tourism, and adjust our overseas online tour guide business strategy accordingly; optimize the “Lvji Mobile Tour” and build three systems of comprehensive management, comprehensive operation and comprehensive service according to the demand of digital upgrading of the tourist attractions to enhance the operation innovation ability and second sale revenue ability, and thus promote the long-term development of the tourist attractions; focus on the establishment of all-rounded tourism demonstration districts and counties and optimize the demonstrative all-rounded labelling system and tourist transport center system with the goal of building a national all-rounded tourism demonstration area to construct a trinity of “provinces and cities, regions and tourist attractions” all-rounded tourism big data comprehensive service platform; continue to upgrade SaaS business, build a multi-terminal and multi-channel one-stop smart tourism ecological platform, connecting consumers’ “dining, accommodation, transportation, entertainment, and shopping” and other supporting consumer service facilities, so that the tourist attractions can realize smart management, smart marketing and smart services.

On behalf of the Group, I would like to extend my sincere gratitude to our users and business partners, and to our dedicated employees and management team for their contributions, commitment and dedication. I am also thankful for the trust and continued support from our Shareholders. We will strive to enhance our capabilities and strengthen our leading position to generate lucrative returns for our Shareholders in the years to come.

### **Zang Weizhong**

*Chairman, Executive Director and Chief Executive Officer*

Guangzhou, the PRC, March 25, 2021

## Management Discussion and Analysis

Year ended December 31, 2020 compared to Year ended December 31, 2019

	2020 (RMB'000)	2019 (RMB'000)
<b>REVENUE</b>	<b>295,051</b>	541,813
Cost of sales	<b>(220,373)</b>	(309,431)
<b>Gross profit</b>	<b>74,678</b>	232,382
Other income and gains	<b>9,929</b>	14,906
Selling and distribution expenses	<b>(39,273)</b>	(26,618)
Administrative expenses	<b>(72,822)</b>	(48,793)
Other expenses	<b>(71,018)</b>	(464)
Finance costs	<b>(338)</b>	(50)
<b>(LOSS)/PROFIT BEFORE TAX</b>	<b>(98,844)</b>	171,363
Income tax expense	<b>(1,803)</b>	(10,579)
<b>(LOSS)/PROFIT FOR THE YEAR</b>	<b>(100,647)</b>	160,784
<b>(LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO:</b>		
Owners of the parent	<b>(100,647)</b>	160,784
<b>(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>		
Basic and diluted (RMB)	<b>(0.07)</b>	0.15
<b>(LOSS)/PROFIT FOR THE YEAR</b>	<b>(100,647)</b>	160,784
<b>OTHER COMPREHENSIVE INCOME</b>		
<b>OTHER COMPREHENSIVE (LOSS)/INCOME THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS</b>		
Exchange differences on translation of financial statements	<b>(22,210)</b>	408
Net other comprehensive (loss)/ income that will not be reclassified to profit or loss in subsequent periods	<b>(22,210)</b>	408
<b>OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX</b>	<b>(22,210)</b>	408
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR</b>	<b>(122,857)</b>	161,192
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR ATTRIBUTABLE TO:</b>		
Owners of the parent	<b>(122,857)</b>	161,192

## Management Discussion and Analysis

### REVENUE

We generate our revenue from sales of online tour guides through OTAs, to travel agencies and through Lvji APP, and from sales of customized content to administrators of tourist attractions and cultural sites. The following table sets forth a breakdown of our revenue for the years indicated:

	Year ended December 31,	
	2020 (RMB'000)	2019 (RMB'000)
Sale of online tour guides through OTAs	281,694	522,185
Sale of online tour guides to travel agencies	99	10,276
Sale of online tour guides through Lvji APP	256	680
Sale of customized content	13,002	8,672
<b>Total revenue</b>	<b>295,051</b>	<b>541,813</b>

#### Sale of Online Tour Guides

We provide comprehensive online tour guides to end users with respect to the tourist attractions that we cover. Our online tour guides can be purchased by the end users from OTAs, travel agencies and through our Lvji APP.

#### Sale of online tour guide through OTAs

We generated a substantial portion of our revenue from sale of online tour guides through OTAs in 2020. We provide our API to embedded portals or mini programs or APPs on the platform of OTAs in order for the end users to purchase our standard online tour guides for different tourist attractions. End users' access to our cloud system is through our H5 pages embedded into OTA's stand-alone APPs and mini programs by our open API. Our strategic alliance with major OTAs enables us to broaden our reach by leveraging the vast end user base of these OTAs.

In order to provide investors with additional information to evaluate the financial impact of the number of OTAs we cooperated with and the purchases made by the end users through OTAs' platforms, we set forth in the table below the number of OTAs we cooperated with and the revenue from the sale of online tour guide through OTAs in 2020 and 2019:

	Year ended December 31,	
	2020 (RMB '000)	2019 (RMB '000)
Number of OTAs	34	27
Revenue from the sale of online tour guide through OTAs	281,694	522,185

## Management Discussion and Analysis

We generated the majority of our revenue from the sale of our online tour guides through OTAs, which accounted for approximately 95.5% of our total revenue in 2020. The number of OTAs we cooperated with increased from 27 in 2019 to 34 in 2020. Revenue from the sale of online tour guides through OTAs decreased by approximately 46.1% from RMB522.2 million in 2019 to approximately RMB281.7 million in 2020. The decrease was primarily due to the decrease in demand for online tour guides purchased through OTAs as a result of the outbreak of COVID-19. We present revenue from online tour guides business received from the OTAs on a gross basis as it represents the gross amount of unit price generated from the end users for the online tour guides we sold, while the concession fees retained by the OTAs are recorded as our cost of sales.

### ***Sale of online tour guides to travel agencies***

We sell online tour guides in a form of activation codes, which may be embedded in a physical card, to travel agencies, which in turn sell to the end users. The end user may input the activation code to access and use our online tour guides through our H5 pages, which can be accessed by official accounts of the travel agencies or the tourist attractions, our mini programs, or others.

The number of travel agencies we sold to increased from 78 in 2019 to 85 in 2020. Revenue from sale of online tour guides to travel agencies decreased by approximately 99.0% from RMB10.3 million in 2019 to RMB0.1 million in 2020. The decrease was mainly attributable to the decrease in demand for online tour guides purchased through travel agencies as a result of the outbreak of COVID-19.

### ***Sale of online tour guides through our Lvji APP***

Tourists may access almost all of our online tour guides directly through our Lvji APP. It is available for download and mobile users can purchase online tour guides directly from us through the APP. The Lvji APP is built to enable access to our full online tour guides offerings with clear and functional interfaces. We offer certain location-based features that are only available on our Lvji APP, such as weather information, push notifications of nearby attractions, businesses or places of interest when the mobile APP detects that the user is arriving at such destinations or places, real time Chinese-to-English and English-to-Chinese translation features and enable sharing to social media platforms.

The number of registered users of our Lvji APP increased from 1,823,271 in 2019 to 2,119,802 in 2020. Revenue from sale of online tour guides through our Lvji APP decreased by approximately 62.4% from RMB0.7 million in 2019 to RMB0.3 million in 2020. The decrease was mainly driven by the decrease in demand for travelling and thus the drop in the sales volume of our online tour guides for popular tourist attractions.

### ***Sale of Customized Content***

We also sell customized online tour guide products and services to administrators of tourist attractions and to a lesser degree, cultural sites. We typically create bespoke, proprietary online tour guide contents for tourist attractions in a form of an independent APP or mini program or H5 pages commissioned by the administrators of the tourist attractions or cultural sites and charge one-time service fees.

Our comprehensive coverage of tourist attractions, quality online tour guides and advanced technology allow us to have a better understanding of the demand from the tourists. We mainly customize online tour guides for tourist attractions administrators and such guides may include AI commentaries, automatic positioning, and additional functions including big-data analysis, among others. The customized content services that we sell to cultural sites mainly focused on smart tourism and all-for-one tourism products based on the online tour guides for the tourist attractions in the region, including list of all tourist attractions in local cities and rural areas, navigation in the illustrated maps of tourist attractions, surrounding urban commercial services, among others.

## Management Discussion and Analysis

The number of tourism attractions with customized online tour guide contents increased from 568 in 2019 to 661 in 2020. Revenue from sale of customized content significantly increased by approximately 49.9% from RMB8.7 million in 2019 to RMB13.0 million in 2020. The increase was mainly attributable to the increase in digital and technical demand of tourist attractions of which we provided customized online tour guide contents as a result of the increasing number of tourist attractions.

### COST OF SALES

Our cost of sales consists of concession fees retained by OTAs, amortization of other intangible assets, tax and expenses and costs of content customization.

The following table sets forth a breakdown of our cost of sales in absolute amount and as a percentage of total revenue for the years indicated:

	Year ended December 31,			
	2020		2019	
	(RMB'000)	% of revenue	(RMB'000)	% of revenue
<b>Online Tour Guide</b>				
OTA concession fees	140,847	47.7	261,093	48.2
Amortization of other intangible assets	75,269	25.5	43,327	8.0
Tax and expenses	664	0.2	2,582	0.5
<b>Content Customization</b>	3,593	1.3	2,429	0.4
<b>Total</b>	<b>220,373</b>	<b>74.7</b>	<b>309,431</b>	<b>57.1</b>

Cost of sales decreased by approximately 28.8% from RMB309.4 million in 2019 to RMB220.4 million in 2020. The decrease was mainly due to the decrease in the concession fees retained by OTAs as a result of the decrease in sale of online tour guides through OTAs.

### GROSS PROFIT

As a result of the foregoing, our gross profit decreased by approximately 67.9% from approximately RMB232.4 million in 2019 to approximately RMB74.7 million in 2020 on a year-to-year basis. Our gross profit margin decreased from approximately 42.9% in 2019 to 25.3% in 2020, which was mainly due to (i) the decrease in revenue from sale of online tour guides through OTAs; and (ii) the increase in amortization of intangible assets as a result of the increase in the number of developed online tour guides.

### OTHER INCOME AND GAINS

Other income and gains decreased by approximately 33.4% from RMB14.9 million in 2019 to RMB9.9 million in 2020. The decrease was mainly due to (i) the decrease in VAT refund; and (ii) the exchange loss recorded in 2020.

## Management Discussion and Analysis

### SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses increased by approximately 47.5% from RMB26.6 million in 2019 to RMB39.3 million in 2020. The increase was mainly due to (i) the increase in employee payroll and welfare expenses resulting from the increase in the number of headcount; (ii) the increase in advertising expense as a result of promotion service of offline tourist attractions; and (iii) the increase in the expense of online internet traffic to make our online tour guide products known to more people and prepare for the performance rebound after the end of the epidemic.

### ADMINISTRATIVE EXPENSES

Administrative expenses increased by approximately 49.2% from RMB48.8 million in 2019 to RMB72.8 million in 2020. The increase was mainly due to (i) the increase in listing expense; and (ii) the increase in R&D cost.

### OTHER EXPENSES

Other expenses mainly include impairment loss of intangible assets and other miscellaneous expenses. Other expenses increased from RMB0.5 million in 2019 to RMB71.0 million in 2020. The increase was mainly due to the impairment loss of other intangible assets of approximately RMB70.4 million which was appraised by an independent professional valuer.

During the Reporting Period, as a result of the outbreak of COVID-19 and the subsequent disease prevention measures as well as restrictions on tourism and travel imposed by countries and regions around the world, outbound travelling has almost stopped completely. Therefore, as required under the Group's accounting policies on assets impairment when there are any indications of impairment that exist at the balance sheet date, the Company's management performed impairment testing on certain copyrights representing 10,706 online tour guides which comprised of illustrated maps, text and audio contents the Group procured from suppliers which were further developed and integrated into the Group's online tour guides in view of the significant decrease in number of and revenue from online tour guides sold to end users visiting the tourist attractions overseas. As of 31 December 2020, the carrying amount of certain copyrights (representing 6,775 out of 10,706 online tour guides) (the "Copyrights") were written down to the recoverable amount of RMB174.9 million, with an impairment loss of RMB70.4 million charged to profit or loss during the Reporting Period.

The valuation was carried out on a value in use basis in accordance with IAS 36, pursuant to which value in use is defined as "the present value of the future cash flows expected to be derived from an asset or Cash-generating Unit". The independent professional valuer has conducted valuation in accordance with the International Valuation Standards issued by the International Valuation Standards Council. The value in use basis was developed through the application of the income approach technique known as the discounted cash flow method. This method eliminates the discrepancy in the time value of money by using a discount rate to reflect all business risks including intrinsic and extrinsic uncertainties in relation to the operation of these overseas online tour guides.

## Management Discussion and Analysis

In the valuation, it is assumed that the forecasted performances of the subject assets and the Company's projected business can be achieved with the effort of management. The key assumptions are listed as follows:

No.	Item	Key Factors	Value	Reference
1	Cost	Sales Cost		Amortization expenses of corresponding copyrights
2	Depreciation and Amortization	Operation Cost	14.70%	Average ratio of last 3 years
		Fixed Asset Depreciation Expense	0.67%	Average ratio of last 3 years as at the Valuation Date.
		Right of Use Assets Amortization Expense	0.54%	Average ratio of last 3 years as at the Valuation Date
3	Tax	Tax Rate	15.00%	Hi-Tech company
4	Remaining Life	Remaining Life	2.58–10 years	The remaining amortization useful life of copyrights
5	Working Capital	Working Capital	8.33%	The collection period of revenue relating to online tour guides is estimated to be one month
6	Capital expenditure (CAPEX)	CAPEX		Assumed the maintenance expenditure, equal to current depreciation and amortization

The after-tax discount rate was 17% (pre-tax rate: 19.73%) for the Copyrights, considering the current market situation, business risk and the expected return from the intangible asset related businesses.

The Copyrights were initially recognised and measured at cost incurred and there were no inputs and assumptions adopted then. The above-mentioned inputs and assumptions were adopted for the first time in the valuation model with reference to the Group's operations and performance.

### INCOME TAX

We recorded an income tax expense of RMB1.8 million in 2020 compared to approximately RMB10.6 million in 2019, which was mainly due to the decrease in taxable income.

### (LOSS)/PROFIT FOR THE YEAR

Profit for the year decreased by approximately 162.6% year-to-year to loss of RMB100.6 million in 2020 from profit of RMB160.8 million in 2019. Net profit margin decreased from approximately 29.7% in 2019 to net loss margin of 34.1% in 2020. Excluding listing expenses, our adjusted (loss)/profit for the year (a non-GAAP measure) decreased by approximately 134.2% year-to-year to loss of RMB61.1 million in 2020 from profit of RMB178.8 million in 2019. Our adjusted net profit margin (a non-GAAP measure) decreased from approximately 33.0% in 2019 to adjusted net loss margin of 20.7% in 2020. The decrease in our adjusted net profit margin was mainly due to the decrease in gross profit margin, and impairment and provision of intangible assets as a result of decrease in income.



## Management Discussion and Analysis

### OTHER FINANCIAL INFORMATION

#### Liquidity and Capital Resources

We fund our liquidity needs mainly from net cash generated from our operation and the net proceeds received from the Global Offering. We have adopted a prudent financial management approach towards our treasury management policies and thus maintained a healthy liquidity position throughout 2020. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors our liquidity position to ensure that the liquidity structure of our assets, liabilities and other commitments can meet our funding requirements from time to time.

As of December 31, 2020, we had cash and cash equivalents of approximately RMB516.4 million (2019: RMB77.3 million), net current assets of approximately RMB532.3 million (2019: RMB101.1 million) and total equity of approximately RMB1,140.4 million (2019: RMB664.7 million). Our current ratio was approximately 10.75 times as of December 31, 2020 (2019: 2.76 times). The increase in our cash and cash equivalents, net current assets and current ratio was mainly due to the net proceeds from the Global Offering. We had no bank borrowings as of December 31, 2020 (2019: Nil), and thus gearing ratio determined by bank borrowings divided by total equity was not applicable to us (2019: not applicable). Our cash and cash equivalents are denominated in RMB, Hong Kong dollars and US dollars.

The following table sets forth our cash flows for the periods indicated:

	2020 RMB'000	2019 RMB'000
Net cash flows from operating activities	64,700	198,197
Net cash flows used in investing activities	(205,191)	(376,831)
Net cash flows from financing activities	603,268	164,334
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>462,777</b>	<b>(14,300)</b>
Cash and cash equivalents at beginning of the year	77,323	91,441
Effect of exchange rate changes on cash and cash equivalents	(23,715)	182
<b>Cash and cash equivalents at end of the year</b>	<b>516,385</b>	<b>77,323</b>

#### Net Cash from Operating Activities

Our net cash from operating activities in 2020 was approximately RMB64.7 million. The cash inflow was a result of loss before tax of approximately RMB98.8 million mainly adjusted by (i) a positive effect of depreciation and amortization of other intangible assets, (ii) a positive effect of movement in working capital, which mainly included an increase in prepayments, deposits and other receivables; and (iii) impairment of other intangible assets.

#### Net Cash used in Investing Activities

Our net cash used in investing activities in 2020 was approximately RMB205.2 million. The cash outflow was primarily attributable to (i) additions of approximately RMB189.4 million to other intangible assets, (ii) additions of approximately RMB15.0 million to short-term investments measured at fair value through profit or loss.

## Management Discussion and Analysis

### Net Cash from Financing Activities

Our net cash from financing activities in 2020 was approximately RMB603.3 million. The cash inflow was mainly due to the proceeds from the Global Offering and placing of new Shares under general mandate on October 28, 2020.

### Capital Expenditure

Our capital expenditures consist of acquisition of property, plant and equipment and acquisition of other intangible assets.

Property, plant and equipment comprise mainly our furniture and fixtures, leasehold improvements and construction in progress. Property, plant and equipment increased by approximately RMB16,000 or 0.4%, which was mainly due to new purchases and partially offset by depreciation during the Reporting Period.

Other intangible assets comprise copyrights and computer software and are amortized over its expected useful life. Other intangible assets increased by approximately RMB33.9 million or 6.1%, which was mainly due to an increase in the number of tourist attractions we covered and the number of online tour guides we developed in 2020; which was partially net off by (i) the amortization of intangible assets of approximately RMB75.3 million; and (ii) the impairment and provision of intangible assets recognized of approximately RMB70.4 million.

### Trade and Other Receivables

As at December 31, 2020, trade and other receivables amounted to approximately RMB70.1 million, representing a decrease of 13.2% as compared with approximately RMB80.7 million as at December 31, 2019, primarily as a result of repayment received from some of our debtors.

### Trade and Other Payables

As at December 31, 2020, trade and other payables amounted to approximately RMB17.6 million, representing an decrease of approximately 39.0% as compared with approximately RMB28.8 million as at December 31, 2019. This was mainly due to repayments made by us in 2020.

### Contingent Liabilities

The Group did not have any material contingent liabilities as at December 31, 2020.

### Charge on Assets

As at December 31, 2020, the Group had a pledged deposit of RMB0.4 million (2019: RMB0.4 million), which was a pledge to the government authorities for conducting tourist related business in the PRC.

### Treasury Management Policy

We have adopted a prudent financial management approach towards our treasury management policies and thus maintained a healthy liquidity position throughout 2020. We strive to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of our customers. To manage liquidity risk, the Board closely monitors our liquidity position to ensure that the liquidity structure of our assets, liabilities and other commitments can meet our funding requirements from time to time.

## Management Discussion and Analysis

### EMPLOYEE AND REMUNERATION POLICIES

As of December 31, 2020, we had a total of 248 full-time employees (2019: 200). The remuneration of the employees is determined based on their performance, experience, competence and market comparable. The Company has adopted the Share Option Scheme as an incentive to the employees, Directors and other eligible participants. Further details of which are described in the subsection headed “Statutory and General Information – D. Other Information – 1. Share Option Scheme” in Appendix IV to the Prospectus. As of December 31, 2020, no share options had been granted or agreed to be granted by us pursuant to the Share Option Scheme.

As required by the PRC laws, we participate in various statutory employee benefit plans, including social insurance funds, namely a pension contribution plan, a medical insurance plan, a work-related injury insurance plan, maternity insurance, unemployment insurance and a housing provident fund. We are required under the PRC laws to contribute to employee benefit plans at specified percentages of salaries, bonuses and certain allowances of our employees up to a maximum amount specified by the local governments from time to time.

We primarily recruit our employees through recruitment agencies and online channels, including our corporate websites and social networking platforms. We have adopted robust internal training policies, pursuant to which management, technology and other training is regularly provided to our employees by in-house trainers or third-party consultants.

We founded a labor union in October 2020 to provide employees with a wealth of recreational and collective welfare activities. We believe that it helps us to maintain a good working relationship with our employees and we did not experience any significant labor disputes or any material difficulties in recruiting employees for our operations in 2020.

#### Share Option Scheme

We have adopted the Share Option Scheme. The principal terms of the Share Option Scheme are set out as follows:

**(i) Purpose**

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), Directors, consultants, advisors, substantial Shareholders, distributors, contractors, suppliers, agents, customers, business partners or service providers of our Group and to promote the success of the business of our Group.

**(ii) Eligible participants**

The Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), Director, consultant, advisor, substantial Shareholder, distributor, contractor, supplier, agent, customer, business partner or service provider of any member of our Group and any company wholly-owned by one or more persons belonging to any of the aforesaid clauses, options to subscribe at a price calculated in accordance with paragraph (vi) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of our Group.

## Management Discussion and Analysis

### **(iii) Acceptance and payment on acceptance of option offer**

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to our Company on acceptance of the offer for the grant of an option is HK\$1.00.

### **(iv) Maximum number of Shares to be issued**

The total number of Shares in respect of which options may be granted under the Share Option Scheme shall not in aggregate exceed 141,030,000 Shares, being 9.64% of the total number of Shares in issue as at the date of this annual report.

### **(v) Maximum entitlement of each participant**

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme or any other share option schemes of our Company in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue.

### **(vi) Basis of determining the exercise price**

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the Shares as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average of the closing prices of the Shares as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option.

### **(vii) Period within which the securities must be exercised under an option**

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.

### **(viii) Life of the Share Option Scheme**

The Share Option Scheme will remain in force for a period of ten years commencing on the date on December 20, 2019 and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting. For details, please refer to the sub-section headed "Appendix IV – Statutory and General Information – D. Other Information – 1. Share Option Scheme" of the Prospectus.

As of December 31, 2020, no share options had been granted or agreed to be granted by us pursuant to the Share Option Scheme. The total number of 141,030,000 Shares are available for issue under the Share Option Scheme as at the date of this annual report, representing approximately 9.64% of the Shares of the Company in issue as at the date of this annual report. As at 31 December 2020, the remaining life of the Share Option Scheme is approximately nine years. Save as disclosed above, as of December 31, 2020, no share options had been granted or agreed to be granted by us pursuant to the Share Option Scheme.

