途屹控股

TU YI HOLDING COMPANY LIMITED
途屹控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1701

ANNUAL REPORT 2021

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

Mr. Zhao Jianbo
Ms. Zhou Li
Mr. Zheng Cheng
Mr. Ying Luming

COMPANY SECRETARY

Mr. Yip Ngai Hang, Henry, FCPA, FCCA

AUDITOR

McMillan Woods (Hong Kong) CPA Limited
Certified Public Accountants
Registered Public Interest Entity Auditor

LEGAL ADVISORS

As to Hong Kong laws
Jingtian & Gongcheng LLP
Suites 3203-3207, 32/F., Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

PRINCIPAL BANKERS

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

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Room 813, 8/F., Block 4
Hai Chuang Technology Centre
No. 1288 Wenyi West Road
Cangqian Sub-district
Yuhang District Hangzhou City
Zhejiang Province, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR & TRANSFER OFFICE

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

WEBSITE

http://www.tuyigroup.com

STOCK CODE

1701

The outbreak of the novel coronavirus ("**COVID-19**") and its global pandemic (the "**Pandemic**") persisted in 2021 and have been bringing unprecedented adverse impacts to the Tu Yi Holding Company Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") and the tourism and hospitality industry. Following the review and continuous assessment of the Group's business position, strategies, competitive advantages and marketing approaches for the purpose of ensuring a balanced portfolio of revenue-generating activities to mitigate the existing risks pertaining to the Group's business by the management of the Group in 2020, the Group has put more investment in and focus on its e-commerce business platform – the online Japanese-lifestyle-oriented cross-border duty-free shop business under its brand "**Direct Courier from Shop Manager**" ("**店長直郵**") since 2021. During the year ended 31 December 2021 ("**Year Under Review**"), the overall revenue of the Group decreased to approximately RMB20.8 million, representing a decrease of approximately 32.7% as compared to that for the year ended 31 December 2020 and the net loss attributable to shareholders amounted to approximately RMB40.6 million, as compared to RMB45.3 million for the year ended 31 December 2020. In view of the net loss the Group made during the Year Under Review, the Board will not recommend the payment of a final dividend for the year ended 31 December 2021.

BUSINESS REVIEW AND PROSPECTS

The Group is a well-established and active outbound travel products and service provider in the People's Republic of China (the "**PRC**"), focusing on the design, development and sale of Japan outbound travel package tours and day tours and outbound free independent traveler products (the "**FIT Products**"); the provision of visa application processing services and other ancillary travel-related products and services; and the operation of self-owned Shuzenji Onsen Hotel Takitei (the "**Shizuoka Hotel**") and Hotel Comfact (the "**Tokyo Hotel**") in Japan (collectively, the "**Hotel Operation**"). However, the Group has been suspending its sales of outbound packaged tours and outbound FIT Products since January 2020 and up to the date of this report pursuant to the notices issued by the General Office of the Ministry of Culture and Tourism (文化和旅遊部辦公廳) dated 24 January 2020 and the Hangzhou City Culture, Radio, Television and Tourism Bureau (杭州市文化廣電旅遊局) dated 25 January 2020.

During the Year Under Review, the Group has continued to invest in and focus on "Direct Courier from Shop Manager" ("**店長直郵**") line of business (the "**Duty-free Shop Business**") and the revenue from the Duty-free Shop Business increased by approximately 38.4% from approximately RMB13.1 million in 2020 to approximately RMB18.1 million in 2021, primarily due to (i) the broadened media coverage, enhanced IT platform and simplified the ordering processes for "Direct Courier from Shop Manager", which increased the overall customers' satisfaction and reordering rate; (ii) more cross-selling among the online platform had been conducted leveraging on the Group's in-depth understanding of customers' preferences in products; and (iii) the expansion of the Group's business to products design and manufacturing for certain hot items in order to ensure stable supplies and maximise the gross profit margins for these items. For instance, the Group has founded its own brand "HDL Facial Mask" in 2021 and has launched its sales to both domestic and Japan markets since 2021.