## Management Discussion and Analysis

### Share Award Scheme

As disclosed in the Prospectus, we intended to set up the share award scheme (the “Share Award Scheme”) after the Listing. An aggregate of 114,117,300 Shares, representing approximately 7.80% of the issued share capital of the Company as at the date of this annual report, shall be reserved for the Share Award Scheme according to the Prospectus. For details of the Share Award Scheme, please refer to “History, Reorganization and Corporate Structure” in the Prospectus.

As of the date of this annual report, we have not adopted any rules for the Share Award Scheme.

## SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save for the investment in a limited partnership as disclosed under the section headed “Future Plans for Material Investments and Capital Assets” below, we did not have any significant investment, material acquisition or disposal of subsidiaries, associates and joint ventures in 2020.

### FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As stated in the Prospectus, approximately 3.5% (approximately HK\$20.3 million) of the net proceeds from the Listing is intended to use for upgrading our existing hardware and software and procuring servers and approximately 20% (approximately HK\$116.0 million) of the net proceeds from the Listing is intended to be use for strategic investments and acquisitions. For further details of the proposed use of the net proceeds from the Listing, please refer to “USE OF PROCEEDS FROM THE GLOBAL OFFERING” in the directors’ report.

From the Listing Date and up to the date of this annual report, we have commenced the process of improving our development capabilities, but no actual purchases has been made.

As at December 31, 2020, the increase in financial assets at fair value through profit or loss amounted to approximately RMB15.0 million, which was mainly due to the new investment in fund. On December 15, 2020, Lvji Technology contributed RMB15.0 million, representing 50.00% of its total subscribed capital contribution, into Chongqing Chengyu Baijing Cultural Industry Equity Investment Fund Partnership (Limited Partnership)\* (重慶成渝百景文化產業股權投資基金合夥企業(有限合夥)) (“Chongqing Chengyu Baijing Fund”) a limited partnership where Lvji Technology acts as a limited partner, pursuant to the limited partnership agreement with Chongqing Baina Shengjing Equity Investment Fund Management Co., Ltd.\* (重慶百納盛景股權投資基金管理有限公司), Chongqing Science City Investment Holding Co., Ltd.\* (重慶科學城投資控股有限公司) (previously known as Chongqing Gaoyi Investment Development Co., Ltd.\* (重慶高益投資發展有限公司)), Beijing Hualu Baina Film and Television Co., Ltd.\* (北京華錄百納影視股份有限公司), Chengdu Tianfu No. 1 Cultural and Creative Industry Development Equity Investment Fund Partnership (Limited Partnership)\* (成都市天府壹號文創產業發展股權投資基金合夥企業(有限合夥)), and Huaifang Shengau Investment Center (Limited Partnership)\* (淮坊盛奧投資中心(有限合夥)). As at December 31, 2020, the fund was in the stage of planning for establishment and still in the process of filing with Asset Management Association of China.

Save as disclosed in the Prospectus and the announcement of investment in a limited partnership published on December 15, 2020, there is no other plans for material investments and capital assets as at the date of this annual report.

## Profiles of Directors and Senior Management

### EXECUTIVE DIRECTORS

**Mr. Zang Weizhong (臧偉仲)**, aged 40, is the chairman of the Board, an executive Director and the chief executive officer of our Company. He is also currently the director of Zhonghexin Technology Holdings Limited, Zitop Technology Holdings Limited, the executive director and general manager of Guangzhou Zhixin Information Consultancy Limited\* 廣州智鑫信息諮詢有限公司, Lvji Technology, Huoer Guosi Lvji, Guangzhou Lvji, Huoer Guosi Yuantai Technology Company Limited\* 霍爾果斯元泰科技有限公司 and Guangzhou Gaodeding Technology Company Limited\* 廣州搞得定科技有限公司. He was appointed as a Director on November 7, 2018 upon the incorporation of our Company, and was re-designated as an executive Director on August 2, 2019. Mr. Zang established our Group in December 2013. He is the founder of our Group. He is primarily responsible for formulating the overall business plan and overseeing the business development and corporate culture of our Group.

Mr. Zang graduated from Wuhan Textile University (武漢紡織大學) in the PRC in June 2011 and specialized his studies in international finance. Mr. Zang was recognized as the “Outstanding and faithful entrepreneur in China (中國優秀誠信企業家)” by Chinese Enterprise Guozhixin (Beijing) Credit Evaluation Center\* (中企國質信(北京)信用評估中心) in June 2017.

**Ms. Sun Hongyan (孫紅艷)**, aged 43, is an executive Director and the finance Director. She was appointed as an executive Director on August 2, 2019. She is primarily responsible for managing financial issues of our Group, and responsible for the overall tax planning and implementation of our Group.

Ms. Sun graduated from the Xi'an Jiaotong University (西安交通大學) in the PRC in December 2000 and specialized her studies in accounting. She obtained the Certificate of Accounting Professional from the Finance Bureau of Guangzhou Development District\* (廣州市開發區財政局) in November 2002. She was granted Qualification Certificate with Intermediate Level in Accounting (會計中級資格證書) by the Ministry of Finance of the PRC (中華人民共和國財政部) in September 2003. Ms. Sun became a non-practicing member of Guangdong Provincial Institute of Certified Public Accountants (廣東省註冊會計師協會) in February 2010.

Ms. Sun joined our Group as the finance director of Lvji Technology in June 2015. Ms. Sun serves as a director of Lvji Technology since October 2016. She also serves as the finance director of Guangzhou Lvji, Huoer Guosi Lvji and Guangxi Lvji since their respective establishment.

**Mr. Long Chao (龍超)**, aged 41, was appointed as an executive Director on August 2, 2019 and is the chief operation officer of our Company. He is primarily responsible for formulating and executing the overall business strategies, and new business generation and development of our Group.

Mr. Long obtained a bachelor's degree in Computer Science and Technology from Huazhong University of Science & Technology (華中科技大學) in the PRC in June 2002. Mr. Long was accredited as a Senior Software Programmer (高級程序員) by the Examination Board of the Chinese Computer Software Professional and Technical Qualifications and Standards\* (中國計算機軟件專業技術資格和水平考試委員會) in November 2000. He obtained a qualification certificate with senior level of system analyst (系統分析師) by Professional Titles Reform Work Leadership Group of Hubei Province\* (湖北省職稱改革工作領導小組) in October 2004.

Mr. Long first joined our Group as the chief operation officer of Lvji Technology in August 2017. Mr. Long also serves as a director of Lvji Technology since November 2017.

## Profiles of Directors and Senior Management

### NON-EXECUTIVE DIRECTORS

**Mr. Cheung King Him Edmund (張敬謙)**, aged 41, was appointed as a non-executive Director on August 2, 2019. He is primarily responsible for supervising and providing advice to the Board.

Mr. Cheung has been holding various positions in the subsidiaries (and funds under such subsidiaries) of BOC International Holdings Limited, the investment banking arm of Bank of China Group, since March 2005. He has been an executive director of CITP Advisors (Hong Kong) Limited, a company principally engaged in provision of investment advisory services, since August 2013, and a member of investment committee of China Infrastructure Partners, L.P., a fund principally engaged in asset management, since April 2018. Prior to that, Mr. Cheung was an executive director of private equity division at BOCI Asia Limited. From March 2004 to March 2005, Mr. Cheung served as a business analyst at Citibank, N.A. Prior to joining Citibank N.A., Mr. Cheung was an analyst of global investment banking division at Deutsche Bank AG in Hong Kong from July 2000 to February 2003.

Mr. Cheung obtained a Bachelor of Arts from University of Chicago in the United States in March 2000.

**Mr. Fan Baoguo (樊保國)**, aged 44, was appointed as a non-executive Director on February 10, 2021. He is primarily responsible for supervising and providing advice to the Board.

Mr. Fan Baoguo has been holding several public offices. He is a member of the tenth Chinese People's Political Consultative Conference in Haidian District, Beijing (中國人民政治協商會議北京海淀區第十屆委員會委員), a vice chairman of the Training and Education Committee of The Chinese Association for Non-Government Education (中國民辦教育協會培訓教育專業委員會副理事長) and a vice chairman of the Council of the Sixth Beijing Haidian Education Foundation (北京市海淀教育基金會第六屆理事會副理事長). Mr. Fan currently serves as a chairman of the TAL Foundation (好未來公益基金會理事長) and the vice president of TAL Education Group (a company listed on the New York Stock Exchange (NYSE: TAL)).

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Ms. Gu Jianlu (顧劍璐)**, aged 29, was appointed as an independent non-executive Director on November 19, 2019. She is primarily responsible for supervising and providing independent judgment to our Board.

Ms. Gu has over three years of experience in investment management. Ms. Gu has been a managing director of Shanghai Qingzhitong Investment Management Co., Ltd.\* (上海青之桐投資管理有限公司) since July 2016.

Ms. Gu obtained a bachelor's degree in Human Resources Management (人力資源管理) from University of International Business and Economics (對外經濟貿易大學) in the PRC in June 2013. She subsequently obtained a master's degree in Engineering from Peking University (北京大學) in the PRC in January 2016.

## Profiles of Directors and Senior Management

**Ms. Wu Daxiang (吳大香)**, aged 37, was appointed as an independent non-executive Director on November 19, 2019. She is primarily responsible for supervising and providing independent judgment to our Board.

Ms. Wu has over nine years of experience in the accounting and risk management industry. She has been the risk management vice president of Shenzhen Sunflower Investment Co., Ltd.\* (深圳市向日葵投資有限公司) since June 2017. Ms. Wu worked for Shenzhen Fuhai Minxiang Wealth Management Company Limited, Zhengzhou Branch\* (深圳市富海民享財富管理有限公司), responsible for due diligence and related matters from July 2015 to May 2017. She served as a manager of Grant Thornton Accounting Firm (Special general partnership), Xiamen Branch (致同會計師事務所(特殊普通合夥)廈門分所) from November 2010 to June 2015.

Ms. Wu obtained a bachelor's degree in Accounting from Hunan Agricultural University (湖南農業大學) in the PRC in June 2006.

Ms. Wu passed the Advanced Qualification Level of the National Accountant Examination (高級會計師資格考試) in December 2013. Ms. Wu was granted the International Registered Internal Audit Certificate (國際註冊內部審計師證書) in November 2009 by China Institute of Internal Audit (中國內部審計協會). She obtained the Certificate for Passing All the Required Subjects of the National Uniform CPA Examination (註冊會計師全國統一考試全科合格證) in December 2009 from the Certified Public Accountants Examination Committee of The Ministry of Finance of the PRC (中國財政部註冊會計師考試委員會). She was granted the Medium Level Qualification Certificate of Specialty and Technology (會計中級專業技術資格證書) in May 2006 by The Ministry of Finance of the PRC (中華人民共和國財政部).

**Ms. Gu Ruizhen (顧瑞珍)**, aged 43, was appointed as an independent non-executive Director on November 4, 2020. She is primarily responsible for supervising and providing independent judgment to the Board.

Ms. Gu has 18 years of experience in government management, news communication and the development of state-owned enterprises. From July 2002 to October 2015, Ms. Gu served as a member of the Standing Committee of the Xinhua News Agency. From October 2015 to September 2019, she served as Deputy Director of the Law Enforcement Department of the Central Network Information Office's Integrated Coordination, Management and Law Enforcement Supervision Bureau (presided over the work) and as spokesman and head of the Office of the Communications Bureau of the Central Network Information Office. In addition, Ms. Gu served as Deputy General Manager of China International Finance Co., Ltd from September 2019 to August 2020. Ms. Gu is now vice president of Inner Mongolia Mengniu Dairy (Group) Co., Ltd, a subsidiary of China Mengniu Dairy Company Limited (stock code: 2319).

Ms. Gu obtained a master's degree in teaching programme from Shanghai Normal University in 2002.



## Profiles of Directors and Senior Management

### SENIOR MANAGEMENT

**Mr. Zang Weizhong (臧偉仲)**, our executive Director and chief executive officer. See “Executive Directors” in this section for his profile.

**Mr. Long Chao (龍超)**, our executive Director and chief operation officer. See “Executive Directors” in this section for his profile.

**Ms. Sun Hongyan (孫紅艷)**, our executive Director and finance Director. See “Executive Directors” in this section for her profile.

**Mr. Wen Lijun (溫利軍)**, aged 28, is the sales director of our Company. He was appointed as the sales director of our Group on November 19, 2019. Mr. Wen has served as the sales director of Lvji Technology since June 23, 2014. Mr. Wen is primarily responsible for implementing annual sales strategy and sales target of our Group.

Prior to joining our Group, Mr. Wen served as the head of training department of Guangzhou Zengcheng Blue Eagle Education and Training Center\* (廣州市增城藍鷹教育培訓中心) from June 2011 to June 2013.

Mr. Wen graduated from Sun Yat-Sen University (中山大學) in June 2015 and he specialized his studies in administration management. He has been recognized as the Project Management Professional by the Project Management Institute since June 2018. Mr. Wen has been a lecturer for Guangzhou Youth Social Work Training (廣州市青少年社會工作培訓講師) from December 2015 to November 2017.

### COMPANY SECRETARY

**Ms. Lam Shi Ping (林仕萍)** was appointed as a company secretary of our Company on August 20, 2019 and is nominated by Boardroom Corporate Services (HK) Limited (“Boardroom”) pursuant to an engagement letter made between the Company and Boardroom, pursuant to which Boardroom has agreed to provide certain corporate secretarial services to the Company.

Ms. Lam has over nine years of experience in company secretarial matters, which is gained from her working experience with various companies listed in Hong Kong.

She was admitted as an associate member of The Hong Kong Institute of Chartered Secretaries in April 2015 and an associate member of The Institute of Chartered Secretaries and Administrators in the United Kingdom in April 2015.

Ms. Lam obtained a diploma of commerce from Australian Institute for University Studies in Australia in December 2001. She obtained a bachelor’s degree in business administration from Curtin University of Technology in Australia in July 2003. She subsequently obtained a master’s degree in corporate governance from The Hong Kong Polytechnic University in Hong Kong in October 2014.

## Directors' Report

The Board presents this directors' report in the Group's annual report for the year ended December 31, 2020.

### GLOBAL OFFERING

The Company was incorporated in the Cayman Islands on November 7, 2018 as an exempted company with limited liability under the laws of the Cayman Islands. The Shares were listed on the Main Board of the Stock Exchange on the Listing Date. 352,700,000 Shares were issued under the Global Offering at the price of HK\$2.12 per Share, raising net proceeds of approximately HK\$580.0 million (after deducting the underwriting commissions and related listing expenses payable by the Company in the Global Offering). As at the Listing Date, the share capital of the Company was US\$14,103,000 divided into 1,410,300,000 ordinary shares of US\$0.01 each.

### PRINCIPAL BUSINESS

The Group is a market leader in China's online tour guide industry. The Group deploys software on its cloud system to provide online tour guide with proprietary contents, which include illustrated maps of tourist attractions, editorial contents and voice-over commentaries of points of interest in the tourist attractions, and are implemented to include functions such as real-time navigation. In addition, the Group also provides smart tourist attractions management service system and all-rounded tourism solutions for tourist attractions and cultural sites. As a technology-driven company, the Group prioritizes the development of its software and information technology, including R&D in big data and AI capabilities.

There were no significant changes in the nature of the Group's principal business during the year ended December 31, 2020. Please refer to Note 1 to the Financial Statements for details of the principal business of the Group.

### RESULTS

The results of the Group for the year ended December 31, 2020 are set out in the Consolidated Statement of Comprehensive Income of this annual report.

### DIVIDEND AND DIVIDEND POLICY

No dividend was declared and paid by the Company for the year ended December 31, 2020. The Directors do not recommend any payment of a final dividend for the year ended December 31, 2020. The Group does not have any pre-determined dividend pay-out 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 general meeting. The Directors may recommend a payment of dividends in the future after taking into account the 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 laws of the Cayman Islands.

## Directors' Report

### SHARE CAPITAL

Details of the issued shares of the Group during the year ended December 31, 2020 are set out in Note 28 to the Consolidated Financial Statements.

### DISTRIBUTABLE RESERVES

As at December 31, 2020, the Company had no distributable reserves.

### FINANCIAL SUMMARY

The Group's financial summary for the last five financial years is set out in the section headed "Five-Year Performance Review" of this annual report.

### BANK LOANS AND OTHER BORROWINGS

As of December 31, 2020 the Group had no outstanding bank loans or other borrowings.

### PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended December 31, 2020 are set out in Note 15 to the Consolidated Financial Statements.

### PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association and there is no restriction against such rights which would oblige the Company to offer new shares on a pro-rata basis to the existing Shareholders.

### TAX RELIEF

The Directors are not aware of any tax relief available to the Shareholders by reason of their holding of the Company's Shares.

### USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Shares were successfully listed on the Stock Exchange on the Listing Date. The net proceeds from the Listing were approximately HK\$580.0 million (after deducting the underwriting commissions and other related listing expense payable by the Company in the Global Offering). For the year ended December 31, 2020, the Group had used approximately HK\$274.8 million (equivalent to approximately RMB243.5 million).

## Directors' Report

The table below set out the planned application and usage of the net proceeds:

	<b>Intended use of net proceeds from the Global Offering</b> HK\$ Million	<b>Proportion</b> %	<b>Amount utilised as at December 31, 2020</b> HK\$ Million	<b>Remaining balance as at December 31, 2020</b> HK\$ Million	<b>Expected timeline to use the remaining net proceeds</b>
Upgrade of existing products' contents	58.0	10	–	58.0	31/12/2022
Data collection and content production of the tourist attractions for online tour guide development	174.0	30	174.0	–	Not applicable
Expansion of content production team	58.0	10	–	58.0	31/12/2022
Upgrade of existing hardware and software	20.3	3.5	–	20.3	31/12/2022
Recruitment of more R&D talents	20.3	3.5	20.3	–	Not applicable
Procurement of servers	17.4	3	–	17.4	31/12/2022
Industry exhibitions and conferences, on-site promotion at tourist attractions and marketing activities	34.8	6	7.5	27.3	31/12/2022
New products launches and marketing	23.2	4	–	23.2	31/12/2022
Strategic investment	116.0	20	15.0	101.0	31/12/2022
Working capital and general corporate purposes	58.0	10	58.0	–	Not applicable
<b>Total</b>	<b>580.0</b>	<b>100</b>	<b>274.8</b>	<b>305.2</b>	

The unutilised net proceeds are placed in licensed banks in Hong Kong and the PRC.

## Directors' Report

### PROCEEDS FROM THE PLACING OF NEW SHARES UNDER GENERAL MANDATE

On October 28, 2020, the Company issued and allotted 53,350,000 fully paid ordinary shares, representing approximately 3.64% of the issued share capital of the Company as enlarged by the allotment and issue of the placing Shares, at the subscription price of HK\$0.90 per Share to three placees. The aggregate nominal value of the placement Shares is US\$533,500. The closing market price was HK\$0.91 per Share on the date on which the terms of the issue were fixed. The gross proceeds from the placing were approximately HK\$48.0 million, and the net proceeds after deducting all relevant expenses were approximately HK\$47.9 million.

The table below set out the intended application and usage of the net proceeds from the placing of new Shares under general mandate:

	<b>Intended use of net proceeds from the placing of new Shares under general mandate</b>	<b>Proportion</b>	<b>Amount utilised as at December 31, 2020</b>	<b>Remaining balance as at December 31, 2020</b>	<b>Expected timeline to use the remaining net proceeds</b>
	HK\$ Million	%	HK\$ Million	HK\$ Million	
Operating expenses such as hiring additional employees and procuring advanced hardware and software equipment	4.8	10%	–	4.8	31/12/2022
Equity acquisition and investment of high-quality enterprises associated with the Company's business	43.1	90%	–	43.1	31/12/2022
<b>Total</b>	<b>47.9</b>	<b>100%</b>	<b>–</b>	<b>47.9</b>	

The unutilised net proceeds are placed in licensed banks in the PRC.

## Directors' Report

### BUSINESS REVIEW

#### Overview and performance of the Year

Business review and financial review are set out in the section headed "Management Discussion and Analysis" of this annual report.

#### Environmental Policies and Performance

The Group's business model generally involves online sales of online tour guide to its end users. Therefore, the Group is not subject to significant health, safety or environmental risks. The Group does not expect to incur any material liabilities or expenditures in these respects. To ensure compliance with applicable laws and regulations, its human resources team under its administration department would, if necessary, adjust its human resources policies from time to time to accommodate material changes to relevant labor and safety laws and regulations.

#### Compliance with Relevant Laws and Regulations

The Group has complied in all material respects with the requirements under the Companies Ordinance, the Listing Rules, the SFO and the Corporate Governance Code for, among other things, the disclosure of information and corporate governance. The Group has also complied in all material respects with other relevant laws and regulations that have a significant impact on the operations of the Group.

#### Key Relationships with Stakeholders

##### *Relationship with Customers*

The Group provides services to end users but collect related sales proceeds from OTAs. Based on the flow of revenue collection stream, OTAs are deemed as customers. The other customers include travel agencies, users of Lvji APP, tourist attraction administrators and government offices.

The Group develops and maintains long-term strategic relationships with our OTAs. A number of functional groups for our OTA business are established, namely:

- sales and marketing department: expand and maintain the corresponding OTA channel, facilitate communication between OTA headquarters and regional business leaders, and continuously deepen cooperation and promote our products on the OTA platform;
- operations department: responsible for providing OTA with products to and from the production line, price adjustment, handling related end-user and OTA feedback and complaints, coordinating system daily docking, daily order check and statistics;
- product team under our content production department: provide product service and technical support for OTA, and connect with OTA system to realize transmission and check between content data and order data;

## Directors' Report

- project team under our operations department: coordinate with product technical team to produce contents, development functions and systems; and
- management team under our operations department: be responsible for developing business policies and strategies, monitoring and advancing the implementation of policies and strategies.

The Group's top five customers accounted for approximately 92.4% of its total revenue for the year ended December 31, 2020 (2019: 94.2%) whereas its largest customer accounted for approximately 35.7% of its total revenue for the year ended December 31, 2020 (2019: 35.3%).

For the year ended December 31, 2020, none of the Directors, any of their close associates or any Shareholders (which to the knowledge of the Directors owns more than 5% of the number of the issued shares of the Company) was interested in the top five customers of the Group.

### ***Relationship with Suppliers***

From financial perspective, OTAs are categorized as suppliers as their pre-deducted concession fees are recognized as our cost of sales. The OTA concession fees attributable to the five largest OTAs (in terms of OTA concession fees contribution) accounted for approximately 61.8% of its cost of sales for the year ended December 31, 2020 (2019: 82.5%) whereas the largest OTA (in terms of OTA concession fees contribution) accounted for approximately 23.9% of our cost of sales for the year ended December 31, 2020 (2019: 30.9%).

The suppliers of operation, to whom the Group directly make payments for the purchases, primarily consist of (i) data collection and content providers, (ii) data storage, server hosting and bandwidth providers, and (iii) human resource outsourcing agents who provide experienced staff for us. The Group's top five suppliers in terms of purchase amount, which excluded OTA concession fees, consulting expenses costs and listing fees, accounted for approximately 81.5% of its total purchase amount for the year ended December 31, 2020 (2019: 96.3%).

For the year ended December 31, 2020, none of the Directors, any of their close associates or any Shareholders (which to the knowledge of the Directors owns more than 5% of the number of the issued shares of the Company) was interested in the top five suppliers of the Group.

### ***Relationship with Our Employees***

The Group embraces its employees as the most valuable assets of the Group. The objective of the Group's human resources management is to reward and recognize outstanding employees by providing competitive remuneration packages and implementing a sound performance appraisal system with appropriate incentives, and to promote career development and progression within the Group by providing robust internal training and opportunities. In particular, to strengthen and sustain its technology innovation, the Group will continue to attract, train and retain more talent in technology, research and development. New talent will continue to support its technology and will be offered advancement on-the-job training programs and promotion opportunities.

## Directors' Report

### ***Relationship with Our Shareholders***

The Group recognizes the importance of protecting the interests of the Shareholders and of having effective communication with them. The Group believes communication with the Shareholders is a two-way process and have thrived to ensure the quality and effectiveness of information disclosure, maintain regular dialogue with the Shareholders and listen carefully to the views and feedback from the Shareholders. This has been done through general meetings, corporate communications, interim and annual reports and results announcements.

### **Principal Risk and Uncertainties**

#### ***Risk of Major Customers***

Since a limited number of customers, including OTAs, attributed to a substantial portion of the Company's revenue, there will be an adverse impact on the sales and profit of the Group if these major customers reduce the volume of, or no longer sell, their travel products and services sold through us.

Response measures: The Group will increase market sales of its products through a diversified source of customers, including (i) contracting with regional travel agents; (ii) end users of its Lvji APP; (iii) contracting with local tourist attraction administrators; and (iv) engaging in cooperation relationships with cultural sites. At the same time, the Group will actively look for mergers and acquisition opportunities to expand the market size.

#### ***Risk of Competition within the Industry***

Competition in the online tour guide industry is competitive. The Group compete primarily with other online tour guide providers and, to a lesser extent, travel agencies and OTAs. As China's online travel market continues to evolve, the Group may face with increased competition from new online tour guide providers or travel agencies and OTAs that seek to expand into this industry. Increased competition could reduce our operating margins and profitability and result in its loss of market share.

Response measures: The Group will continue to strategically increase investments in its sales and marketing efforts, including broadening its user acquisition channels. At the same time, the Group will further improve its market competition analysis mechanism, focus on market dynamics and collect market information. In addition, the Group will continue to increase its competitiveness through expanding the range of our product and service offerings, growing its user base, enhancing its user engagement, and pursuing strategic alliances, acquisitions and investments.

#### ***Risk of Retaining and Growing our User Base***

The size of the Group's user base and the level of user engagement are critical to our success. The Group's business will continue to significantly depend on our users and their level of engagement with its products and services. If users no longer view its products and services as useful and attractive, the Group may not be able to increase or maintain its user base and the level of user engagement. Thus, its operating results and long-term monetization potential could be adversely impacted.

Response measures: the Group will continue to seek the most effective and cost-efficient ways to expand our user base through a diverse range of traffic acquisition channels. The Group's major strategies are (i) increasing user awareness through OTAs, (ii) enhancing its brand equity through marketing and promotional activities, (iii) acquiring traffic efficiently for its Lvji APP; and (iv) providing a more personalized user experience with smart tourism solutions to meet its users' evolving needs.



## Directors' Report

### **Risk of Regulatory or Governmental Policy Changes**

The Group is required to obtain, maintain and renew various licenses, permits and accreditations from time to time for its business operations. Although as confirmed by a written confirmation dated November 29, 2019 issued from Guangdong Communications Administration, being the competent authority to confirm matters relating to the operation of ICP services and application for ICP License in Guangdong province, that currently there is no relevant policy or regulation that requires the Group to obtain an ICP License, the Group may be required to obtain the ICP License or other additional licenses or permits in the future if there is a change in interpretation of the PRC laws and regulations. Should the Group fail to obtain or renew the certificates, licenses or accreditations required to operate its businesses in a timely manner or at all, the Group may be subject to fines or penalties and our business may be materially disrupted which could have a material and adverse effect on our financial performance and results of operations.

Response measures: The Group will continue to comply with all the applicable PRC laws, regulatory requirements and guidelines in relation to our business and operations in all material respects. Should there be a change of regulation or governmental policies, the Group will obtain or renew the certificates, licenses or accreditations required to operate its businesses in a timely manner.

### **Risk of COVID-19**

For details, please refer to the "Chairman's Statement" in this annual report.

## **PROSPECTS**

A description of the future development in the Company's business is set out in the "Chairman's Statement" and the "Management Discussion and Analysis" section of this annual report.

## **EVENTS AFTER DECEMBER 31, 2020**

Save for the above and otherwise disclosed in the section headed "Notes to the Financial Statements – Events After the Reporting Period" in this annual report, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to December 31, 2020 and up to the date of this annual report.

## **DIRECTORS**

The Directors during the year ended 31 December 2020 and up to the date of this annual report were:

### **Executive Directors:**

Mr. Zang Weizhong (*Chairman and Chief Executive Officer*)  
Ms. Sun Hongyan  
Mr. Long Chao

### **Non-executive Directors:**

Mr. Cheung King Him Edmund  
Mr. Fan Baoguo (appointed on February 10, 2021)  
Mr. Zhang Jun (resigned with effect from February 10, 2021)  
Mr. Zhou Qinyong (resigned with effect from August 21, 2020)

### **Independent Non-executive Directors:**

Ms. Gu Jianlu  
Ms. Wu Daxiang  
Ms. Gu Ruizhen (appointed on November 4, 2020)  
Mr. Liu Yong (resigned with effect from November 4, 2020)

## Directors' Report

Article 84 of the Articles of Association provides that at each annual general meeting one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years and any Director appointed by the Board pursuant to article 83(3) of the Articles of Association shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation. In accordance with article 83(3) of the Articles of Association, any Director appointed by the Board to fill a casual vacancy on the Board shall hold office until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting. Accordingly, Mr. Fan Baoguo, Ms. Gu Ruizhen and three other Directors will hold office as Directors until the AGM and are subject to re-election. No Director proposed for re-election at the AGM has an unexpired service contract or letter of appointment which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

### **DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES**

Biographical details of the Directors and the senior management of the Group are set out in the section headed "Profiles of Directors and Senior Management" of this annual report.

In June 2020, Ms. Wang Xin resigned from her position as the chief financial officer of the Group due to other work arrangement.

### **DIRECTORS' SERVICE CONTRACTS**

Mr. Zang Weizhong entered into a service contract with the Company on December 20, 2019 and Ms. Sun Hongyan and Mr. Long Chao entered into a service contract with the Company on December 20, 2019. The service contract of each of the executive Directors are for an initial term of three years commencing from the Listing Date. The service contracts are subject to termination in accordance with their respective terms.

The non-executive Director Mr. Cheung King Him Edmund signed a letter of appointment with the Company on December 20, 2019, and the non-executive Director Mr. Fan Baoguo signed a letter of appointment with the Company on February 10, 2021, respectively. Accordingly, they agreed to serve as non-executive Directors for a term of three years. The appointment may be terminated in accordance with the terms and conditions of the letter of appointment or by either party giving to the other not less than one month's prior notice in writing.

Ms. Gu Jianlu and Ms. Wu Daxiang signed a letter of appointment with the Company on December 20, 2019 and Ms. Gu Ruizhen signed a letter of appointment with the Company on November 4, 2020. The letter of appointment of each of the INEDs are for a term of three years. The appointment may be terminated by either party giving to the other not less than one month's prior notice in writing.

None of the Directors have an unexpired which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

## Directors' Report

### CONFIRMATION OF INDEPENDENCE FROM THE INEDs

The Company has received from each of the INEDs a confirmation of their respective independence pursuant to Rule 3.13 of the Listing Rules. Base on the confirmations, the Company considers that the INEDs are in compliance with the independent guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at December 31, 2020, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of the associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

#### Interests in Shares of the Company

Name of Director	Capacity/Nature of interest	Number of Shares held	Long/ Short position	Approximate percentage of shareholding in the Company
Mr. Zang	Interest in controlled corporation <sup>(1)</sup> / Interest of a party to an agreement regarding interest in the Company <sup>(2)</sup>	547,748,500	Long position	37.42%

Notes:

- (1) As of December 31, 2020, Lu Jia Technology directly held 399,995,400 Shares. As Lu Jia Technology is wholly and beneficially owned by Mr. Zang, Mr. Zang is deemed to be interested in the Shares held by Lu Jia Technology under the SFO.
- (2) Mr. Zang is a party to the acting in concert deed dated July 25, 2019 entered into by the Controlling Shareholders pursuant to which each of Mr. Zang, Lu Jia Technology, Mr. Fan, Invest Profit, Jieming Sanhao LLP, Jieming Sanhao BVI, Qifu Honglian LLP and Qifu Honglian BVI agree to act and vote in concert with each other based on consensus reached among themselves (or the instructions of Mr. Zang when no consensus can be reached) for all operational and other matters at board meetings or shareholders' meetings of each of the Group companies. Mr. Zang is therefore deemed to be interested in the 147,753,100 Shares held by Mr. Fan, Invest Profit, Qifu Honglian LLP, Qifu Honglian BVI, Jieming Sanhao LLP and Jieming Sanhao BVI under the SFO.

## Directors' Report

## Interests in Shares of an Associated Corporation

Name of Director	Name of associated corporation	Nature of interest/ capacity	Number of shares held in the associated corporation	Percentage of shareholding
Mr. Zang	Lu Jia Technology <sup>(1)</sup>	Beneficial owner	50,000	100%

Note:

- (1) As of December 31, 2020, Lu Jia Technology was interested in approximately 37.42% of the total issued share capital of the Company. Therefore, Lu Jia Technology is an associated corporation of the Company for the purpose of the SFO.

Save as disclosed above, as at December 31, 2020, none of the Directors nor the chief executives of the Company has any interests or short positions 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 were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at December 31, 2020, the following persons and entities (other than the Directors or chief executives of the Company) have interests or short positions in the shares and underlying shares which are required to be notified to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO; or as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Name of Shareholders	Capacity/Nature of interest	Number of Shares held	Long/ Short position	Approximate percentage of shareholding in the Company
Lu Jia Technology	Beneficial owner	399,995,400	Long position	27.33%
	Interest of a party to an agreement regarding interest in the Company <sup>(1)</sup>	147,753,100	Long position	10.09%
Invest Profit	Beneficial owner	61,444,900	Long position	4.20%
	Interest of a party to an agreement regarding interest in the Company <sup>(1)</sup>	486,303,600	Long position	33.22%
Mr. Fan <sup>(2)</sup>	Interest in controlled corporation/ Interest of a party to an agreement regarding interest in the Company <sup>(1)</sup>	547,748,500	Long position	37.42%

## Directors' Report

Name of Shareholders	Capacity/Nature of interest	Number of Shares held	Long/ Short position	Approximate percentage of shareholding in the Company
Qifu Honglian BVI	Beneficial owner	47,401,200	Long position	3.24%
	Interest of a party to an agreement regarding interest in the Company <sup>(1)</sup>	500,347,300	Long position	34.18%
Qifu Honglian LLP <sup>(3)</sup>	Interest in controlled corporation/ Interest of a party to an agreement regarding interest in the Company <sup>(1)</sup>	547,748,500	Long position	37.42%
Shenzhen Qifu Capital Management Company Limited* (深圳市啟賦資本管理有限公司) <sup>(3)</sup>	Interest in controlled corporation	547,748,500	Long position	37.42%
Shanghai Qianfu Investment Management Company Limited* (上海謙賦投資管理有限公司) <sup>(3)</sup>	Interest in controlled corporation	547,748,500	Long position	37.42%
Fu Zhekuan* (傅哲寬) <sup>(3)</sup>	Interest in controlled corporation	547,748,500	Long position	37.42%
Jieming Sanhao BVI	Beneficial owner	38,907,000	Long position	2.66%
	Interest of a party to an agreement regarding interest in the Company <sup>(1)</sup>	508,841,500	Long position	34.76%
Jieming Sanhao LLP <sup>(4)</sup>	Interest in controlled corporation/Interest of a party to an agreement regarding interest in the Company <sup>(1)</sup>	547,748,500	Long position	37.42%
Guangzhou Shi Jieming Investment Management Limited* (廣州市捷銘投資管理有限公司) <sup>(4)</sup>	Interest in controlled corporation	547,748,500	Long position	37.42%
Wang Bing* (王冰) <sup>(4)</sup>	Interest in controlled corporation	547,748,500	Long position	37.42%
Yongtai BVI	Beneficial owner	115,660,600	Long position	7.90%

## Directors' Report

Name of Shareholders	Capacity/Nature of interest	Number of Shares held	Long/ Short position	Approximate percentage of shareholding in the Company
Yongtai LLP <sup>(5)</sup>	Interest in controlled corporation	115,660,600	Long position	7.90%
Dongying Chunhua Consultancy Management Company Limited* (東營春華諮詢管理有限公司) <sup>(5)</sup>	Interest in controlled corporation	115,660,600	Long position	7.90%
Dongying Linglong Jinshan Investment Management Company Limited* (東營玲瓏金山投資管理有限公司) <sup>(5)</sup>	Interest in controlled corporation	115,660,600	Long position	7.90%
BOCIFP	Beneficial owner	84,615,300	Long position	5.78%
Bank of China Limited <sup>(6)</sup>	Interest in controlled corporation	84,615,300	Long position	5.78%
China Investment Corporation <sup>(6)</sup>	Interest in controlled corporation	84,615,300	Long position	5.78%
Lin Fangli* (林芳荔) <sup>(7)</sup>	Interest of spouse	547,748,500	Long position	37.42%
Ye Hua* (葉華) <sup>(8)</sup>	Interest of spouse	547,748,500	Long position	37.42%
Mithaq Capital <sup>(9)</sup>	Beneficial owner	89,232,000	Long position	6.10%
MHC <sup>(9)</sup>	Interest in controlled corporation	89,232,000	Long position	6.10%

## Notes:

- (1) It is a party to the acting in concert deed dated July 25, 2019 entered into by the Controlling Shareholders pursuant to which each of Mr. Zang, Lu Jia Technology, Mr. Fan, Invest Profit, Jieming Sanhao LLP, Jieming Sanhao BVI, Qifu Honglian LLP and Qifu Honglian BVI agree to act and vote in concert with each other based on consensus reached among themselves (or the instructions of Mr. Zang when no consensus can be reached) for all operational and other matters at board meetings or shareholders' meetings of each of the Group companies.

## Directors' Report

- (2) As of December 31, 2020, Invest Profit directly held 61,444,900 Shares. Being a party to the acting in concert deed dated July 25, 2019, Invest Profit is deemed to be interested in the Shares held by Mr. Zang, Lu Jia Technology, Qifu Honglian LLP, Qifu Honglian BVI, Jieming Sanhao LLP and Jieming Sanhao BVI.

Invest Profit is wholly and beneficially owned by Mr. Fan and therefore Mr. Fan is deemed to be interested in the Shares held by Invest Profit under the SFO.

- (3) As of December 31, 2020, Qifu Honglian BVI directly held 47,401,200 Shares. Being a party to the acting in concert deed dated July 25, 2019, Qifu Honglian BVI is deemed to be interested in the Shares held by Mr. Zang, Lu Jia Technology, Mr. Fan, Invest Profit, Jieming Sanhao LLP and Jieming Sanhao BVI. Qifu Honglian BVI is wholly and beneficially owned by Qifu Honglian LLP. The general partner of Qifu Honglian LLP is Shenzhen Qifu Capital Management Company Limited which in turn is owned as to approximately 30.13% by Shanghai Qianfu Investment Management Company Limited and as to approximately 16.82% by Fu Zhekuan, among others. Shanghai Qianfu Investment Management Company Limited is owned as to approximately 81.25% by Fu Zhekuan. Therefore, Qifu Honglian LLP, Shenzhen Qifu Capital Management Company Limited, Shanghai Qianfu Investment Management Company Limited and Fu Zhekuan are deemed to be interested in the Shares held by Qifu Honglian BVI under the SFO.
- (4) As of December 31, 2020, Jieming Sanhao BVI directly held 38,907,000 Shares. Being a party to the acting in concert deed dated July 25, 2019, Jieming Sanhao BVI is deemed to be interested in the Shares held by Mr. Zang, Lu Jia Technology, Mr. Fan, Invest Profit, Qifu Honglian LLP and Qifu Honglian BVI. Jieming Sanhao BVI is wholly and beneficially owned by Jieming Sanhao LLP. The general partner of Jieming Sanhao LLP is Guangzhou Shi Jieming Investment Management Limited which in turn is owned as to approximately 74.5% by Wang Bing. Therefore, Jieming Sanhao LLP, Guangzhou Shi Jieming Investment Management Limited and Wang Bing are deemed to be interested in the Shares held by Jieming Sanhao BVI under the SFO.
- (5) Yongtai BVI is wholly and beneficially owned by Yongtai LLP. The general partner of Yongtai LLP is Dongying Chunhua Consultancy Management Company Limited which in turn is owned as to 99% by Dongying Linglong Jinshan Investment Management Company Limited. Therefore, Yongtai LLP, Dongying Chunhua Consultancy Management Company Limited and Dongying Linglong Jinshan Investment Management Company Limited are deemed to be interested in the Shares held by Yongtai BVI under the SFO.
- (6) BOCIFP is wholly owned by BOC International Holdings Limited, which is in turn wholly owned by Bank of China Limited. As of December 31, 2020, Central Huijin Investment Ltd. held approximately 64.02% of the total issued ordinary share capital of Bank of China Limited. Central Huijin Investment Ltd. is a state-owned investment PRC company which is wholly owned by China Investment Corporation. Therefore China Investment Corporation and Bank of China Limited are deemed to be interested in the Shares held by BOCIFP under the SFO.
- (7) Lin Fangli is the spouse of Fu Zhekuan. Therefore, Lin Fangli is deemed to be interested in the Shares in which Fu Zhekuan is interested or is deemed to be interested under the SFO.
- (8) Ye Hua is the spouse of Wang Bin. Therefore, Ye Hua is deemed to be interested in the Shares in which Wang Bin is interested or is deemed to be interested under the SFO.
- (9) As of December 31, 2020, to the best knowledge of the Directors, Mithaq Capital directly held 89,232,000 Shares. Mithaq Capital was wholly owned by MHC. Therefore, MHC is deemed to be interested in the Shares held by Mithaq Capital under the SFO.

Save as disclosed above, as of December 31, 2020, no other person or entity (other than the Directors or chief executives of the Company) had an interest or short position in the shares or underlying shares of the Company which are required to be notified to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO; or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

## Directors' Report

### **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Save as disclosed in the section headed "Directors and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or its Associated Corporations" above, at no time during the year ended December 31, 2020 and up to the date of this annual report was the Company or any of its subsidiaries, a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of the shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

### **DIRECTORS' INTERESTS IN COMPETING BUSINESS**

Save for their respective interests in the Group, none of the Directors or their respective close associates was interested in any business which directly or indirectly competes or is likely to compete with the businesses of the Group from the Listing Date and up to December 31, 2020.

### **DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE**

Other than disclosed in the section headed "Related Party Transactions" in Note 33 to the Consolidated Financial Statements contained in this annual report, no transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party and in which a Director or its connected entity (within the meaning of Section 486 of the Companies Ordinance) had a material interest, whether directly or indirectly, and subsisting during the year ended December 31, 2020 or as of December 31, 2020.

### **CONTRACT OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS**

Other than disclosed in the section headed "Related Party Transactions" in Note 33 to the Consolidated Financial Statements contained in this annual report, no contract of significance was entered into between the Company or any of its subsidiaries and the Controlling Shareholders or any of its subsidiaries during the year ended December 31, 2020 or subsisted as of December 31, 2020. No contract of significance for the provision of services to the Company or any of its subsidiaries by a Controlling Shareholder or any of its subsidiaries was entered into during the year ended December 31, 2020 or subsisted as of December 31, 2020.

### **CONNECTED TRANSACTIONS**

The related party transactions disclosed in Note 33 to the Financial Statements contained in this annual report are connected transactions which are fully exempted from the requirements in Chapter 14A of the Listing Rules as they are below the de minimis threshold under Rule 14A.76(1) of the Listing Rules.

### **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 ended December 31, 2020.



## Directors' Report

### **DIRECTORS' PERMITTED INDEMNITY PROVISION**

Pursuant to article 164 of the Articles of Association and subject to Cayman Islands Companies Law, each Director shall be indemnified and secured harmless, out of the assets and profits of the Company, from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their heirs, executors or administrators, shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty.

Furthermore, pursuant to an indemnification agreement dated August 2, 2019 entered into between the Company and Mr. Cheung King Him Edmund (a non-executive Director), pursuant to which, the Company agreed to indemnify Mr. Cheung King Him Edmund against all expenses, judgments, fines, interest or penalties, and excise taxes assessed with respect to any employee benefit or welfare plan, which are actually and reasonably incurred in connection with any proceeding (other than, among other things, the circumstances when Mr. Cheung King Him Edmund has been finally adjudged to have been knowingly fraudulent, deliberately dishonest or wilful misconduct), to the fullest extent permitted by applicable law.

The Company has arranged appropriate directors' liability insurance coverage for the Directors.

### **EMOLUMENT POLICY**

The Directors and senior management receive remuneration, including basic salaries, housing allowances, other allowances and benefits in kind, contributions to pension plans and discretionary bonus. The Group also reimburses them for expenses which are necessary and reasonably incurred in relation to all business and affairs carried out by the Group from time to time or for providing services to the Group or executing their functions in relation to the Group's business and operations. The Group regularly reviews and determines the remuneration and compensation package of the Directors and senior management, by reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities and performance of the Directors and senior management.

The Remuneration Committee is responsible for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the abovementioned factors.

After the Listing, the Directors, senior management and other staff may also receive share options to be granted under the Share Option Scheme and Shares to be granted under the Share Award Scheme, as and when the Directors deem appropriate and expedient to do so from time to time.

Details of the emoluments of the Directors, and the five highest paid individuals for the year ended December 31, 2020 are set out in Notes 10 and 11 to the Consolidated Financial Statements, respectively.

### **RETIREMENT AND EMPLOYEE BENEFITS SCHEME**

Details of the retirement and employee benefits scheme of the Company are set out in Note 3 to the Consolidated Financial Statements.

## Directors' Report

### **EQUITY-LINKED AGREEMENT**

There was no equity-linked agreement entered into by the Company during the year ended December 31, 2020.