The Hotel Operation has been challenging in 2021 given the lockdown measures and other travel restrictions imposed by governments in various countries since 2020. Nevertheless, the Group has been taking the opportunity to maintain the operation of the Tokyo Hotel by operating it as a designated quarantine hotel.

Looking ahead to 2022, given that lockdown measures and other travel restrictions like flights suspension and border closure of certain countries are expected to last for a certain period of time, the Group will continue to invest in and focus on the Duty-free Shop Business by building up its own product brands and expanding its products design and manufacturing capabilities to enhance its product variety. The management of the Group believes that such strategy is fundamental to mitigate the risks pertaining to the Group's business in a long term and enable the Group to readily capture the first wave of rebound of travel demand after lockdown measures and travel restrictions are lifted.

FINANCIAL REVIEW

Revenue and gross profit margin

The breakdown by revenue type in terms of revenue, average revenue per traveller ("**ART**") and gross profit margin during the Years Under Review are set forth below:

	For the year ended 31 December 2021				For the year ended 31 December 2020			
	Revenue	**ART**	**Percentage of revenue**	**Gross profit margin**	Revenue	ART	Percentage of revenue	Gross profit margin
	RMB'000	***RMB***			*RMB'000*	*RMB*		
Sales of package tours								
– Japan	**–**	**–**	**–**	**N/A**	2,407	5,798	7.8%	-175%
– Other than Japan	**1,442**	**4,790**	**6.9%**	**30%**	1,016	3,375	3.3%	-15%
Sales of day tours – Japan	**–**	**–**	**–**	**N/A**	8,916	229	28.9%	15%
Margin income from sales of FIT Products (net basis)								
– Japan	**–**	**–**	**–**	**N/A**	691	430	2.2%	N/A
– Other than Japan	**187**	**8**	**0.9%**	**98%**	–	–	0.0%	N/A
Margin income from the provision of visa application processing service (net basis)	**–**	**–**	**–**	**N/A**	225	18	0.7%	N/A
Hotel Operation	**1,040**	**432**	**5.0%**	**-103%**	4,524	340	14.7%	-52%
Duty-free Shop Business	**18,120**	**201**	**87.2%**	**16%**	13,090	328	42.4%	28%
	20,789		**100%**		30,869		100%	

Duty-free Shop Business

The Group operates its Duty-free Shop Business in the premise of the Tokyo Hotel, together with its online Duty-free Shop Business under the name Direct Courier from Shop Manager (" **店長直郵** "). The revenue of the Duty-free Shop Business grew substantially by approximately 38.4% during the Year Under Review as compared to that for the year ended 31 December 2020, primarily attributable to the reasons in mentioned in the business review above.

Selling and distribution expenses

The Group's selling and distribution expenses decreased by approximately RMB5.2 million for the year ended 31 December 2021 as compared to that for the year ended 31 December 2020, as the Group reduced its marketing expenses for the sales of outbound packaged tours and outbound FIT Products.

Other income and gains, net

Other income and gains, net consist mainly of other interest income, foreign exchange (loss)/gains, net, fair value change of financial assets at fair value through profit or loss and changes in fair value of investment properties. The decrease of other income and gains, net for the year ended 31 December 2021 as compared to that for the year ended 31 December 2020, which was mainly due to the inclusion of foreign exchange loss of approximately RMB4.1 million. The occurrence of significant foreign exchange loss is temporary and one-off as it mainly represented the fact that the Group suspended its RMB-generating activities, namely the sales of outbound packaged tours and outbound FIT Products for the time being and mainly received Japanese yen ("**JPY**") from its sales generated from the Duty-free Shop Business.

Administrative expenses and other expenses

Administrative expenses consist mainly of staff related costs, various local taxes, depreciation, operating lease rental expenses, audit fee and miscellaneous expenses. Administrative expenses and other expenses increased by approximately RMB7.2 million in aggregate for the year ended 31 December 2021 as compared to that for the year ended 31 December 2020, which was mainly due to loss on modification of leases in 2021.