### **DEED OF NON-COMPETITION**

The Controlling Shareholders, namely Mr. Zang, Lu Jia Technology, Invest Profit, Mr. Fan, Qifu Honglian LLP, Qifu Honglian BVI, Jieming Sanhao LLP and Jieming Sanhao BVI, entered into the deed of non-competition (the "Deed of Non-competition") in favor of the Company (for itself and as trustee for each of its subsidiaries) on December 20, 2019 pursuant to which each of the Controlling Shareholders, irrevocably and unconditionally, has undertaken to and covenanted with the Group that, save and except as disclosed in the Prospectus, he/it will not, and would procure that his/its close associates (except any members of the Group) would not directly or indirectly, either on his/its own or in conjunction with or on behalf of any person, firm, company, partnership or organization among other things, carry on, participate or hold interests in or engage in or acquire or hold (in each case whether as a shareholder, partner, agent or otherwise), any business which is in competition with or likely to be in competition with the Group's business.

Please refer to the Prospectus for details of the Deed of Non-competition.

The Company has received an annual confirmation from the Controlling Shareholders in respect of their compliance with Deed of Non-competition from the Listing Date up to December 31, 2020.

Based on the information and confirmation provided by the Controlling Shareholders, the INEDs have reviewed the implementation of Deed of Non-competition from the Listing Date up to December 31, 2020, and are satisfied that the Controlling Shareholders have complied with the Deed of Non-competition.

### **MATERIAL LEGAL PROCEEDINGS**

For the year ended December 31, 2020, to the best knowledge of the Directors, there was no actual or pending legal, arbitration or administrative proceedings that would have a material adverse effect on our business, results of operations, financial condition or reputation, and compliance with applicable laws and regulations.

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

None of the Company or any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended December 31, 2020.

### **CONVERTIBLE SECURITIES, OPTIONS, WARRANTS AND SIMILAR RIGHTS**

No convertible securities, options, warrants and similar rights were issued or granted by the Group during the year ended December 31, 2020.

## Directors' Report

### PLACING OF NEW SHARES UNDER GENERAL MANDATE

On October 28, 2020, the Company issued and allotted 53,350,000 fully paid ordinary shares, representing approximately 3.64% of the issued share capital of the Company as enlarged by the allotment and issue of the placing Shares, at the subscription price of HK\$0.90 per Share to three placees, namely Mr. Yang Daqiao (楊達橋), Ms. Zhang Huan (張歡) and Mr. Qi Shaobin (齊韶斌), and all of which, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons. The Board considered that the placing represented a good opportunity for the Company to raise additional funds for general working capital and to widen the Company's shareholder base. The aggregate nominal value of the placement Shares is US\$533,500. The closing market price was HK\$0.91 per Share on the date on which the terms of the issue were fixed. The gross proceeds from the placing were approximately HK\$48.0 million, and the net proceeds after deducting all relevant expenses were approximately HK\$47.9 million. The net price was about HK\$0.90 per Share. For details of the net proceeds, please refer to the section "Proceeds from the Placing of New Shares under General Mandate" in this annual report.

### MODEL CODE FOR 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 Directors' securities transactions. Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the Model Code from the Listing Date to December 31, 2020.

The Company's employees, who are likely to be in possession of inside information of the Company, have also been subject to the Model Code for securities transactions. No incident of non-compliance of the Model Code by the Company's employees was noted by the Company from the Listing Date to December 31, 2020.

### COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group is committed to maintaining a high standard of corporate governance to safeguard the interests of its shareholders and enhance its value and accountability. Since the Listing Date, the Company has adopted the principles and code provisions as set out in the Corporate Governance Code. During the period from the Listing Date and up to December 31, 2020, the Company has complied with all the applicable code provisions under the Corporate Governance Code with the exception for the deviation from code provision A.2.1 of the Corporate Governance Code. Please refer to the section headed "Chairman and Chief Executive" in this annual report for details.

The Group will continue to review and monitor its corporate governance practices in order to ensure the compliance with the Corporate Governance Code.

## Directors' Report

### INDEPENDENT AUDITOR

The consolidated financial statements of the Group for the year ended December 31, 2020 have been audited by Ernst & Young, certified public accountants.

Ernst & Young will retire and, being eligible, offer themselves for reappointment. A resolution for their reappointment as auditor of the Company will be proposed at the AGM.

### CHANGES OF INFORMATION IN RELATION TO THE DIRECTORS

Save as otherwise disclosed, there was no change to any information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules since the Listing Date and up to December 31, 2020.

### AUDIT COMMITTEE

The Audit Committee has, together with the senior management and the independent auditor of the Company, reviewed the accounting principles and practices adopted by our Company as well as the audited consolidated financial statements for the year ended December 31, 2020.

### PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, at least 25% (being the minimum public float prescribed by the Hong Kong Stock Exchange and the Listing Rules) of the Company's entire issued share capital were held by the public as at the date of this annual report.

### CLOSURE OF REGISTER OF MEMBERS AND RECORD DATE

The register of members of the Company will be closed from Tuesday, June 22, 2021 to Friday, June 25, 2021 (both days inclusive), during which period no transfer of Shares will be effected. In order to determine the identity of members who are entitled to attend and vote at the AGM to be held on Friday, June 25, 2021, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, not later than 4:30 p.m., Monday, June 21, 2021.

By Order of the Board

**Zang Weizhong**

*Chairman of the Board, Executive Director and Chief Executive Officer*

Guangzhou, the PRC, March 25, 2021

## Corporate Governance Report

### **CORPORATE GOVERNANCE PRACTICES OF THE COMPANY**

The Group is committed to achieving high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability.

The Company has adopted and applied the principles as set out in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules.

Save for the deviation from code provision A.2.1 of the Corporate Governance Code as disclosed in this annual report, the Company was in compliance with the code provisions of the Corporate Governance Code during the period from the Listing Date and up to December 31, 2020.

#### **The Board**

##### ***Responsibilities***

The Board is primarily responsible for overseeing and supervising the management of the business affairs and the overall performance of the Group. The Board sets the Group's values and standards and ensures that the requisite financial and human resources support is in place for the Group to achieve its objectives. The functions performed by the Board include but are not limited to formulating the Group's business and investment plans and strategies, deciding all significant financial (including major capital expenditure) and operational issues, developing, monitoring and reviewing the Group's corporate governance practices and all other functions reserved to the Board under the Articles of Association.

All of the Directors have carried out their duties in good faith and in compliance with the standards of applicable laws and regulations, and have acted in the best interests of the Company and its Shareholders at all times.

##### ***Delegation of Management Function***

The Board may from time to time delegate certain functions to management of the Group if and when considered appropriate. The management is mainly responsible for the execution of the business plans, strategies and policies adopted by the Board and other duties assigned to it from time to time. The delegated functions are periodically reviewed.

The Directors have full access to information of the Group and the management has an obligation to supply the Directors with adequate information in a timely manner to enable the Directors to perform their responsibilities.

Each Director is entitled to seek independent professional advice in appropriate circumstances at the Company's expense.

## Corporate Governance Report

### **Board Composition**

The Board comprises the following Directors as at the date of this annual report:

#### **Executive Directors:**

Mr. Zang Weizhong (*Chairman and Chief Executive Officer*)

Ms. Sun Hongyan

Mr. Long Chao

#### **Non-executive Directors:**

Mr. Cheung King Him Edmund

Mr. Fan Baoguo

#### **INEDs:**

Ms. Gu Jianlu

Ms. Wu Daxiang

Ms. Gu Ruizhen

During the period from the Listing Date to December 31, 2020, the Board had met the requirements of the Listing Rules that the number of INEDs must represent at least one-third of the Board members, and that at least one of the INEDs has appropriate professional qualifications or accounting or related financial management expertise.

The Company has received a confirmation of independence in writing from each of the INEDs pursuant to Rule 3.13 of the Listing Rules and the Company considers each of them to be independent from the Listing Date to December 31, 2020.

Save as disclosed in the biographies of the Directors as set out in the section headed “Profiles of Directors and Senior Management” of this annual report, none of the Directors has any personal relationship (including financial, business, family or other material/relevant relationship) with any other Directors or any chief executive.

### **Appointment, Re-election and Removal of Directors**

The procedures and process of appointment, re-election and removal of the Directors are laid down in the Articles of Association. The primary duties of the Nomination Committee include, but are not limited to, reviewing the structure, size and composition of the Board, assessing the independence of the INEDs and making recommendations to the Board on matters relating to the appointment of the Directors.

## Corporate Governance Report

Each of the executive Directors has entered into a service contract with the Company pursuant to which each of them has agreed to act as an executive Director for an initial term of three years (subject to re-election as and when required under the Articles of Association), until terminated in accordance with the terms and conditions of the service contract or by either party giving to the other not less than three months' prior notice in writing. Each of the non-executive Directors has entered into a letter of appointment with the Company pursuant to which each of them has agreed to act as a non-executive Director for an initial term of three years (subject to re-election as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the letter of appointment or by either party giving to the other not less than one month' prior notice in writing. Each of the INEDs has signed a letter of appointment with the Company and has been appointed for a term of three years (subject to re-election as and when required under the Articles of Association). The appointment may be terminated by either party giving to the other not less than one month's prior notice in writing.

In accordance with the Articles of Association, all of the Directors are subject to retirement by rotation at least once every three years and the Board has power from time to time and at any time to appoint any new Director to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office until the first general meeting or the next following annual general meeting of the Company (as the case may be) after his appointment and shall then be eligible for re-election at that meeting.

### ***Induction and Continuous Professional Development for Directors***

All newly appointed Directors would be provided with necessary induction and information to ensure that they have a proper understanding of the Company's operations and businesses as well as their responsibilities under relevant statutes, laws, rules and regulations. The Company also arranges regular seminars to provide Directors with updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

The Company encourages continuous professional development training for all the Directors to develop and refresh their knowledge and skills and the Directors have been requested to provide the Company with their training records.

## Corporate Governance Report

Based on the information provided by the Directors, during the year ended December 31, 2020, a summary of training received by the Directors is as below:

<b>Name of Directors</b>	<b>Nature of Continuous Professional Development</b>
<b>Executive Directors:</b>	
Mr. Zang Weizhong ( <i>Chairman and Chief Executive Officer</i> )	C, D
Ms. Sun Hongyan	C, D
Mr. Long Chao	C, D
<b>Non-executive Directors:</b>	
Mr. Cheung King Him Edmund	C, D
Mr. Zhang Jun (resigned with effect from February 10, 2021)	C, D
Mr. Zhou Qinyong (resigned with effect from August 21, 2020)	C, D
<b>INEDs:</b>	
Ms. Gu Jianlu	C, D
Ms. Wu Daxiang	C, D
Ms. Gu Ruizhen (appointed on November 4, 2020)	C, D
Mr. Liu Yong (resigned with effect from November 4, 2020)	C, D

Notes:

- A: attending seminars and/or conferences and/or forums and/or briefings.
- B: making speeches at seminars and/or conferences and/or forums.
- C: participating in training provided by law firms and/or that are related to the business of the Company.
- D: reading materials on various topics, including corporate governance matters, directors' duties and responsibilities, Listing Rules and other relevant laws.

### **Meeting and Attendance Record of Board Meetings**

#### *Number of Meetings and Directors' Attendance*

Code provision A.1.1 of the Corporate Governance Code prescribes that at least four regular Board meetings should be held in each year at approximately quarterly intervals with active participation of majority of Directors, either in person or through electronic means of communication.



## Corporate Governance Report

During the year ended December 31, 2020, 4 Board meetings were held and one annual general meeting was convened and the attendance of each Director at the Board meetings and annual general meeting are set out in the table below:

<b>Name of Directors</b>	<b>Attended/ Eligible to attend the Board meetings</b>	<b>Attended/ Eligible to attend the annual general meeting</b>
Mr. Zang Weizhong	4/4	1/1
Ms. Sun Hongyan	4/4	1/1
Mr. Long Chao	4/4	1/1
Mr. Cheung King Him Edmund	4/4	1/1
Mr. Zhang Jun (resigned with effect from February 10, 2021)	4/4	1/1
Mr. Zhou Qinyong (resigned with effect from August 21, 2020)	2/2	1/1
Ms. Gu Jianlu	4/4	1/1
Ms. Wu Daxiang	4/4	1/1
Ms. Gu Ruizhen (appointed on November 4, 2020)	1/1	0/0
Mr. Liu Yong (resigned with effect from November 4, 2020)	3/3	1/1

### *Practices and Conduct of Meetings*

Annual meeting schedules and draft agenda of each meeting will be made available to the Directors in advance.

Notices of regular Board meetings will be served to all of the Directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notices were generally given.

Board papers together with all appropriate, complete and reliable information will be sent to all of the Directors at least three days before each Board meeting or committee meeting to enable them to make informed decisions.

Each Director also has separate and independent access to the senior management of the Company whenever necessary.

The senior management of the Company attend all regular Board meetings and where necessary, other Board and committee meetings, to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company.

## Corporate Governance Report

The company secretary is responsible for keeping minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to the Directors for comment within a reasonable time after each meeting and the final version is open for the Directors' inspection.

The Articles of Association contain provisions requiring the Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

### **Corporate Governance Function**

The Board confirmed that corporate governance is a collective responsibility of the Directors, whose corporate governance functions includes:

- (a) review and monitor the Company's policies and practices in complying with legal and regulatory requirements;
- (b) review and monitor the training and continuous professional development of the Directors and senior management;
- (c) develop, review and monitor the code of conduct and compliance manual applicable to employees and the Directors;
- (d) develop and review the Company's corporate governance and practices, make recommendations and report on related issues to the Board;
- (e) review the Company's compliance with the corporate governance and disclosures in the Corporate Governance Report; and
- (f) review and monitor the Company's compliance with its whistleblowing policy.

### **Chairman and Chief Executive**

Code provision A.2.1 of the Corporate Governance Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. Zang currently serves as chairman of the Board and chief executive officer of the Company. He is responsible for formulation of business plans, strategies and other major decisions of the Group, as well as overall management of the Group. The Board believes that at the current stage of development of the Group, vesting the roles of both Chairman and the chief executive officer in the same person provides the Company with strong and consistent leadership, and allows for effective and efficient planning and implementation of business decisions and strategies. The Board also meets regularly on a quarterly basis to review the operations of the Company led by Mr. Zang. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced individuals. The Board currently comprises three executive Directors (including Mr. Zang), two non-executive Directors and three INEDs and therefore has a fairly strong independence element in its composition. Accordingly, the Board believes that this arrangement will not have impact on the balance of power and authorizations between the Board and the management of the Company.

## Corporate Governance Report

### Board Committees

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee, and the Nomination Committee, for overseeing particular aspects of the Company's affairs. All of these three committees are established with defined written terms of reference which are available at the website of the Stock Exchange and the Company.

The majority of the members of the Audit Committee, the Remuneration Committee, and the Nomination Committee are INEDs.

The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

### Audit Committee

The Company has established the Audit Committee with terms of reference in compliance with Rule 3.21 of the Listing Rules as well as paragraphs C.3 and D.3 of the Corporate Governance Code. The Audit Committee consists of three INEDs, namely Ms. Gu Jianlu, Ms. Wu Daxiang and Ms. Gu Ruizhen. The chairlady of the Audit Committee is Ms. Gu Jianlu, who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The Audit Committee meets at least twice a year pursuant to the terms of reference for the Audit Committee. The primary duties of the Audit Committee include, but are not limited to, assisting the Board by (i) making recommendation to the Board on the appointment, reappointment and removal of the external auditor; (ii) reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard; (iii) developing and implementing policy on engaging an external auditor to supply non-audit services; (iv) monitoring the integrity of the Company's financial statements, annual reports and accounts, interim reports, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in such statements, reports and accounts; (v) reviewing the Company's financial controls, internal control and risk management systems; and (vi) reviewing the Group's financial and accounting policies and practices.

Major works performed by the Audit Committee during the year ended December 31, 2020 were as follows:

- review the annual results of the Group for 2019;
- review the interim results of the Group for 2020;
- review the report of the auditor regarding audit plan and strategy of the Group; and
- review the financial reporting system, compliance procedures, internal control (including internal control of fraudulence risk of the Company and the management and identification of business conflict of substantial shareholder in listed companies), risk management system and procedures and re-appointment of external auditors. The Audit Committee also considered the COVID-19 impact on the Group. The Board did not deviate from any recommendations made by the Audit Committee regarding the selection, appointment, retirement or removal of external auditors.

## Corporate Governance Report

During the year ended December 31, 2020, the Audit Committee held 2 meetings and the attendance record of the Audit Committee members is set out in the table below:

<b>Name of Audit Committee Members</b>	<b>Attendance/ number of meetings held</b>
Ms. Gu Jianlu ( <i>Chairlady</i> )	2/2
Ms. Wu Daxiang	2/2
Ms. Gu Ruizhen (appointed on November 4, 2020)	0/0
Mr. Liu Yong (resigned with effect from November 4, 2020)	2/2

The Company's annual results for the year ended December 31, 2020 have been reviewed by the Audit Committee on March 25, 2021. The Audit Committee considers that the annual financial results for the year ended December 31, 2020 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made. All members of the Audit Committee attended the meeting, except Ms. Gu Ruizhen who was appointed on November 4, 2020.

### **Remuneration Committee**

The Company has established the Remuneration Committee with terms of reference in compliance with paragraph B.1 of the Corporate Governance Code. The Remuneration Committee consists of two INEDs, namely Ms. Gu Jianlu and Ms. Gu Ruizhen, as well as an executive Director, namely Mr. Zang. Ms. Gu Jianlu serves as the chairlady of the Remuneration Committee.

The Remuneration Committee meets at least once a year pursuant to the terms of reference for the Remuneration Committee. The primary duties of the Remuneration Committee include, but are not limited to, the following: (i) make recommendations to the Board on the Company's policy and structure for remuneration of all the Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy; (ii) make recommendations to the Board in relation to the remuneration of members of the Board who are non-executive directors; (iii) consult with the Chairman and/or the Chief Executive Officer of the Company and, where deemed appropriate, senior management members about the Committee's proposals relating to, and have the delegated responsibility to determine, the specific remuneration packages for the employment of all members of the Board who are executive directors and all senior management members; (iv) review and approve senior management's remuneration proposals with reference to the Board corporate goals and objectives; and (v) review and approve compensation arrangements relating to dismissal or removal of members of the Board and senior management members.

Major works performed by the Remuneration Committee during the year ended December 31, 2020 were as follows:

- make recommendations to the Board on the Company's remuneration policy; and
- review and approve senior management's remuneration proposals with reference to the Board corporate goals and objectives.

## Corporate Governance Report

During the year ended December 31, 2020, the Remuneration Committee held 2 meetings and the attendance record of the Remuneration Committee members is set out in the table below:

Name of Remuneration Committee Members	Attendance/ number of meetings held
Ms. Gu Jianlu ( <i>Chairlady</i> )	2/2
Mr. Zang	2/2
Ms. Gu Ruizhen (appointed on November 4, 2020)	0/0
Mr. Liu Yong (resigned with effect from November 4, 2020)	2/2

Details of the Directors' remuneration are set out in Note 10 to the Consolidated Financial Statements. In addition, the remuneration payable to the senior management of the Company (who are not the Directors) by band for the year ended December 31, 2020 are set out in the section headed "Corporate Governance Report – Remuneration of Senior Management" of this annual report.

### Nomination Committee

The Company has established the Nomination Committee with terms of reference in compliance with paragraph A.5 of the Corporate Governance Code. The Nomination Committee consists of two INEDs, namely Ms. Wu Daxiang and Ms. Gu Ruizhen, as well as one executive Director, namely Mr. Long Chao. Ms. Wu Daxiang serves as the chairlady of the Nomination Committee.

The Nomination Committee meets at least once a year pursuant to the terms of reference for the Nomination Committee. The primary duties of the Nomination Committee include, but are not limited to, (i) review the structure, size and composition of the Board, (ii) identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of individuals nominated for directorships; (iii) assess the independence of the INEDs; (iv) make recommendations to the Board on the appointment or re-appointment of directors; and (v) determine the policy, procedures and criteria for the nomination of directors with due regard for the benefits of diversity on the Board.

Major works performed by the Nomination Committee during the year ended December 31, 2020 were as follows:

- review the structure, size and composition (including skills, diversity, knowledge and experience) of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- assess the independence of INEDs; and
- make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive officer and the appointment of Ms. Gu Ruizhen on November 4, 2020 as an independent non-executive Director.

## Corporate Governance Report

During the year ended December 31, 2020, the Nomination Committee held 2 meetings and the attendance record of the Nomination Committee members is set out in the table below:

<b>Name of Nomination Committee Members</b>	<b>Attendance/ number of meetings held</b>
Ms. Wu Daxiang ( <i>Chairlady</i> )	2/2
Mr. Long Chao	2/2
Ms. Gu Ruizhen (appointed on November 4, 2020)	0/0
Mr. Liu Yong (resigned with effect from November 4, 2020)	2/2

### Nomination Policy

#### Objectives

The key objective of the Group's nomination policy is to identify and evaluate a candidate for nomination to (i) the Board for appointment; and (ii) the Shareholders for election, as a Director.

#### Nomination Criteria

The Nomination Committee shall consider a number of factors in making nominations, including but not limited to the following:

- (a) **Skills and Experience:** The candidate should possess the skills, knowledge and experience which are relevant to the operations of the Company and its subsidiaries.
- (b) **Diversity:** Candidates should be considered on merit and against objective criteria, with due regard to the diversity perspectives set out in the board diversity policy of the Company and the balance of skills and experience in Board composition.
- (c) **Commitment:** The candidate should be able to devote sufficient time to attend Board meetings and participate in induction, trainings and other board-associated activities. In particular, if the proposed candidate will be nominated as an INED and will be holding his/her seventh (or more) listed company directorship, the Nomination Committee should consider the reason given by the candidate for being able to devote sufficient time to the Board.
- (d) **Standing:** The candidate must satisfy the Board and Hong Kong Stock Exchange of that he/she has the character, experience and integrity, and is able to demonstrate a standard of competence commensurate with the relevant position as a Director.
- (e) **Independence:** The candidate to be nominated as an INED must satisfy the independence criteria set out in Rule 3.13 of the Listing Rules.

## Corporate Governance Report

### Nomination Procedures

If the Nomination Committee determines that an additional or replacement director is required, the Nomination Committee may take such measures that it considers appropriate in connection with its identification and evaluation of a candidate. The Nomination Committee may propose to the Board a candidate recommended or offered for nomination by a Shareholder as a nominee for election to the Board. On making recommendation, the Nomination Committee may submit the candidate's personal profile to the Board for consideration. The Board may appoint the candidate(s) as Director(s) to fill a casual vacancy(ies) or as an addition to the Board and recommend such candidate to Shareholders for election or re-election (where appropriate) at a general meeting of Shareholders.

### Board Diversity Policy

The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance. With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. Therefore, the Company has adopted a board diversity policy to ensure that the Company will, when determining the composition of the Board, consider board diversity in terms of, among other things, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All appointments by the Board will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The selection of candidates will be based on a series of diversity scopes, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be made according to the merits of candidates and their contribution to the Board.

As at the date of this annual report, the Board comprises eight Directors. Three of them are INEDs, thereby promoting critical review and control of the management process. The Board with a total of four female Directors is also characterised by significant diversity, whether considered in terms of gender, age, educational background, professional experience, skills, knowledge and length of service.

### Remuneration of Senior Management

The remuneration payable to the senior management of the Company (who are not the Directors) is shown in the following table by band:

<b>Band of remuneration (RMB)</b>	<b>Number of individuals</b>
Nil-300,000	0
300,001-700,000	1

## Corporate Governance Report

### Directors' Responsibilities for Financial Reporting

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2020.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other financial disclosures required by the Listing Rules and other regulatory requirements.

The senior management of the Company has provided such explanation and information to the Board as necessary to enable the Board to carry out an informed assessment of the financial information and position of the Company in order to put forward such information to the Board for approval.

### Independent Auditor and its Remuneration

The statement of the independent auditor of the Company about their reporting responsibilities for the financial statements is set out under the section headed "Independent Auditor's Report" in this annual report.

The independent auditor of the Company will be invited to attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditor's report and auditor's independence.

During the year ended December 31, 2020, the remuneration paid/payable to the independent auditor of the Company for the provision of audit services and non-audit services for the year ended December 31, 2020 are as below:

Type of services	Amount (RMB'000)
Audit services	2,500
Non-audit services	0
<b>Total</b>	<b>2,500</b>

### Risk Management and Internal Controls

The Board is responsible for the establishment and maintenance of sound and effective risk management and internal control systems that are in line with the strategic objective of the Group. The Group established risk management and internal control systems to protect the interests of the Group and the Shareholders ensure the Group is in compliance with relevant laws and regulations, effectively identify and manage significant risks in achieving its strategic objectives, protect the safety of the Group's assets, and ensure the maintenance of proper compliance accounting records and financial reports.

The executive Directors, with the coordination of the management of the Group, strive to develop, implement and maintain an internal control and risk management system by conducting on-going business reviews; evaluating significant risks faced by the Group; formulating appropriate policies, programs and authorization criteria; conducting business variance analyses of actual result versus business plan; undertaking critical path analyses to identify the impediments in attaining the corporate goals and initiating corrective measures; following up on isolated cases; identifying inherent deficiencies in the internal control system; and making timely remedies and adjustments to avoid recurrence of problems.



## Corporate Governance Report

The Board has entrusted the Audit Committee with the responsibility to oversee the risk management and internal control systems of the Group on an on-going basis and to review the effectiveness of the systems annually. The review covered all material controls, including financial, operational and compliance controls.

Under the Company's risk management and internal control structure, the Board is responsible for the design, implementation and maintenance of risk management and internal control systems to ensure, amongst others, (i) appropriate policies and control procedures have been designed and established to safeguard the Group's assets against improper use or disposal; (ii) relevant laws, rules and regulations are adhered to and complied with; and (iii) reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements.

The main features of risk management and internal control structure of the Company are as follows:

- Heads of major operation units or departments manage risks through identification and mitigating risks identified in accordance with the internal guidelines approved by the Board and the Audit Committee; and
- The management ensures appropriate actions are taken on major risks affecting the Group's businesses and operations.

The internal audit function of the Company monitors the internal governance of the Company and provides independent assurances as to the adequacy and effectiveness of the Company's risk management and internal control systems. The senior executive in charge of the internal audit function reports directly to the Audit Committee. The internal audit reports on control effectiveness are to be submitted to the Audit Committee in line with agreed audit plan approved by the Board. The senior executives in charge of the internal audit function attend meetings of the Audit Committee to explain the internal audit findings and responded to queries from members of the Audit Committee.

The Company has maintained internal guidelines for ensuring that inside information is disseminated to the public in an equal and timely manner in accordance with the applicable laws and regulations. Senior executives of the investor relations, corporate affairs and financial control functions of the Group are delegated with responsibilities to control and monitor the proper procedures to be observed on the disclosure of inside information. Access to inside information is at all times confined to relevant senior executives and confined on "need-to-know" basis. Relevant personnel and other professional parties involved are reminded to preserve confidentiality of the inside information until it is publicly disclosed. Other procedures such as pre-clearance on dealing in the Company's securities by Directors and designated members of the management, notification of regular blackout period and securities dealing restrictions to Directors and employees, and identification of project by code name have also been implemented by the Company to guard against possible mishandling of inside information within the Group.

The Company has adopted arrangement to facilitate employees and other stakeholders to raise concerns, in confidence, about possible improprieties in financial reporting, internal control or other matters. The Audit Committee reviews such arrangement regularly and ensures that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

## Corporate Governance Report

During the year ended December 31, 2020, the Company has adopted various measures to ensure the effective implementation of the internal control system, including through the half yearly review of the Group's internal control system and provision of guidance in respect of the internal control policies, responsibilities and duties of the listing company's directors and management under the Listing Rules and other applicable laws and regulations for the Directors, senior management and employees. The Board had reviewed the risk management and internal control system of the Group two times. During 2020, the Board has reviewed the effectiveness of the risk management and internal control system of the Group and considered it effective and adequate.

On the basis of the aforesaid, the Company is not aware of any significant issues that would have an adverse impact on the effectiveness and adequacy of the risk management and internal control of the Company.

The Board believes that, in the absence of any evidence to the contrary, the system of internal controls maintained by the Group provides reasonable assurance against material financial misstatements or loss, and includes the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practice, and the identification and containment of business risks.

### Communication with Shareholders and Investors

The Company considers that effective communication with the Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable the Shareholders and investors to make the best investment decisions.

The general meetings of the Company are expected to provide a forum for communication between the Board and the Shareholders. The chairman of the Board as well as chairmen of the Audit Committee, the Remuneration Committee, and the Nomination Committee and, in their absence, other members of the respective committees will be available to answer questions at the general meetings. The chairman of a meeting will provide the detailed procedures for conducting a poll and answer any questions from the Shareholders on voting by poll.

To promote effective communication, the Company maintains a website at [www.lvji.cn](http://www.lvji.cn), where information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are available for public access.

### Amendments to Constitutional Documents

The amended and restated memorandum of association of the Company was adopted and became effective from December 20, 2019, while the Articles of Association was adopted on December 20, 2019 and became effective from the Listing Date. During the period from the Listing Date and up to December 31, 2020, there was no change to the amended and restated memorandum of association of the Company and the Articles of Association.

## Corporate Governance Report

### Shareholders' Rights

To safeguard the Shareholders' interests and rights, separate resolutions are proposed at general meetings on each substantial issue, including the re-election of individual Directors. Meanwhile, the procedures for the Shareholders to (i) convene an extraordinary general meeting; (ii) put forward proposals at general meetings; and (iii) direct their enquiries to the Board are available.

In accordance with Article 66(1) of the Articles of Association, all resolutions put forward at a general meeting will be taken by poll save that the chairman may, in good faith, allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

In addition, the poll results will be posted on the websites of the Company and the Stock Exchange after the relevant general meeting.

### *Convening an Extraordinary General Meeting by Shareholders*

Pursuant to Article 58 of the Articles of Association, any 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 carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require 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 (2) months after the deposit of such requisition. If within twenty-one (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.

According to Article 59 of the Articles of Association, any extraordinary general meeting shall be called by not less than 14 clear days' notice and not less than 10 clear business days in writing. Subject to the requirement under the Listing Rules, the notice shall specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in case of special business, the general nature of the business to be considered at the meeting. Notice of every general meeting shall be given to all Shareholders other than to such Shareholders as, under the provisions of these Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, to all persons entitled to a share in consequence of the death or bankruptcy or winding-up of a Shareholder and to each of the Directors and the Auditors.

### *Putting Forward Proposals at General Meetings*

There is no single provision in the Articles of Association or the Cayman Islands Companies Law for the Shareholders to put forward proposals at general meetings. The Shareholders who wish to propose a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the preceding paragraph.

## Corporate Governance Report

### **Putting Forward Enquiries to the Board**

For putting forward any enquiries to the Board of the Company, the Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries. Shareholders may send their enquiries, concerns or requests to the Company at 31/F., 148 Electric Road, North Point, Hong Kong.

For the avoidance of doubt, the Shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. The information of the Shareholders may be disclosed as required by law.

### **Company Secretary**

Ms. Lam Shi Ping (“Ms. Lam”) of Boardroom, an external service provider, has been engaged by the Company as company secretary effective on August 20, 2019.

During the financial year ended December 31, 2020, Ms. Lam had undertaken no less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

The primary person at the Company with whom Ms. Lam has been contacting in respect of company secretarial matters during the Reporting Period is Ms. Sun Hongyan of the Group.

### **Going Concern**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to the Shareholders through the optimization of the debt and equity balance.

There are no material uncertainties relating to events or conditions that cast significant doubt upon the Company’s liability to continue as a going concern.

### **Corporate Governance Events after December 31, 2020**

Mr. Zhang Jun has tendered his resignation as a non-executive Director with effect from February 10, 2021 due to his other work commitments. Mr. Zhang has confirmed that he has no disagreement with the Board and there is no matter relating to his resignation that shall be brought to the attention of the Stock Exchange, the Directors and Shareholders.

Mr. Fan Baoguo has been appointed as a non-executive Director with effect from February 10, 2021. Further details have been set out in an announcement of the Company dated February 10, 2021.

## Independent Auditor's Report

### To the shareholders of Lvji Technology Holdings Inc.

(Incorporated in the Cayman Islands with limited liability)

### OPINION

We have audited the consolidated financial statements of Lvji Technology Holdings Inc. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 66 to 132, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, 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 ("HKSA") 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.

## Independent Auditor's Report (Cont'd)

## KEY AUDIT MATTERS (Cont'd)

Key audit matter	How our audit addressed the key audit matter
<b>Revenue recognition</b>	
<p>Revenue mainly comprised income from the sale of online tour guide through online travel agencies (the "OTAs") and Lvji APP, sale of online tour guide to travel agencies and sale of customized content.</p> <p>During the year, the Group generated revenue mainly from the sale of online tour guide through OTAs, which amounted to RMB281.7 million and accounted for approximately 95% of the Group's total revenue.</p> <p>The Group sells the online tour guide to end users through OTAs. End users will fully pay to OTAs before the online tour guide is activated. OTAs are entitled to withhold and deduct prescribed fixed percentages of the gross proceeds collected from the end users as their service fee and remit the remaining amounts to the Group. Accordingly, the Group records the payments collected from end users as revenue on a gross basis and concession fees retained by OTAs are recognized in cost of sales.</p> <p>Given the significant amount and volume of transactions, the involvement of intermediaries and the risk of overstatement of revenue, we considered revenue recognition a key audit matter.</p> <p>Information about revenue recognition is disclosed in notes 3 and 6 to the financial statements.</p>	<p>Our audit procedures included, among others, obtaining an understanding of the basis of revenue recognition and the overall transaction process adopted by management and testing management's key internal controls in relation to revenue recognition.</p> <p>On a sampling basis, we reviewed and checked the relevant supporting documentations, including the contracts, monthly reconciliation records, bank slips and invoices in relation to sale of online tour guide and customized content. We also obtained confirmations from key OTAs and performed cut-off tests.</p> <p>For sale of online tour guide through OTAs, we also performed, with the assistance of our IT specialists, data analyses on the end users' behavior with reference to the records of activation.</p> <p>We checked the adequacy of disclosures related to revenue.</p>

## Independent Auditor's Report (Cont'd)

### KEY AUDIT MATTERS (Cont'd)

Key audit matter	How our audit addressed the key audit matter
<b><i>Impairment assessment of other intangible assets</i></b>	
<p>The carrying value of other intangible assets amounted to approximately RMB588.4 million as at 31 December 2020. Under HKFRSs, the intangible assets with finite useful lives are reviewed to determine whether there are any indications of impairment at each reporting period end. An impairment test for the intangible assets with finite useful lives is required if there are such indications. The impairment test is based on the value in use of each of the other intangible assets.</p> <p>Management's assessment process was complex and significant judgement was involved, including the degree of subjectivity of expected future cash flow forecasts and the discount rate applied.</p> <p>Information about other intangible assets is disclosed in notes 3, 4 and 16 to the financial statements.</p>	<p>Our audit procedures included, among others, reviewing the Group's assessment of whether there had been any indications of impairment of other intangible assets with finite useful lives, evaluating management's periodic review of the useful lives of intangible assets and involving our internal valuation specialists to assist us in evaluating the models and assumptions used by the Group in the impairment tests of the intangible assets. We paid attention to the value in use of the respective other intangible assets, and the forecasts used with respect to future revenue and operating results by comparing the forecasts with the historical performance and market information about the future development of the tourism industry. We also evaluated the objectivity, competence and capability of the external valuer engaged by management.</p> <p>We checked the adequacy of disclosures related to other intangible assets.</p>

## Independent Auditor's Report (Cont'd)

### **OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT**

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

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

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

### **RESPONSIBILITIES OF 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 HKSAAs 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.



## Independent Auditor's Report (Cont'd)

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

As part of an audit in accordance with HKSAAs, 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.

## Independent Auditor's Report (Cont'd)

### **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)**

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

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

The engagement partner on the audit resulting in this independent auditor's report is Siu Fung Terence Ho.

Yours faithfully,

**Ernst & Young**

*Certified Public Accountants*

Hong Kong

25 March 2021

## Consolidated Statement of Profit or Loss

Year Ended 31 December 2020

	Notes	2020 (RMB'000)	2019 (RMB'000)
<b>REVENUE</b>	6	<b>295,051</b>	541,813
Cost of sales		<b>(220,373)</b>	(309,431)
<b>Gross profit</b>		<b>74,678</b>	232,382
Other income and gains	6	<b>9,929</b>	14,906
Selling and distribution expenses		<b>(39,273)</b>	(26,618)
Administrative expenses		<b>(72,822)</b>	(48,793)
Other expenses	8	<b>(71,018)</b>	(464)
Finance costs	9	<b>(338)</b>	(50)
<b>(LOSS)/PROFIT BEFORE TAX</b>	7	<b>(98,844)</b>	171,363
Income tax expense	12	<b>(1,803)</b>	(10,579)
<b>(LOSS)/PROFIT FOR THE YEAR</b>		<b>(100,647)</b>	160,784
<b>(LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO:</b>			
Owners of the parent		<b>(100,647)</b>	160,784
<b>(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic and diluted (RMB)	14	<b>(0.07)</b>	0.15

## Consolidated Statement of Comprehensive Income

Year Ended 31 December 2020

	2020 (RMB'000)	2019 (RMB'000)
<b>(LOSS)/PROFIT FOR THE YEAR</b>	<b>(100,647)</b>	160,784
<b>OTHER COMPREHENSIVE INCOME</b>		
<b>OTHER COMPREHENSIVE (LOSS)/INCOME THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS</b>		
Exchange differences on translation of financial statements	<b>(22,210)</b>	408
Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods	<b>(22,210)</b>	408
<b>OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX</b>	<b>(22,210)</b>	408
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR</b>	<b>(122,857)</b>	161,192
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR ATTRIBUTABLE TO:</b>		
Owners of the parent	<b>(122,857)</b>	161,192

## Consolidated Statement of Financial Position

31 December 2020

	Notes	2020 (RMB'000)	2019 (RMB'000)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	15	3,780	3,764
Other intangible assets	16	588,384	554,444
Right-of-use assets	17(a)	4,973	5,201
Financial assets at fair value through profit or loss	19	15,000	–
Other non-current assets	20	–	5,000
Total non-current assets		612,137	568,409
<b>CURRENT ASSETS</b>			
Trade receivables	21	20,497	47,488
Prepayments, deposits and other receivables	22	49,571	33,228
Amounts due from a related party	33(c)	80	–
Pledged deposit	23	350	350
Cash and cash equivalents	23	516,385	77,323
Total current assets		586,883	158,389
<b>CURRENT LIABILITIES</b>			
Trade payables	24	2,578	11,269
Other payables and accruals	25	15,002	17,529
Contract liabilities	26	2,712	2,780
Deferred income	27	2,031	549
Tax payable		29,618	23,508
Lease liabilities	17(b)	2,634	1,686
Total current liabilities		54,575	57,321
<b>NET CURRENT ASSETS</b>		<b>532,308</b>	101,068
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,144,445</b>	669,477
<b>NON-CURRENT LIABILITIES</b>			
Deferred income	27	1,481	1,343
Lease liabilities	17(b)	2,547	3,448
Total non-current liabilities		4,028	4,791
<b>Net assets</b>		<b>1,140,417</b>	664,686
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	28	100,648	758
Reserves	29	1,039,769	663,928
<b>Total equity</b>		<b>1,140,417</b>	664,686

Zang Wei Zhong  
Director

Sun Hong Yan  
Director

## Consolidated Statement of Changes in Equity

Year Ended 31 December 2019

	Attributable to owners of the parent					
	Share capital (RMB'000) (Note 28)	Merger reserve (RMB'000) (Note 29)	Statutory reserve (RMB'000) (Note 29)	Retained profits (RMB'000)	Exchange fluctuation reserve (RMB'000)	Total equity (RMB'000)
<b>As at 1 January 2019</b>	345	277,326	12,938	115,422	-	406,031
Profit for the year	-	-	-	160,784	-	160,784
Exchange differences on translation of financial statements	-	-	-	-	408	408
Total comprehensive income for the year	-	-	-	160,784	408	161,192
Issue of new shares	413	-	-	-	-	413
Contribution from the then equity holders of subsidiaries	-	100,000	-	-	-	100,000
Share issue expenses	-	(2,950)	-	-	-	(2,950)
Transfer from retained profits	-	-	16,279	(16,279)	-	-
<b>As at 31 December 2019</b>	758	374,376*	29,217*	259,927*	408*	664,686

**Consolidated Statement of Changes in Equity (Cont'd)**

Year Ended 31 December 2020

	Attributable to owners of the parent						Total equity (RMB'000)
	Share capital (RMB'000) (Note 28)	Share premium (RMB'000)	Merger reserve (RMB'000) (Note 29)	Statutory reserve (RMB'000) (Note 29)	Retained profits (RMB'000)	Exchange fluctuation reserve (RMB'000)	
<b>As at 1 January 2020</b>	<b>758</b>	<b>-</b>	<b>374,376</b>	<b>29,217</b>	<b>259,927</b>	<b>408</b>	<b>664,686</b>
Loss for the year	-	-	-	-	(100,647)	-	(100,647)
Exchange differences on translation of financial statements	-	-	-	-	-	(22,210)	(22,210)
Total comprehensive loss for the year	-	-	-	-	(100,647)	(22,210)	(122,857)
Issue of shares from initial public offering	<b>21,373</b>	<b>564,577</b>	-	-	-	-	<b>585,950</b>
Issue of shares under general mandate	<b>3,509</b>	<b>37,234</b>	-	-	-	-	<b>40,743</b>
Capitalisation issue	<b>75,008</b>	<b>(75,008)</b>	-	-	-	-	-
Share issue expenses	-	<b>(28,105)</b>	-	-	-	-	<b>(28,105)</b>
Transfer from retained profits	-	-	-	-	-	-	-
<b>As at 31 December 2020</b>	<b>100,648</b>	<b>498,698*</b>	<b>374,376*</b>	<b>29,217*</b>	<b>159,280*</b>	<b>(21,802)*</b>	<b>1,140,417</b>

\* These reserve accounts comprise the consolidated reserves of RMB1,039,769,000 (2019: RMB663,928,000) in the consolidated statement of financial position.

## Consolidated Statement of Cash Flows

Year Ended 31 December 2020

	Notes	2020 (RMB'000)	2019 (RMB'000)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>(98,844)</b>	171,363
Adjustments for:			
Finance costs	9	<b>338</b>	50
Bank interest income	7	<b>(7,585)</b>	(225)
Other interest income from short-term investments measured at fair value through profit or loss	7	<b>-</b>	(228)
Impairment of other intangible assets	7	<b>70,447</b>	-
Depreciation of items of property, plant and equipment	7	<b>1,734</b>	1,901
Depreciation of right-of-use assets	7	<b>2,220</b>	1,422
Amortization of other intangible assets	7	<b>75,283</b>	43,340
		<b>43,593</b>	217,623
(Increase)/decrease in trade receivables		<b>26,991</b>	(10,381)
(Increase)/decrease in prepayments, deposits and other receivables		<b>(12,366)</b>	(17,531)
Decrease in other non-current assets		<b>1,000</b>	-
Increase/(decrease) in other payables and accruals		<b>(2,527)</b>	8,375
(Decrease)/increase in contract liabilities		<b>(68)</b>	2,060
Increase/(decrease) in deferred income		<b>1,620</b>	(441)
(Increase)/decrease in a pledged deposit		<b>-</b>	(150)
		<b>58,243</b>	199,555
Cash generated from operations			
Interest received		<b>2,488</b>	225
Interest paid		<b>(338)</b>	(50)
Income tax refund/(paid)		<b>4,307</b>	(1,533)
Net cash flows from operating activities		<b>64,700</b>	198,197
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>			
Purchases of items of property, plant and equipment		<b>(829)</b>	(2,082)
Proceeds from disposal of items of property, plant and equipment		<b>79</b>	368
Additions to other intangible assets		<b>(189,361)</b>	(406,258)
Advances to related parties		<b>(80)</b>	(68,381)
Advances from related parties		<b>-</b>	99,294
Proceeds from short-term investments measured at fair value through profit or loss		<b>-</b>	73,296
Addition to short-term investments measured at fair value through profit or loss		<b>-</b>	(73,068)
Addition to investments measured at fair value through profit or loss		<b>(15,000)</b>	-
Net cash flows used in investing activities		<b>(205,191)</b>	(376,831)



**Consolidated Statement of Cash Flows (Cont'd)**

Year Ended 31 December 2020

	Notes	2020 (RMB'000)	2019 (RMB'000)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		<b>626,693</b>	413
Principal portion of lease payments	30(b)	<b>(1,945)</b>	(1,510)
Contribution from the then equity holders of subsidiaries		-	168,381
Share issue expenses		<b>(21,480)</b>	(2,950)
Net cash flows from financing activities		<b>603,268</b>	164,334
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		<b>462,777</b>	(14,300)
Cash and cash equivalents at beginning of year		<b>77,323</b>	91,441
Effect of foreign exchange rate changes, net		<b>(23,715)</b>	182
CASH AND CASH EQUIVALENTS AT END OF YEAR		<b>516,385</b>	77,323
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of cash flows and the consolidated statement of financial position		<b>516,385</b>	77,323

# Notes to Financial Statements

31 December 2020

## 1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 7 November 2018. The registered office address of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 17 January 2020 (the “Listing Date”).

The Company is an investment holding company. During the year, the Group was principally engaged in the business of providing online tour guide in the People’s Republic of China (the “PRC” or “Mainland China”). In the opinion of the directors of the Company, the ultimate controlling shareholder of the Group is Mr. Zang Weizhong (“Mr. Zang”), the Chairman and the Chief Executive Officer.

### Information about subsidiaries

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name	Place and date of incorporation/ registration and place of business	Nominal value of issued ordinary/ registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Zhonghexin Technology Holdings Limited	British Virgin Islands 13 November 2018	–	100%	–	Investment holding
Zitop Technology Holdings Limited	Hong Kong 19 November 2018	HKD10,000	–	100%	Investment holding
Guangzhou Zhixin Information Consultancy Limited* 廣州智鑫信息諮詢有限公司(i)	PRC/Mainland China 21 December 2018	RMB300,000,000	–	100%	Investment holding
Lvji Technology Group Company Limited * 驢跡科技集團有限公司(ii) (iii)	PRC/Mainland China 14 December 2013	RMB128,272,396	–	100%	Sale of online tour guide

## Notes to Financial Statements (Cont'd)

31 December 2020

## 1. CORPORATE INFORMATION (Cont'd)

## Information about subsidiaries (Cont'd)

Name	Place and date of incorporation/ registration and place of business	Nominal value of issued ordinary/ registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Huoer Guosi Lvji Software Technology Limited* 霍爾果斯驢跡軟件科技 有限公司(ii)	PRC/Mainland China 31 May 2017	RMB1,000,000	-	100%	Sale of online tour guide
Guangzhou Lvji International Travel Agency Limited* 廣州驢跡國際旅行社有限公司(ii)	PRC/Mainland China 31 January 2018	RMB1,000,000	-	100%	Sale of online tour guide
Guangxi Lvji Software Technology Limited* 廣西驢跡軟件科技有限公司(ii)	PRC/Mainland China 21 September 2018	RMB1,000,000	-	100%	Sale of customized content
Huoer Guosi Yuantai Technology Company Limited* 霍爾果斯元泰科技有限公司(ii)	PRC/Mainland China 6 November 2020	RMB1,000,000	-	100%	Sale of online tour guide
Lvji Technology (Beijing) Company Limited* 驢跡科技(北京)有限公司(ii)	PRC/Mainland China 14 September 2020	RMB5,000,000	-	100%	Technology consultation and service
Guangzhou Gaodeding Technology Company Limited* 廣州搞得定科技有限公司(ii)	PRC/Mainland China 17 November 2020	RMB1,000,000	-	100%	Sale of online tour guide

## Notes to Financial Statements (Cont'd)

31 December 2020

### 1. CORPORATE INFORMATION (Cont'd)

#### Information about subsidiaries (Cont'd)

Notes:

- (i) This entity is a wholly-foreign-owned enterprise established under the PRC Law.
  - (ii) These entities are limited liability enterprises established under the PRC Law.
  - (iii) This entity was renamed from Guangzhou Shi Lvji Technology Company Limited to Lvji Technology Group Company Limited on 18 September 2020.
- \* The English names of these companies represent the best effort made by the management of the Company to directly translate the Chinese names as they do not register any official English names.

### 2.1 BASIS OF PREPARATION

Through a group reorganization (the “Reorganization”) as set out in the section headed “History, Reorganization and Corporate structure” in the Prospectus dated 31 December 2019 for the public listing of the Company’s shares on the Stock Exchange, the Company became the holding company of the companies now comprising the Group on 29 July 2019. As the Reorganization involved inserting new holding companies at the top of an existing company and has not resulted in a change in economic substance, the consolidated financial statements have been prepared and presented as a continuation of the then holding company by applying the principles of merger accounting as if the Reorganization had been completed at the beginning of the year ended 31 December 2019.

These 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.

The financial statements have been prepared under the historical cost convention, except for financial asset 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 Group for the year ended 31 December 2020. 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).

## Notes to Financial Statements (Cont'd)

31 December 2020

### 2.1 BASIS OF PREPARATION (Cont'd)

#### Basis of consolidation (Cont'd)

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.

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.

If the Group loses control over a subsidiary, it derecognizes (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 recognizes (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 recognized 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.

## Notes to Financial Statements (Cont'd)

31 December 2020

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

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

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

- (a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.
- (b) 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.

## Notes to Financial Statements (Cont'd)

31 December 2020

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Cont'd)

- (c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. 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 hedging relationships.
- (d) 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 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 for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively. The amendments did not have any impact on the financial position and performance of the Group.
- (e) 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, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

## Notes to Financial Statements (Cont'd)

31 December 2020

**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	<i>Reference to the Conceptual Framework<sup>2</sup></i>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2<sup>1</sup></i>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>4</sup></i>
HKFRS 17	<i>Insurance Contracts<sup>3</sup></i>
Amendments to HKFRS 17	<i>Insurance Contracts<sup>3, 6</sup></i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current<sup>3, 5</sup></i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use<sup>2</sup></i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract<sup>2</sup></i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>4</sup> No mandatory effective date yet determined but available for adoption

<sup>5</sup> As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

<sup>6</sup> As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs may result in changes in accounting policies but the amendments are not expected to have any significant impact on the Group's financial statements.



## Notes to Financial Statements (Cont'd)

31 December 2020

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Fair value measurement

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, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized 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 recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

## Notes to Financial Statements (Cont'd)

31 December 2020

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than 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 the 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 recognized 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 recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized 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/amortization) had no impairment loss been recognized 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

## Notes to Financial Statements (Cont'd)

31 December 2020

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### Related parties (Cont'd)

- (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.

#### 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. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. 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 capitalized 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 recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

## Notes to Financial Statements (Cont'd)

31 December 2020

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### Property, plant and equipment and depreciation (Cont'd)

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 principal annual rates used for this purpose are as follows:

Furniture and fixtures	20.00%–33.33%
Leasehold improvements	20.00%–33.33%

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 method are reviewed, and adjusted if appropriate, at least at each financial year end.

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

Construction in progress represents fixtures under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction 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.

#### Other 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 amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

#### Copyrights

Copyrights are initially recognized and measured at cost. Copyrights are amortized on a straight-line basis over their estimated useful economic lives of 5 to 10 years.

## Notes to Financial Statements (Cont'd)

31 December 2020

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### Other Intangible assets (other than goodwill) (Cont'd)

##### *Computer software*

Expenditure on computer software is capitalized and amortized using the straight-line method over its estimated useful life of 10 years.

##### *Research and development costs*

All research costs are charged to the statement of profit or loss as incurred.

##### **Leases**

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 and leases of low-value assets. The Group recognizes 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 recognized 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 recognized, 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. 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.

## Notes to Financial Statements (Cont'd)

31 December 2020

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### Leases (Cont'd)

##### *Group as a lessee (Cont'd)*

##### *(b) Lease liabilities*

Lease liabilities are recognized 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 lease. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

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.

##### *(c) Short-term leases*

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., 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 recognized as an expense on a straight-line basis over the lease terms.

## Notes to Financial Statements (Cont'd)

31 December 2020

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### Investments and other financial assets

##### *Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortized 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 amortized cost or fair value through other comprehensive income, 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 amortized 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 recognized 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.

## Notes to Financial Statements (Cont'd)

31 December 2020

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### Investments and other financial assets (Cont'd)

##### *Subsequent measurement*

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

##### *Financial assets at amortized cost*

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in the statement of profit or loss when the asset is derecognized, modified or impaired.

##### *Financial assets 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 the statement of profit or loss.

##### *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 derecognized (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 assets. 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 recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes 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.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.



## Notes to Financial Statements (Cont'd)

31 December 2020

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### **Impairment of financial assets**

The Group recognizes 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 recognized 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.

## Notes to Financial Statements (Cont'd)

31 December 2020

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### Impairment of financial assets (Cont'd)

##### *General approach (Cont'd)*

Financial assets at amortized 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 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

##### *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 recognizes 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, or payables, as appropriate.

All financial liabilities are recognized 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 and lease liabilities.

## Notes to Financial Statements (Cont'd)

31 December 2020

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### Financial liabilities (Cont'd)

##### *Subsequent measurement*

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

##### *Financial liabilities at amortized cost (loans and borrowings)*

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

Amortized 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 amortization is included in finance costs in the statement of profit or loss.

##### *Derecognition of financial liabilities*

A financial liability is derecognized 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 recognized in the statement of 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 recognized amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

##### *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.

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.

## Notes to Financial Statements (Cont'd)

31 December 2020

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized 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 year, taking into consideration interpretations and practices prevailing in the countries 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.

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

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries where 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 recognized for all deductible temporary differences, and carryforward of unused tax credits and unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognized 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 utilized.

## Notes to Financial Statements (Cont'd)

31 December 2020

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### Income tax (Cont'd)

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 utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized 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 realized 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 realize 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.

#### Government grants

Government grants are recognized 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 recognized as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

#### Revenue recognition

##### *Revenue from contracts with customers*

The Group is engaged in the business of providing online tour guide and customized content.

Revenue from contracts with customers is recognized when control of the goods or 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 goods or services.

## Notes to Financial Statements (Cont'd)

31 December 2020

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)****Revenue recognition (Cont'd)*****Revenue from contracts with customers (Cont'd)******(a) Revenue from the sale of online tour guide through Online Travel Agencies (the "OTAs") and Lvji APP***

Revenue from the sale of online tour guide through OTAs and Lvji APP is recognized at the point in time when the guide is activated by the end user, i.e., when the end user is able to use and benefit from the online tour guide. It is considered that the Group is the principal in this arrangement as the Group controls the goods or services before that is transferred to the end users. The indicators that the Group controls the specified goods or services include, but are not limited to: (i) the Group is primarily responsible for fulfilling the promise to provide the online tour guide to end users; (ii) the Group has inventory risk before the online tour guide has been transferred to the end users; and (iii) the Group has discretion in establishing the price for the online tour guide.

The Group sells the online tour guides to end users through OTAs. End users will fully pay to OTAs before the online tour guide is activated. OTAs are entitled to withhold and deduct prescribed fixed percentages of the gross proceeds collected from the end users as their service fee and remit the remaining amounts to the Group. Accordingly, the Group records the payments collected from end users as revenue on a gross basis and concession fees retained by OTAs are recognized in cost of sales. The Group will perform monthly reconciliation with OTAs and the normal credit term is 45 days.

***(b) Revenue from the sale of online tour guide to travel agencies***

Revenue from the sale of online tour guide to travel agencies is recognized at the point in time when the right to use of the online tour guide is transferred to travel agencies, that is when the right to use the tour guide is granted to the customers. The Group considered that it has transferred the control of online tour guides when the right to use the tour guides is granted to travel agencies based on the following analysis: 1) the payments made by travel agencies are not refundable and the online tour guides are not allowed to be returned to the Group; 2) travel agencies have the ability to direct the use of the tour guide by deciding whether and how to sell to end users; 3) travel agencies obtain significant risks and rewards from the right to use the tour guides by either reselling the tour guides and obtaining all of the proceeds from the sale or using the tour guides themselves.

***(c) Revenue from the sale of customized content***

Revenue from the sale of customized content is recognized at the point in time when the content is checked and accepted by the customers, that is when control of the customized content is transferred to the customer.

## Notes to Financial Statements (Cont'd)

31 December 2020

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### Revenue recognition (Cont'd)

##### *Other income*

Interest income is recognized on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset.

Franchise income is recognized on a time proportion basis over the franchise terms.

##### **Contract assets**

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before the payment is due, a contract asset is recognized for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

##### **Contract liabilities**

A contract liability is recognized 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 recognized as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

##### **Employee benefits**

##### *Pension scheme*

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

##### **Dividends**

Final dividends are recognized 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 recognized immediately as a liability when they are proposed and declared.

## Notes to Financial Statements (Cont'd)

31 December 2020

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### Foreign currencies

These financial statements are presented in Renminbi because the Group's principal operations are carried out in Mainland China and Renminbi is the currency of the primary economic environment in which those entities operate. The functional currency of the Company is US dollars. 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 each reporting period. Differences arising on settlement or translation of monetary items are recognized 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 recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

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 recognizes 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.

The functional currencies of the Company and certain overseas subsidiaries are currencies other than Renminbi. 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 each reporting period and their profit or loss are translated into Renminbi at the weighted average exchange rates for the respective year.

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



## Notes to Financial Statements (Cont'd)

31 December 2020

### 4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's financial statements requires management to make 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.

#### Judgement

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

#### *Withholding tax arising from the distribution of dividends*

The Group did not accrue deferred tax liabilities in respect of withholding taxes arising from the future distributions of dividends by certain subsidiaries according to the relevant tax rules enacted in the jurisdictions in which the subsidiaries are domiciled and operate during the year. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings to foreign entities in the foreseeable future while the Group is expanding its business in Mainland China.

#### 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 non-financial assets (other than goodwill)*

The Group assesses whether there is any indication of impairment for all non-financial assets at the end of the reporting period. Non-financial assets 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 the Group's non-financial assets are disclosed in notes 15, 16 and 17(a) to the consolidated financial statements.

## Notes to Financial Statements (Cont'd)

31 December 2020

### 4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Cont'd)

#### Estimation uncertainty (Cont'd)

##### *Useful lives and amortization of other intangible assets*

The Group's management determines the estimated useful lives and related amortization for the Group's other intangible assets with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. Management will revise the amortization where useful lives are different to those of previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in useful lives and, therefore, amortization expense in future periods. The carrying value of other intangible assets as at 31 December 2020 amounted to RMB588,384,000 (2019: RMB554,444,000). Further details are set out in note 16 to the consolidated financial statements.

##### *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 debtor segments that have similar loss patterns.

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

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

##### *Current and deferred income tax*

The Group is subject to taxation in the PRC. Judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxation. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the periods in which such determination is made.

## Notes to Financial Statements (Cont'd)

31 December 2020

### 4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Cont'd)

#### Estimation uncertainty (Cont'd)

##### *Current and deferred income tax (Cont'd)*

Deferred income tax assets relating to certain temporary differences and tax losses are recognized as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and tax expense in the periods in which such estimate is changed.

### 5. OPERATING SEGMENT INFORMATION

The Group is principally an online tour guide provider in Mainland China.

HKFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-makers in order to allocate resources to segments and to assess their performance. The information reported to the directors of the Company, who are the chief operating decision-makers, for the purpose of resource allocation and assessment of performance, does not contain discrete operating segment financial information and the directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

#### **Geographical information**

During the year, since the majority of the Group's revenue and operating profit were generated from the sale of online tour guide and customized content in Mainland China, all of the Group's identifiable assets and liabilities were located in Mainland China, and overseas income from any individual district did not exceed 10% of total revenue, no geographical segment information in accordance with HKFRS 8 *Operating Segments* is presented.

#### **Information about major customers**

No revenue from a single end user, travel agency, tourist attraction administrator and government office contributed to 10% or more of the total revenue of the Group during the year.

## Notes to Financial Statements (Cont'd)

31 December 2020

**6. REVENUE, OTHER INCOME AND GAINS**

An analysis of revenue is as follows:

	2020 (RMB'000)	2019 (RMB'000)
<i>Revenue from contracts with customers</i>		
Sale of online tour guide through OTAs	<b>281,694</b>	522,185
Sale of online tour guide to travel agencies	<b>99</b>	10,276
Sale of online tour guide through Lvji APP	<b>256</b>	680
Sale of customized content	<b>13,002</b>	8,672
	<b>295,051</b>	541,813

**Revenue from contracts with customers****(i) Disaggregated revenue information**

	2020 (RMB'000)	2019 (RMB'000)
<b>Types of goods or services</b>		
Sale of online tour guide	<b>282,049</b>	533,141
Sale of customized content	<b>13,002</b>	8,672
	<b>295,051</b>	541,813
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	<b>295,051</b>	541,813

The following table shows the amounts of revenue recognized in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2020 (RMB'000)	2019 (RMB'000)
Revenue recognized that was included in contract liabilities		
Sale of customized content	<b>2,780</b>	720

## Notes to Financial Statements (Cont'd)

31 December 2020

**6. REVENUE, OTHER INCOME AND GAINS (Cont'd)****Revenue from contracts with customers (Cont'd)****(ii) Performance obligations**

Information about the Group's performance obligations is summarized below:

*Revenue from the sale of online tour guide through OTAs and Lvji APP*

The performance obligation is satisfied when the online tour guides are activated by end users. The end users make the payments in advance. OTAs reconcile and settle the payments received from the end users with the Group on a monthly basis and the credit term is usually 45 days.

*Revenue from the sale of online tour guide to travel agencies*

The performance obligation is satisfied when the right to use the online tour guide is transferred to travel agencies and travel agencies generally pay in advance.

*Revenue from the sale of customized content*

The performance obligation is satisfied when the content is checked and accepted by the customers and payment is generally due within 30 days from acceptance.

**Other income and gains**

	<b>2020</b>	2019
	<b>(RMB'000)</b>	(RMB'000)
Other income and gains		
Government grants (note (i))	<b>6,487</b>	12,423
Franchise income (note 27)	<b>2,667</b>	769
Interest income	<b>7,585</b>	225
Exchange (loss)/gain	<b>(6,974)</b>	1,260
Others	<b>164</b>	229
	<b>9,929</b>	14,906

Note (i): The amount represents subsidies received from local government authorities in connection with certain tax refunds and various industry-specific subsidies. There are no unfulfilled conditions relating to such government subsidies recognized.

## Notes to Financial Statements (Cont'd)

31 December 2020

**7. (LOSS)/PROFIT BEFORE TAX**

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

	<b>2020</b>	2019
	<b>(RMB'000)</b>	(RMB'000)
Concession fee	<b>140,847</b>	261,093
Depreciation of property, plant and equipment (note 15)	<b>1,734</b>	1,901
Depreciation of right-of-use assets (note 17(a))	<b>2,220</b>	1,422
Amortization of other intangible assets (note 16)	<b>75,283</b>	43,340
Impairment of other intangible assets (note 16)	<b>70,447</b>	–
Research and development costs	<b>13,584</b>	2,265
Listing expenses	<b>39,561</b>	18,012
Auditor's remuneration	<b>2,500</b>	1,600
Impairment of trade receivables (note 21)	<b>207</b>	(709)
Lease payments not included in the measurement of lease liabilities (note 17(c))	<b>32</b>	60
Employee benefit expense (including directors' remuneration (note 10))		
Wages and salaries	<b>30,362</b>	25,408
Pension scheme contributions (defined contribution scheme)	<b>370</b>	3,501
	<b>377,147</b>	357,893
Bank interest income	<b>(7,585)</b>	(225)
Other interest income from short term investments measured at fair value through profit or loss	<b>–</b>	(228)
Government grants	<b>(6,487)</b>	(12,423)

**8. OTHER EXPENSES**

An analysis of other expenses is as follows:

	<b>2020</b>	2019
	<b>(RMB'000)</b>	(RMB'000)
Impairment of other intangible assets (note 16)	<b>70,447</b>	–
Others	<b>571</b>	464
	<b>71,018</b>	464

## Notes to Financial Statements (Cont'd)

31 December 2020

**9. FINANCE COSTS**

An analysis of finance costs is as follows:

	<b>2020</b> <b>(RMB'000)</b>	2019 (RMB'000)
Interest portion of lease liabilities (note 17)	<b>338</b>	50

**10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION**

Directors' and chief executive's remuneration for the year, disclosed pursuant to 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:

	<b>2020</b> <b>(RMB'000)</b>	2019 (RMB'000)
Fees	-	-
Salaries, allowances and benefits in kind	<b>786</b>	555
Pension scheme contributions	<b>49</b>	67
	<b>835</b>	622

**(a) Independent non-executive directors**

	<b>Year ended 31 December 2020</b>			<b>Total</b> <b>(RMB'000)</b>
	<b>Fees</b> <b>(RMB'000)</b>	<b>Salaries, allowances and benefits in kind</b> <b>(RMB'000)</b>	<b>Pension scheme contributions</b> <b>(RMB'000)</b>	
<b>Non-executive directors:</b>				
Ms. Gu Jianlu	-	<b>59</b>	-	<b>59</b>
Ms. Gu Ruizhen	-	<b>12</b>	-	<b>12</b>
Ms. Wu Daxiang	-	<b>59</b>	-	<b>59</b>
Mr. Liu Yong*	-	<b>47</b>	-	<b>47</b>
	-	<b>177</b>	-	<b>177</b>

\* On 4 November 2020, Mr. Liu Yong resigned as independent non-executive directors of the Company.

There were no fees and other emoluments payable to the independent non-executive directors during 2019.

## Notes to Financial Statements (Cont'd)

31 December 2020

## 10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Cont'd)

## (b) Executive directors

	Year ended 31 December 2020			
	Fees (RMB'000)	Salaries, allowances and benefits in kind (RMB'000)	Pension scheme contributions (RMB'000)	Total (RMB'000)
<b>Executive directors:</b>				
Mr. Zang Weizhong*	-	112	9	121
Mr. Long Chao	-	280	20	300
Ms. Sun Hongyan	-	217	20	237
	-	609	49	658
	Year ended 31 December 2019			
	Fees (RMB'000)	Salaries, allowances and benefits in kind (RMB'000)	Pension scheme contributions (RMB'000)	Total (RMB'000)
<b>Executive directors:</b>				
Mr. Zang Weizhong*	-	117	15	132
Mr. Long Chao	-	297	35	332
Ms. Sun Hongyan	-	141	17	158
	-	555	67	622

\* Mr. Zang Weizhong who acted as an executive director of the Company was also chairman and chief executive officer of the Company for the year ended 31 December 2020.

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

There were no fees and other emoluments payable to the non-executive directors during the year (2019: Nil).



## Notes to Financial Statements (Cont'd)

31 December 2020

### 11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included nil director (2019: nil). Details of directors' remuneration are set out in note 10 above. Details of the remuneration for the year of the 5 (2019: 5) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	<b>2020</b> <b>(RMB'000)</b>	2019 (RMB'000)
Salaries, allowances and benefits in kind	<b>2,253</b>	2,742
Pension scheme contributions	<b>78</b>	164
	<b>2,331</b>	2,906

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

	<b>Number of employees</b>	
	<b>2020</b>	2019
Nil to HKD1,000,000	<b>5</b>	5

During the year, no highest paid employees waived or agreed to waive any remuneration and no remuneration was paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

### 12. INCOME TAX

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

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to income tax.

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.

The provision for Mainland China corporate income tax is based on the statutory rate of 25% of the assessable profits of the subsidiaries of the Group operating in Mainland China as determined in accordance with the PRC Corporate Income Tax Law, which was approved and became effective on 1 January 2008.

## Notes to Financial Statements (Cont'd)

31 December 2020

**12. INCOME TAX (Cont'd)**

Lvji Technology Group Company Limited (“Lvji Technology”) qualified as a “High-and-New Technology Enterprise” (“HNTE”) under the PRC Corporate Income Tax Law in December 2016. Lvji Technology is entitled to a preferential income tax rate of 15% for three years starting from December 2016, if the criteria for HNTE are met each year. After reapplication of HNTE in December 2019, Lvji Technology is entitled to a preferential income tax rate of 15% for three years starting from December 2019, if the criteria for HNTE are met each year.

Huoer Guosi Lvji Software Technology Limited (“Huoer Guosi Lvji”) was incorporated in Khorgos, Xinjiang, the PRC on 31 May 2017. According to the applicable regulations, Huoer Guosi Lvji is exempted from corporate income tax for four years from the first year of operation which was 2017.

Guangxi Lvji Software Technology Limited (“Guangxi Lvji”) was incorporated in Beihai, Guangxi, the PRC on 21 September 2018. According to the applicable regulations, Guangxi Lvji is entitled to a preferential income tax rate of 9% for three years from the first year of operation which was 2018.

The major components of income tax expense of the Group are as follows:

	<b>2020</b>	2019
	<b>(RMB'000)</b>	(RMB'000)
Current income tax – Mainland China	<b>2,956</b>	26,113
Overprovision in prior year	<b>(1,153)</b>	–
Reversal of CIT payment made in prior year (note (i))	–	(15,640)
Deferred income tax (note 18)	–	106
<b>Total tax charge for the year</b>	<b>1,803</b>	10,579

Note (i): This amount represented a one-off tax refund received from the local tax bureau in October 2019 with regard to Lvji Technology’s being awarded as a qualified software enterprise issued by Guangdong Software Industry Association covering one year from 10 June 2019 to 9 June 2020. Pursuant to MOF/STA PN [2019] No. 68 jointly released by the Ministry of Finance (“MOF”) and State Taxation Administration (“STA”) on 17 May 2019, Lvji Technology was then approved by local tax authorities to be entitled to a corporate income tax exemption for the year ended 31 December 2018.

## Notes to Financial Statements (Cont'd)

31 December 2020

### 12. INCOME TAX (Cont'd)

A reconciliation of the tax expense applicable to (loss)/profit before tax at the statutory rate in Mainland China to the tax expense at the effective tax rate, and a reconciliation of the standard tax rate to the effective tax rate, are as follows:

	2020		2019	
	(RMB'000)	%	(RMB'000)	%
(Loss)/profit before tax	<b>(98,844)</b>		171,363	
Tax at the statutory tax rate	<b>(14,262)</b>	<b>14.4</b>	42,841	25.0
Lower tax rates for specific provinces or enacted by local authority	<b>5,109</b>	<b>(5.2)</b>	(17,292)	(10.1)
Reversal of CIT payment made in prior year	–	–	(15,640)	(9.1)
Overprovision in prior year	<b>(1,153)</b>	<b>1.2</b>	–	–
Expenses not deductible for tax	<b>10,620</b>	<b>(10.7)</b>	1,220	0.7
Tax losses not recognized	<b>1,489</b>	<b>(1.5)</b>	455	0.3
Income not subject to tax	–	–	(1,005)	(0.6)
Tax charge at the Group's effective tax rate	<b>1,803</b>	<b>(1.8)</b>	10,579	6.2

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from 1 January 2008 and applies to earnings generated 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. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. The applicable tax rate of the Group is 10%. At the end of the reporting period, deferred tax has not been recognized for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such remaining earnings 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 recognized at 31 December 2020 was RMB195,290,000 (2019: RMB260,116,000). There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

### 13. DIVIDENDS

No dividend has been declared and paid by the Company and its subsidiaries during the year.

## Notes to Financial Statements (Cont'd)

31 December 2020

**14. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT**

The calculation of the basic (loss)/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 1,406,052,329 (2019: 1,100,000,000) in issue during the year, as adjusted for the assumption that 1,089,000,000 new shares issued pursuant to the Capitalisation Issue (as defined in note 28) had been issued on 1 January 2019.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2020 and 2019.

The calculations of basic and diluted earnings per share are based on:

	<b>2020</b> <b>(RMB'000)</b>	2019 (RMB'000)
<b>Earnings</b>		
(Loss)/profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	<b>(100,647)</b>	160,784
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculations	<b>1,406,052,329</b>	1,100,000,000

## Notes to Financial Statements (Cont'd)

31 December 2020

**15. PROPERTY, PLANT AND EQUIPMENT****31 December 2020**

	<b>Furniture and fixtures (RMB'000)</b>	<b>Leasehold improvements (RMB'000)</b>	<b>Construction in progress (RMB'000)</b>	<b>Total (RMB'000)</b>
At 1 January 2020:				
Cost	<b>5,698</b>	<b>1,227</b>	<b>161</b>	<b>7,086</b>
Accumulated depreciation	<b>(2,207)</b>	<b>(1,115)</b>	<b>-</b>	<b>(3,322)</b>
Net carrying amount	<b>3,491</b>	<b>112</b>	<b>161</b>	<b>3,764</b>
At 1 January 2020, net of accumulated depreciation	<b>3,491</b>	<b>112</b>	<b>161</b>	<b>3,764</b>
Additions	<b>1,696</b>	<b>30</b>	<b>103</b>	<b>1,829</b>
Disposals	<b>(79)</b>	<b>-</b>	<b>-</b>	<b>(79)</b>
Depreciation provided during the year	<b>(1,612)</b>	<b>(122)</b>	<b>-</b>	<b>(1,734)</b>
At 31 December 2020, net of accumulated depreciation	<b>3,496</b>	<b>20</b>	<b>264</b>	<b>3,780</b>
At 31 December 2020:				
Cost	<b>7,315</b>	<b>1,257</b>	<b>264</b>	<b>8,836</b>
Accumulated depreciation	<b>(3,819)</b>	<b>(1,237)</b>	<b>-</b>	<b>(5,056)</b>
Net carrying amount	<b>3,496</b>	<b>20</b>	<b>264</b>	<b>3,780</b>

**31 December 2019**

	<b>Furniture and fixtures (RMB'000)</b>	<b>Leasehold improvements (RMB'000)</b>	<b>Construction in progress (RMB'000)</b>	<b>Total (RMB'000)</b>
At 1 January 2019:				
Cost	3,887	1,148	337	5,372
Accumulated depreciation	(743)	(678)	-	(1,421)
Net carrying amount	3,144	470	337	3,951
At 1 January 2019, net of accumulated depreciation	3,144	470	337	3,951
Additions	1,842	79	161	2,082
Transfer from construction in progress	337	-	(337)	-
Disposals	(368)	-	-	(368)
Depreciation provided during the year	(1,464)	(437)	-	(1,901)
At 31 December 2019, net of accumulated depreciation	3,491	112	161	3,764
At 31 December 2019:				
Cost	5,698	1,227	161	7,086
Accumulated depreciation	(2,207)	(1,115)	-	(3,322)
Net carrying amount	3,491	112	161	3,764

## Notes to Financial Statements (Cont'd)

31 December 2020

## 16. OTHER INTANGIBLE ASSETS

31 December 2020

	Copyrights (RMB'000)	Computer software (RMB'000)	Total (RMB'000)
At 1 January 2020:			
Cost	614,308	138	614,446
Accumulated amortization	(59,985)	(17)	(60,002)
Net carrying amount	554,323	121	554,444
Cost at 1 January 2020, net of accumulated amortization	554,323	121	554,444
Additions	179,670	-	179,670
Impairment during the year	(70,447)	-	(70,447)
Amortization provided during the year	(75,269)	(14)	(75,283)
At 31 December 2020	588,277	107	588,384
At 31 December 2020:			
Cost	793,978	138	794,116
Accumulated amortization and impairment	(205,701)	(31)	(205,732)
Net carrying amount	588,277	107	588,384

31 December 2019

	Copyrights (RMB'000)	Computer software (RMB'000)	Total (RMB'000)
At 1 January 2019:			
Cost	224,531	31	224,562
Accumulated amortization	(16,658)	(4)	(16,662)
Net carrying amount	207,873	27	207,900
Cost at 1 January 2019, net of accumulated amortization	207,873	27	207,900
Additions	389,777	107	389,884
Amortization provided during the year	(43,327)	(13)	(43,340)
At 31 December 2019	554,323	121	554,444
At 31 December 2019:			
Cost	614,308	138	614,446
Accumulated amortization	(59,985)	(17)	(60,002)
Net carrying amount	554,323	121	554,444

## Notes to Financial Statements (Cont'd)

31 December 2020

### 16. OTHER INTANGIBLE ASSETS (Cont'd)

As of 31 December 2020, as a result of the outbreak of COVID-19 and limitation of traveling abroad, the management performed impairment testing on copyrights for online tour guides overseas. The recoverable amounts of each copyright have been determined based on the value in use and the pre-tax discount rate applied to the cash flow projections is 19.73%. As of 31 December 2020, the carrying amount of certain copyrights were written down to the recoverable amount of RMB174,869,000, with an impairment loss of RMB70,447,000 charged to profit or loss during the year ended 31 December 2020.

### 17. LEASES

#### The Group as a lessee

The Group entered into a long-term lease contract for a property lease with a lease term of 3 years. 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:

	2020 (RMB'000)	2019 (RMB'000)
Carrying amount at 1 January	5,201	1,659
Additions	1,992	4,964
Depreciation charge	(2,220)	(1,422)
Carrying amount at 31 December	4,973	5,201

#### (b) Lease liabilities

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

	2020 (RMB'000)	2019 (RMB'000)
Carrying amount at 1 January	5,134	1,680
New leases	1,992	4,964
Accretion of interest recognized during the year	338	50
Payments	(2,283)	(1,560)
Carrying amount at 31 December	5,181	5,134
Analyzed into:		
Current	2,634	1,686
Non-current	2,547	3,448
	5,181	5,134

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

## Notes to Financial Statements (Cont'd)

31 December 2020

**17. LEASES (Cont'd)****The Group as a lessee (Cont'd)**

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

	<b>2020</b>	2019
	<b>(RMB'000)</b>	(RMB'000)
Interest on lease liabilities	<b>338</b>	50
Depreciation charge of right-of-use assets	<b>2,220</b>	1,422
Expense relating to short-term leases (included in administrative expenses)	<b>32</b>	60
<b>Total amount recognized in profit or loss</b>	<b>2,590</b>	1,532

(d) The total cash outflow for leases are disclosed in note 30(c) to the financial statements.

**18. DEFERRED TAX ASSETS**

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

	<b>Impairment of financial assets</b>
	(RMB'000)
At 1 January 2019	106
Deferred tax charged to the statement of profit or loss during the year	(106)
Deferred tax assets at 31 December 2019 and 1 January 2020	-
Deferred tax credited to the statement of profit or loss during the year	-
Deferred tax assets at 31 December 2020	-

The Group has tax losses arising in Mainland China of RMB8,750,000 (2019: RMB2,799,000) as at 31 December 2020, which will expire in four to five years for offsetting against future taxable profits. The Group has tax losses arising in Hong Kong of RMB18,000 (2019: RMB6,000) as at 31 December 2020, which are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax assets have not been recognized in respect of these losses as they have arisen in subsidiaries that have been loss-making since the incorporation of these subsidiaries and it is not considered probable that taxable profits will be available against which the tax losses can be utilized.



**Notes to Financial Statements (Cont'd)**

31 December 2020

**18. DEFERRED TAX ASSETS (Cont'd)**

Deferred tax assets have not been recognised in respect of the following items:

	<b>2020</b> <b>(RMB'000)</b>	2019 (RMB'000)
Tax losses	<b>8,768</b>	2,805
Deductible temporary differences	<b>70,654</b>	–
	<b>79,422</b>	2,805

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

**19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>2020</b> <b>(RMB'000)</b>	2019 (RMB'000)
Fund investment	<b>15,000</b>	–

As further detailed in the Company's announcement on 15 December 2020, the Company contributed RMB15,000,000 out of the total subscribed capital contribution of RMB30,000,000 into Chongqing Chengyu Baijing Fund, a limited partnership where the Company acts as a limited partner as of the date of the announcement, pursuant to the Limited Partnership Agreement on 27 September 2020. The term of the fund shall be seven years commencing from the date of establishment and no longer than ten years if there is any extension. As of 31 December 2020, the investment fund filing and registration is still subject to approval by relevant authorities, and the fair value of the fund investment is close to the contribution of the Company.

## Notes to Financial Statements (Cont'd)

31 December 2020

**20. OTHER NON-CURRENT ASSETS**

	<b>2020</b> <b>(RMB'000)</b>	2019 (RMB'000)
Deposits and other receivables (note (i))	-	5,000

Note (i): During the year ended 31 December 2019, the Group entered into a service agreement with an independent third party service provider for rendering its professional service with regard to business development, product promotion and related activities for the Group, and as stipulated under the terms of the agreement, the Group made a down payment deposit amounting to RMB5,000,000 for a two-year service contract with duration from 1 July 2019 to 30 June 2021. As of 31 December 2020, RMB1,000,000 was utilized for the service received by the Group and the remaining balance of RMB4,000,000 represents the deposit for the duration within next twelve months and was reclassified as current assets.

**21. TRADE RECEIVABLES**

	<b>2020</b> <b>(RMB'000)</b>	2019 (RMB'000)
Trade receivables	<b>20,704</b>	47,488
Impairment of trade receivables	<b>(207)</b>	-
	<b>20,497</b>	47,488

The Group's trading terms with OTAs are mainly on credit. The credit period for OTAs is generally 45 days. Each OTA has a maximum credit limit. The credit period for other customers is generally 30 days. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimize credit risk. The Group does not hold any collateral or other credit enhancements 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 invoice date and net of provisions, is as follows:

	<b>2020</b> <b>(RMB'000)</b>	2019 (RMB'000)
Within 3 months	<b>19,532</b>	46,559
3 to 6 months	<b>297</b>	525
6 months to 1 year	<b>140</b>	404
Over 1 years	<b>528</b>	-
	<b>20,497</b>	47,488

## Notes to Financial Statements (Cont'd)

31 December 2020

### 21. TRADE RECEIVABLES (Cont'd)

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

	<b>2020</b> <b>(RMB'000)</b>	2019 (RMB'000)
At beginning of year	–	709
Impairment for the year	<b>207</b>	923
Impairment provision reversed for the year	–	(1,632)
At end of year	<b>207</b>	–

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. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. At the end of the reporting period, the probability of default is minimal for debtors other than defaulted receivables, with expected credit loss rates of 0.26% to 0.42%. Trade receivables for which the balances are overdue with ageing of more than a year and the counterparties failed to make the demanded repayments are defaulted receivables, which are fully provided.

### 22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<b>2020</b> <b>(RMB'000)</b>	2019 (RMB'000)
Prepayments to suppliers	<b>33,558</b>	7,930
Government grant receivable	<b>46</b>	12,063
Deferred listing expenses	–	6,625
Contract cost	<b>2,386</b>	3,694
Deposit (note 20 (i))	<b>4,000</b>	–
Interest receivable	<b>5,097</b>	–
Other receivables	<b>4,484</b>	2,916
	<b>49,571</b>	33,228

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default. The majority of the above balances were settled within 12 months and had no historical default. During the year, the Group estimated that the expected loss rate for the above receivables is insignificant.

## Notes to Financial Statements (Cont'd)

31 December 2020

**23. CASH AND CASH EQUIVALENTS AND A PLEDGED DEPOSIT**

	<b>2020</b>	2019
	<b>(RMB'000)</b>	(RMB'000)
Cash and bank balances	<b>516,735</b>	77,673
Less: Pledged deposit	<b>(350)</b>	(350)
Cash and cash equivalents	<b>516,385</b>	77,323

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB99,640,000 (2019: RMB54,873,000). 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 authorized to conduct foreign exchange business.

The pledged deposit was pledged to the government authorities for conducting tourist-related business in Mainland China.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

**24. TRADE PAYABLES**

	<b>2020</b>	2019
	<b>(RMB'000)</b>	(RMB'000)
Trade payables	<b>2,578</b>	11,269

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

	<b>2020</b>	2019
	<b>(RMB'000)</b>	(RMB'000)
Within 3 months	<b>2,422</b>	11,269
3 to 12 months	<b>29</b>	-
1 to 2 years	<b>127</b>	-
	<b>2,578</b>	11,269

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

## Notes to Financial Statements (Cont'd)

31 December 2020

**25. OTHER PAYABLES AND ACCRUALS**

	<b>2020</b>	2019
	<b>(RMB'000)</b>	(RMB'000)
Other payables	<b>6,073</b>	9,775
Payroll and welfare payables	<b>7,248</b>	6,094
Other tax payable	<b>1,681</b>	1,660
	<b>15,002</b>	17,529

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

**26. CONTRACT LIABILITIES**

Contract liabilities include unsatisfied performance obligations resulting from contracts of customized content for which the Group has received consideration at the end of the reporting period. Contract liabilities are recognized as revenue upon the Group satisfying its performance obligations under the relevant contracts.

	<b>2020</b>	2019
	<b>(RMB'000)</b>	(RMB'000)
Sale of customized content	<b>2,712</b>	2,780

The revenue to be recognized arising from the Group's contract liabilities is as follows:

	<b>2020</b>	2019
	<b>(RMB'000)</b>	(RMB'000)
Within one year	<b>2,712</b>	2,780

Movements in contract liabilities during the year are as follows:

	<b>2020</b>	2019
	<b>(RMB'000)</b>	(RMB'000)
At the beginning of the year	<b>2,780</b>	720
Additions	<b>12,704</b>	10,732
Revenue recognized during the year	<b>(12,772)</b>	(8,672)
At the end of the year	<b>2,712</b>	2,780

## Notes to Financial Statements (Cont'd)

31 December 2020

**26. CONTRACT LIABILITIES (Cont'd)**

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) are as follows:

	<b>2020</b> <b>(RMB'000)</b>	2019 (RMB'000)
Within one year	<b>2,712</b>	2,780

**27. DEFERRED INCOME**

	<b>2020</b> <b>(RMB'000)</b>	2019 (RMB'000)
At the beginning of the year	<b>1,892</b>	2,333
Additions	<b>4,287</b>	328
Released to franchise income (note 6)	<b>(2,667)</b>	(769)
At the end of the year	<b>3,512</b>	1,892
Less: Current portion	<b>(2,031)</b>	(549)
Non-current portion	<b>1,481</b>	1,343

Deferred income represents the payment received in advance from franchisees for the right to access the brand name of the Group. These franchise payments are released to other income and gains over the franchise period.

**28. SHARE CAPITAL****Shares**

	<b>2020</b> <b>(RMB'000)</b>	2019 (RMB'000)
Issued and fully paid: 1,463,650,000 (2019: 11,000,000) ordinary shares of US\$0.01 each	<b>100,648</b>	758

## Notes to Financial Statements (Cont'd)

31 December 2020

### 28. SHARE CAPITAL (Cont'd)

#### Shares (Cont'd)

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital (USD'000)	Share capital (RMB'000 Equivalent)
<b>Issued and fully paid:</b>			
At 1 January 2019 (note (a))	5,000,000	50	345
Issue of new shares (note (b))	6,000,000	60	413
At 31 December 2019 and 1 January 2020	11,000,000	110	758
Issue of shares from the initial public offering (note (c))	310,300,000	3,103	21,373
Capitalization issue (note (d))	1,089,000,000	10,890	75,008
Issue of shares under the general mandate (note (e))	53,350,000	534	3,509
At 31 December 2020	1,463,650,000	14,637	100,648

Note (a): The Company was incorporated in the Cayman Islands on 7 November 2018 to act as the holding company of the Group. The initial authorized share capital of the Company was US\$50,000 divided into 50,000 ordinary shares with a nominal value of US\$1.0 each. On the day of incorporation, one ordinary share was allotted and issued to the initial subscriber at par, which was then transferred on the same day to Lu Jia Technology Holdings Limited. On the same day of incorporation, an additional 46,536 ordinary shares and 3,463 ordinary shares were allotted and issued to Lu Jia Technology Holdings Limited and Invest Profit Holdings Limited, respectively, with the share capital fully paid at par in July 2019.

On 28 November 2018, the authorized share capital of the Company was increased to US\$200,000 divided into 200,000 ordinary shares of US\$1.0 each and each of the unissued and issued shares of US\$1.0 each in the authorized share capital of the Company was subdivided into 100 ordinary shares of US\$0.01 each. After such increase in authorized share capital and subdivision, 4,653,700 shares and 346,300 shares, representing 93.07% and 6.93% of all issued shares, were held by Lu Jia Technology Holdings Limited and Invest Profit Holdings Limited, respectively.

Note (b): On 25 July 2019, the Company entered into a reorganization agreement to allot and issue a total of 6,000,000 shares to the then shareholders of Lvji Technology Group Company Limited (previously known as Guangzhou Shi Lvji Technology Company Limited). Immediately after this allotment of shares on 29 July 2019, the Company became the holding company of the companies now comprising the Group.

Note (c): On the Listing Date, 310,300,000 new ordinary shares were issued in connection with the Company's initial offering on the Stock Exchange.

Note (d): Pursuant to a written resolution of the shareholders of the Company passed on 20 December 2019, a total of 1,089,000,000 shares of US\$0.01 each were allotted and issued at par value to the shareholders as of the date immediately before the Listing Date in proportion by way of capitalization of US\$10,890,000 (the "Capitalization Issue") from the Company's share premium account on the Listing Date.

Note (e): On 12 October 2020, the Company entered into the Subscription Agreements with the Subscribers, pursuant to which the Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue an aggregate of 53,350,000 Subscription Shares. On 28 October 2020, 53,350,000 new ordinary shares were issued according to the Subscription Agreements. The Subscription Shares were allotted and issued under the General Mandate.

## Notes to Financial Statements (Cont'd)

31 December 2020

**29. RESERVES**

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 69 and 70 of the financial statements.

**Statutory reserve**

In accordance with the PRC Company Law and the articles of association of the Group's PRC subsidiaries, a subsidiary registered in the PRC as a domestic company is required to appropriate 10% of its annual statutory net profit (after offsetting any prior years' losses) to the statutory surplus reserve. When the balance of this reserve fund reaches 50% of the entity's capital, any further appropriation is optional. The statutory surplus reserve can be utilized to offset prior years' losses or to increase capital. However, the balance of the statutory surplus reserve must be maintained at a minimum of 25% of the capital after these usages.

**Merger reserve**

The merger reserve of the Group represents the capital contribution from the then equity holders of the Group's subsidiaries. The additions represent the injection of additional paid-up capital by the then equity holders of the Group's subsidiaries, which were consolidated from the earliest date presented or since the date of incorporation of the subsidiaries.

**30. 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 RMB1,992,000 (2019: RMB4,964,000), in respect of new lease arrangements for a property.

**(b) Changes in liabilities arising from financing activities**

	<b>Lease liabilities</b> (RMB'000)
At 1 January 2020	5,134
Changes from financing cash flows	(1,945)
New leases	1,992
Interest expense	338
Interest paid classified as operating cash flows	(338)
At 31 December 2020	5,181



## Notes to Financial Statements (Cont'd)

31 December 2020

**30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Cont'd)****(b) Changes in liabilities arising from financing activities (Cont'd)**

	<b>Lease liabilities</b> (RMB'000)
At 1 January 2019	1,680
Changes from financing cash flows	(1,510)
New leases	4,964
Interest expense	50
Interest paid classified as operating cash flows	(50)
At 31 December 2019	5,134

**(c) Total cash outflow for leases**

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

	<b>2020</b> (RMB'000)	2019 (RMB'000)
Within operating activities	<b>370</b>	110
Within financing activities	<b>1,945</b>	1,510
	<b>2,315</b>	1,620

**31. COMMITMENTS**

At the end of the reporting period, save for RMB15,000,000 to be contributed into the Fund (note 19), the Group did not have any significant commitments.

**32. CONTINGENT LIABILITIES**

At the end of the reporting period, the Group did not have any significant contingent liabilities.

## Notes to Financial Statements (Cont'd)

31 December 2020

**33. RELATED PARTY TRANSACTIONS AND BALANCES**

The directors of the Company are of the view that the following parties/companies are related parties that had transactions or balances with the Group during the year.

**(a) Name and relationship**

<b>Name of related parties</b>	<b>Relationship with the Group and the Company</b>
Mr. Zang Weizhong ("Mr. Zang")	A substantial shareholder
Mr. Fan Baoguo ("Mr. Fan")	A substantial shareholder
Lu Jia Technology Holdings Limited ("Lu Jia")	A company controlled by Mr. Zang
Invest Profit Holdings Limited ("Invest Profit")	A company controlled by Mr. Fan
Jiangsu Outu Internet Technology Service Center ("Outu")	A company controlled by Mr. Zang

**(b) Related party transactions**

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	<b>2020 (RMB'000)</b>	2019 (RMB'000)
Advances from related parties:		
Outu	–	68,381
Mr. Zang	–	30,568
	–	98,949
Advances to related parties:		
Outu	–	68,381
Mr. Zang	80	–
	80	68,381

The advances from and to related parties are unsecured, interest-free and repayable on demand.

**(c) Outstanding balances with a related party**

The Group had the following balances with a related party:

	<b>2020 (RMB'000)</b>	2019 (RMB'000)
The Group		
Amounts due from a related party:		
Mr. Zang	80	–

The Company had no transactions or balances with related parties.

## Notes to Financial Statements (Cont'd)

31 December 2020

**33. RELATED PARTY TRANSACTIONS AND BALANCES (Cont'd)****(c) Outstanding balances with a related party (Cont'd)**

The maximum amounts due from related parties outstanding during the year are set out below:

	<b>2020</b> <b>(RMB'000)</b>	2019 (RMB'000)
Maximum amounts due from related parties outstanding:		
Mr. Zang	<b>80</b>	98,949
Outu	-	68,381
Lu Jia	-	321
Invest Profit	-	24
	<b>80</b>	167,675

The related party balances are non-trade in nature, unsecured, interest-free and repayable on demand.

**(d) Compensation of key management personnel of the Group**

	<b>2020</b> <b>(RMB'000)</b>	2019 (RMB'000)
Short-term employee benefits	<b>786</b>	1,384
Contributions to the pension scheme	<b>49</b>	130
	<b>835</b>	1,514

Further details of directors' and the chief executive's emoluments are included in note 10 to the financial statements.

## Notes to Financial Statements (Cont'd)

31 December 2020

**34. FINANCIAL INSTRUMENTS BY CATEGORY**

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

**2020****Financial assets**

	<b>Financial assets at fair value through profit or loss</b>		<b>Total (RMB'000)</b>
	<b>Mandatorily designated as such (RMB'000)</b>	<b>Financial assets at amortized cost (RMB'000)</b>	
The Group			
Trade receivables	–	20,497	20,497
Financial assets included in prepayments, deposits and other receivables	–	9,627	9,627
Amounts due from a related party	–	80	80
Pledged deposit	–	350	350
Financial assets at fair value through profit or loss	15,000	–	15,000
Cash and cash equivalents	–	516,385	516,385
	15,000	546,939	561,939

**Financial liabilities**

	<b>Financial liabilities at amortized cost (RMB'000)</b>
The Group	
Trade payables	2,578
Financial liabilities included in other payables and accruals	6,073
Lease liabilities	5,181
	13,832

**Notes to Financial Statements (Cont'd)**

31 December 2020

**34. FINANCIAL INSTRUMENTS BY CATEGORY (Cont'd)****2019*****Financial assets***

	<b>Financial assets at amortized cost</b> (RMB'000)
The Group	
Trade receivables	47,488
Financial assets included in prepayments, deposits and other receivables	14,979
Pledged deposit	350
Cash and cash equivalents	77,323
	140,140

***Financial liabilities***

	<b>Financial liabilities at amortized cost</b> (RMB'000)
The Group	
Trade payables	11,269
Financial liabilities included in other payables and accruals	9,775
Lease liabilities	5,134
	26,178

**35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS**

As at 31 December 2020, the fair values of the Group's financial assets or liabilities approximated to their respective carrying amounts.

Management has assessed that the fair values of cash and cash equivalents, a pledged deposit, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables, amounts due from related parties and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

## Notes to Financial Statements (Cont'd)

31 December 2020

**35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Cont'd)**

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

As at 31 December 2020	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (level 1) RMB'000	Significant observable inputs (level 2) RMB'000	Significant unobservable inputs (level 3) RMB'000	
Financial assets at fair value through profit or loss	-	-	15,000	15,000

**36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group's principal financial instruments comprise cash and cash equivalents and lease liabilities. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial instruments such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks which are summarized below.

**Interest rate risk**

The Group is exposed to interest rate risk in relation to lease liabilities at 31 December 2020. The Group's fair value interest rate risk is mainly concentrated on the fluctuations of the market rates from banks.

The Group has not used any interest rate hedging policy to mitigate its exposure associated with interest rate risk. However, the management of the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

In the opinion of the directors, the expected change in interest rate will not have a significant impact on the Group.

## Notes to Financial Statements (Cont'd)

31 December 2020

### 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

#### Foreign currency risk

The Group has currency exposures from its cash and cash equivalents.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the USD and HKD exchange rate, with all other variables held constant, of the Group's profit before tax (due to retranslation of monetary assets and liabilities).

	<b>(Decrease)/ increase in USD and HKD rate %</b>	<b>Increase/ (decrease) in profit before tax (RMB'000)</b>
2020		
If RMB weakens against USD	5	19,865
If RMB strengthens against USD	(5)	(19,865)
If RMB weakens against HKD	5	977
If RMB strengthens against HKD	(5)	(977)
2019		
If RMB weakens against USD	5	1,198
If RMB strengthens against USD	(5)	(1,198)
If RMB weakens against HKD	5	1
If RMB strengthens against HKD	(5)	(1)

#### Credit risk

The Group trades only with recognized and creditworthy third parties. It is the Group's policy that all debtors who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables and other receivables are disclosed in notes 21 and 22 to the financial statements, respectively.

Since the Group trades only with recognized and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by debtor. At the end of the reporting period, the Group had certain concentrations of credit risk with respect to trade receivables as follows:

## Notes to Financial Statements (Cont'd)

31 December 2020

**36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)****Credit risk (Cont'd)**

	<b>2020</b>	2019
Due from the largest debtor	<b>43%</b>	45%
Due from the five largest debtors	<b>88%</b>	93%

**Maximum exposure and year-end staging**

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

The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

**As at 31 December 2020**

	<b>12-month ECLs</b>	<b>Lifetime ECLs</b>			<b>Total (RMB'000)</b>
	<b>Stage 1 (RMB'000)</b>	<b>Stage 2 (RMB'000)</b>	<b>Stage 3 (RMB'000)</b>	<b>Simplified approach (RMB'000)</b>	
Trade receivables*	-	-	-	<b>20,704</b>	<b>20,704</b>
Amounts due from a related party	<b>80</b>	-	-	-	<b>80</b>
Financial assets included in prepayments, other receivables and other assets – Normal**	<b>9,627</b>	-	-	-	<b>9,627</b>
Pledged deposits – Not yet past due	<b>350</b>	-	-	-	<b>350</b>
Cash and cash equivalents – Not yet past due	<b>516,385</b>	-	-	-	<b>516,385</b>
	<b>526,442</b>	-	-	<b>20,704</b>	<b>547,146</b>



## Notes to Financial Statements (Cont'd)

31 December 2020

**36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)****Maximum exposure and year-end staging (Cont'd)***As at 31 December 2019*

	12-month ECLs		Lifetime ECLs		Total (RMB'000)
	Stage 1 (RMB'000)	Stage 2 (RMB'000)	Stage 3 (RMB'000)	Simplified approach (RMB'000)	
Trade receivables*	-	-	-	47,488	47,488
Financial assets included in prepayments, other receivables and other assets					
– Normal**	14,979	-	-	-	14,979
Pledged deposits					
– Not yet past due	350	-	-	-	350
Cash and cash equivalents					
– Not yet past due	77,323	-	-	-	77,323
	92,652	-	-	47,488	140,140

\* For trade receivables to which the Group applies the simplified approach for impairment, information is disclosed in note 21 to the financial statements, respectively.

\*\* The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

## Notes to Financial Statements (Cont'd)

31 December 2020

**36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)****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 lease liabilities.

The tables below summarize the maturity profile of the Group's financial liabilities at the end of the reporting period based on contractual undiscounted payments.

	<b>On demand</b> (RMB'000)	<b>Less than 3 months</b> (RMB'000)	<b>3 to 12 months</b> (RMB'000)	<b>1 to 5 years</b> (RMB'000)	<b>Total</b> (RMB'000)
<b>31 December 2020</b>					
Trade payables	-	<b>2,578</b>	-	-	<b>2,578</b>
Lease liabilities	-	<b>584</b>	<b>1,848</b>	<b>3,072</b>	<b>5,504</b>
Other payables	<b>6,073</b>	-	-	-	<b>6,073</b>
	<b>6,073</b>	<b>3,162</b>	<b>1,848</b>	<b>3,072</b>	<b>14,155</b>
<b>31 December 2019</b>					
Trade payables	-	11,269	-	-	11,269
Lease liabilities	-	412	1,364	3,681	5,457
Other payables	9,775	-	-	-	9,775
	9,775	11,681	1,364	3,681	26,501

**Capital management**

The primary objective of the Group's capital management is to ensure that it maintains a strong credit profile and healthy capital ratios in order to support its business and maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. 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 during the year.

## Notes to Financial Statements (Cont'd)

31 December 2020

### 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

#### Capital management (Cont'd)

The Group's capital includes total equity. The Group monitors capital using a debt-to-asset ratio. The debt-to-asset ratios as at the end of each of the reporting periods were as follows:

	As at 31 December	
	2020 (RMB'000)	2019 (RMB'000)
Total liabilities	58,603	62,112
Total assets	1,199,020	726,798
Debt-to-asset ratios	5%	9%

### 37. EVENTS AFTER THE REPORTING PERIOD

The outbreak of novel coronavirus ("COVID-19") in January 2020 has inevitably caused a certain impact on both the overall tourism market and business operation of the Group, mainly due to travel restrictions and other precautionary measures imposed by the relevant local authorities that resulted in temporary closure of tourist attraction areas, delays in commencement of work, temporary closure of business of suppliers and overall decline in market demand during the outbreak period. The Group's business operations have been heavily disrupted by the outbreak of COVID-19 and the subsequent precautionary measures as well as restrictions on tourism and travel imposed by countries and regions around the world.

The Group estimates that the degree of the COVID-19 impact will be dependent on the duration of epidemic and the outcome of preventive measures undertaken by the respective local authorities. Given the dynamic circumstances and uncertainties of the COVID-19 situation, the Group will keep continuous attention on the development of COVID-19 and react actively to its impacts on the operation and financial position of the Group, and in the event that there are any significant financial impacts, the Company will reflect it in the Group's 2021 interim and annual financial statements.

## Notes to Financial Statements (Cont'd)

31 December 2020

**38. 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:

	<b>2020</b> <b>(RMB'000)</b>	2019 (RMB'000)
<b>NON-CURRENT ASSETS</b>		
Investments in subsidiaries (note (i))	-	-
Total non-current assets	-	-
<b>CURRENT ASSETS</b>		
Amounts due from subsidiaries	<b>151,441</b>	-
Due from shareholders	<b>80</b>	-
Prepayments, deposits and other receivables	<b>5,096</b>	179
Cash and cash equivalents	<b>403,695</b>	22,450
Total current assets	<b>560,312</b>	22,629
<b>CURRENT LIABILITIES</b>		
Trade payables	<b>101</b>	-
Other payables and accruals	<b>416</b>	-
Amounts due to subsidiaries	-	22,050
Total current liabilities	<b>517</b>	22,050
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>559,795</b>	579
Net assets	<b>559,795</b>	579
<b>EQUITY</b>		
Share capital	<b>100,648</b>	758
Reserves (note (ii))	<b>459,147</b>	(179)
Total equity	<b>559,795</b>	579

## Notes to Financial Statements (Cont'd)

31 December 2020

### 38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Cont'd)

Note (i): Zhonghexin Technology Holdings Limited (“Lvji BVI”) was incorporated with limited liability in the British Virgin Islands (the “BVI”) on 13 November 2018 and was authorized to issue up to a maximum of 50,000 ordinary shares of a single class without par value. On the same day, 50,000 shares, representing all the issued shares of Lvji BVI, were issued and allotted to the Company.

Note (ii): A summary of the Company’s reserves is as follows:

	Share premium (RMB'000)	Accumulated losses (RMB'000)	Exchange fluctuation reserve (RMB'000)	Total equity (RMB'000)
<b>As at 1 January 2019</b>	–	–	–	–
Loss for the year	–	(187)	–	(187)
Other comprehensive income for the year	–	–	8	8
Total comprehensive loss for the year	–	(187)	8	(179)
<b>As at 31 December 2019 and 1 January 2020</b>	–	(187)	8	(179)
Loss for the year	–	(6,095)	–	(6,095)
Other comprehensive loss for the year	–	–	(33,277)	(33,277)
Total comprehensive loss for the year	–	(6,095)	(33,277)	(39,372)
Issue of shares from initial public offering	564,577	–	–	564,577
Issue of shares under general mandate	37,234	–	–	37,234
Capitalisation issue	(75,008)	–	–	(75,008)
Share issue expenses	(28,105)	–	–	(28,105)
<b>As at 31 December 2020</b>	<b>498,698</b>	<b>(6,282)</b>	<b>(33,269)</b>	<b>459,147</b>

### 39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the board of directors on 25 March 2021.

## Five-Year Performance Review

### RESULTS

	Year ended December 31,				
	2020 (RMB'000)	2019 (RMB'000)	2018 (RMB'000)	2017 (RMB'000)	2016 (RMB'000)
REVENUE	<b>295,051</b>	541,813	301,692	71,613	13,479
Gross profit	<b>74,678</b>	232,382	141,153	34,198	6,432
(LOSS)/PROFIT BEFORE TAX	<b>(98,844)</b>	171,363	115,794	29,817	5,138
(LOSS)/PROFIT FOR THE YEAR	<b>(100,647)</b>	160,784	99,783	25,560	3,843

### ASSETS AND LIABILITIES

	As of December 31,				
	2020 (RMB'000)	2019 (RMB'000)	2018 (RMB'000)	2017 (RMB'000)	2016 (RMB'000)
<b>ASSETS</b>					
Non-current assets	<b>612,137</b>	568,409	213,616	61,490	9,079
Current assets	<b>586,883</b>	158,389	241,685	30,958	14,591
Total assets	<b>1,199,020</b>	726,798	455,301	92,448	23,670
<b>EQUITY</b>					
Equity attributable to owners of the parent	<b>1,140,417</b>	664,686	406,031	77,577	21,017
Total equity	<b>1,140,417</b>	664,686	406,031	77,577	21,017
<b>LIABILITIES</b>					
Non-current liabilities	<b>4,028</b>	4,791	1,546	3,484	386
Current liabilities	<b>54,575</b>	57,321	47,724	11,387	2,267
Total liabilities	<b>58,603</b>	62,112	49,270	14,871	2,653
Total equity and liabilities	<b>1,199,020</b>	726,798	455,301	92,448	23,670

## Definition

In this annual report, unless the context otherwise require, the following expressions shall have the following meaning:

“2019”	the year ended December 31, 2019
“2020”	the year ended December 31, 2020
“AGM”	the 2021 annual general meeting of the Company to be held on June 25, 2021 or any adjournment thereof
“AI”	artificial intelligence
“API”	application programming interface, a set of clearly defined methods of communication between various software components
“APP”	application software designed to run on smartphones and other mobile devices
“AR”	augmented reality
“Articles of Association”	the articles of association of the company adopted on December 20, 2019 and effective on January 17, 2020 and as amended from time to time
“Audit Committee”	the audit committee of the Board
“Board”	the board of directors of the Company
“BOCIFP”	BOCI Financial Products Limited (中銀國際金融產品有限公司) (formerly known as Binten Inc.), a company incorporated in the BVI with limited liability on June 15, 2000
“China” or “PRC”	the People’s Republic of China, except where the context requires otherwise and only for the purposes of this annual report, excluding Hong Kong, the Macao Special Administrative the purposes of this annual report, excluding Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “Lvji”	Lvji Technology Holdings Inc. (驢跡科技控股有限公司), an exempted company with limited liability incorporated on November 7, 2018 in the Cayman Islands

## Definition

“Controlling Shareholders”	has the meaning ascribed thereto in the Listing Rules and unless the context otherwise requires, refers to Mr. Zang, Lu Jia Technology, Mr. Fan, Invest Profit, Qifu Honglian LLP, Qifu Honglian BVI, Jieming Sanhao LLP and Jieming Sanhao BVI
“Corporate Governance Code”	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
“COVID-19”	2019 novel coronavirus disease
“Director(s)”	the director(s) of the Company
“GAAP”	generally accepted accounting principles
“Global Offering”	the offering of the Company’s Shares as described in the Prospectus
“Guangxi Lvji”	廣西驢跡軟件科技有限公司 (Guangxi Lvji Software Technology Limited*), a company established in the PRC with limited liability on September 21, 2018 and an indirect wholly-owned subsidiary of our Company
“Guangzhou Lvji”	廣州驢跡國際旅行社有限公司 (Guangzhou Lvji International Travel Agency Limited*), a company established in the PRC with limited liability on January 31, 2018 and an indirect wholly-owned subsidiary of our Company
“H5”	a mark-up language used for structuring and presenting content on the World Wide Web, the fifth and current major version of the HTML standard
“HKD” or “HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standard(s) (including HKASs and Interpretation) issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited



## Definition

“Huoer Guosi Lvji”	霍爾果斯驢跡軟件科技有限公司 (Huoer Guosi Lvji Software Technology Limited*), a company established in the PRC with limited liability on May 31, 2017 and an indirect wholly-owned subsidiary of our Company
“ICP License”	Value added Telecommunications Services Operating Permit for Internet information services
“INEDs”	the independent non-executive Directors
“Invest Profit”	Invest Profit Technology Holdings Limited, a company incorporated in the BVI with limited liability on November 6, 2018 which is wholly owned by Mr. Fan and our Controlling Shareholder
“Jieming Sanhao BVI”	Jieming Culture & Travel Investment Ltd. (捷銘文旅投資有限公司), a company incorporated in the BVI with limited liability on January 2, 2019 which is wholly owned by Jieming Sanhao LLP and our Controlling Shareholder
“Jieming Sanhao LLP”	廣州市捷銘參號投資企業(有限合夥) (Guangzhou Jieming No. 3 Investment Enterprise (Limited Partnership)*), a limited partnership established in the PRC on May 26, 2016, a Pre-IPO Investor and our Controlling Shareholder
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange, which occurred on the Listing Date
“Listing Date”	January 17, 2020, the date on which the Shares are listed on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Lu Jia Technology”	Lu Jia Technology Holdings Limited, a company incorporated in the BVI with limited liability on November 6, 2018 which is wholly owned by Mr. Zang and our Controlling Shareholder
“Lvji Technology”	Lvji Technology Group Co. LTD (驢跡科技集團有限公司) (formerly known as 廣州市驢跡科技有限責任公司), a company established in the PRC with limited liability on December 14, 2013 and an indirect wholly-owned subsidiary of our Company

## Definition

“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“Mr. Fan”	樊保國 (Fan Baoguo*), a PRC resident, a non-executive Director and our Controlling Shareholder
“Mr. Zang”	臧偉仲 (Zang Weizhong*), a PRC resident and an executive Director, chairman of the Board, chief executive officer and our Controlling Shareholder
“Nomination Committee”	nomination committee of the Board
“OTA”	online travel agency
“Qifu Honglian BVI”	QF HL LJ Limited, a company incorporated in the BVI with limited liability on November 13, 2018 which is wholly owned by Qifu Honglian LLP and our Controlling Shareholder
“Qifu Honglian LLP”	長興啟賦宏聯投資管理合夥企業(有限合夥) (Changxing Qifu Honglian Investment Management (Limited Partnership)*), a limited partnership established in the PRC on June 29, 2016, a Pre-IPO Investor and our Controlling Shareholder
“Prospectus”	the prospectus dated December 31, 2019 issued by the Company
“R&D”	research and development
“Remuneration committee”	the remuneration committee of the Board
“Reorganization”	the reorganization arrangements undertaken by the Group in preparation for the Listing
“Reporting Period”	the year ended December 31, 2020
“RMB”	Renminbi, the lawful currency of China
“SaaS”	software as a service, a cloud-based software licensing and delivery model in which software and associated data are centrally hosted

## Definition

“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) in the share capital of the Company, currently of nominal value US\$0.01 each
“Shareholder(s)”	holder(s) of the Share(s)
“Share Option Scheme”	a share option scheme adopted by the then shareholders of the Company by way of written resolution on December 20, 2019
“substantial shareholder(s)”	has the meaning ascribed to it in the Listing Rules
“VAT”	value-added tax
“VR”	virtual reality
“USD” or “US dollars” or “US\$”	United States dollars, the lawful currency of the United States of America
“Yongtai BVI”	Sunrise Boulevard Investments Limited, a company incorporated in the BVI with limited liability on June 12, 2019 which is wholly owned by Yongtai LLP
“Yongtai LLP”	深圳前海春華永泰企業管理諮詢合夥企業(有限合夥) (Shenzhen Qianhai Sunrise Boulevard Enterprise Management Consultancy Limited Partnership*), a limited partnership established in the PRC with limited liability on May 24, 2019

\* *The names of the PRC established companies or entities have been included in this annual report in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail. The English translation of company names in Chinese which are marked with “\*” are for identification purposes only.*