IMPACTS OF THE PANDEMIC ON THE GROUP

Following the notices issued by the General Office of the Ministry of Culture and Tourism (文化和旅遊部辦公廳) dated 24 January 2020 and the Hangzhou City Culture, Radio, Television and Tourism Bureau (杭州市文化廣電旅遊局) dated 25 January 2020, which require suspension of all packaged tours and FIT Products, the Group has been suspending its sales of outbound packaged tours and outbound FIT products since January 2020 and up to the date of this report.

The Group has been focusing on the online Duty-free Shop Business under the name Direct Courier from Shop Manager (" **店長直郵** ") business and please refer to the "FINANCIAL REVIEW' section above for relevant quantitative measures.

The Group has been being very cautious about its liquidity, working capital and gearing level. As at 31 December 2021, the Group had interest-bearing bank borrowings of approximately RMB62.0 million including approximately RMB28.6 million which was classified as current liability and repayable in one year's time. Taking into account the aforesaid short-term interest-bearing bank borrowings and the cash and cash equivalents of approximately RMB43.6 million as at 31 December 2021, the Group considers that it is equipped with sufficient liquidity and financial resources to get through the current COVID-19 crisis.

Since January 2020, the Group has adopted certain employee-related cost-saving measures on a temporary basis to reduce its staff costs, including but not limited to, postponing or cancelling certain discretionary staff incentive payments, reducing Directors' remunerations on a voluntary basis, encouraging its employees to take paid or unpaid leave and reducing its employees' basic salary level on a temporary basis.

OTHER INFORMATION

UPDATE ON USE OF PROCEEDS IN RELATION TO THE INITIAL PUBLIC OFFER OF SHARES

References are made to the annual report of the Company for the year ended 31 December 2020 published by the Company on 28 April 2021 (the "**2020 Annual Report**"), the interim results announcement of the Company for the six months period ended 30 June 2021 (the "**2021 Interim Results Announcement**") dated 31 August 2021. Unless otherwise defined, terms used herein shall have the same meaning as defined in the 2020 Annual Report.

The information of use of net proceeds of the Company (the "**Net Proceeds**") was disclosed as follows:

Description of use of proceeds	**Intended use of Net Proceeds as disclosed in the 2021 Interim Results Announcement** *HKD'000*	**Utilised Net Proceeds during the period from Listing Date to 31 December 2021** *HKD'000*	**Unutilised Net Proceeds as at 31 December 2021** *HKD'000*	**Expected timeline for unutilised Net Proceeds**
(i) Enhancing the Group's product portfolio by developing new products and services	1,760	(1,760)	–	–
(ii) Purchasing tour buses and engaging third party tour bus operators	11,440	(11,440)	–	–
(iii) Acquiring hospitality asset in Kyoto, Japan	17,600	–	17,600	Before or around 31 December 2022
(iv) Investing in enhancing the Group's marketing approaches together with its IT platform	17,600	(17,600)	–	
(v) Engaging more personnel in Japan	13,200	(13,200)	–	–
(vi) General working capital	26,400	(26,400)	–	–
	88,000	(70,400)	17,600	

During the Year Under Review, the Net Proceeds from the initial public offer of shares of the Company were used and expected to be used according to the intentions as disclosed above. Unutilised proceeds were deposited in licensed banks in Hong Kong.

MATERIAL ACQUISITION AND DISPOSAL

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

EVENTS AFTER THE REPORTING PERIOD

There were no important events affecting the Group that had occurred after 31 December 2021, during the Year Under Review and up to the date of this report.

CONTINGENT LIABILITIES

As at 31 December 2021 and 31 December 2020, the Group did not have any significant contingent liabilities.

FOREIGN CURRENCY EXCHANGE RISK

The Group mainly operates in the PRC and Japan. The functional currency of subsidiaries incorporated in Japan use JPY as their functional currencies. The functional currency of the subsidiaries established in Mainland China is RMB. However, the Group is exposed to foreign currency exchange risks as costs for some of the travel products, such as hotel accommodations and fees paid to land operators, are settled in foreign currencies including JPY. At present, the Group does not intend to hedge its exposure to foreign currency exchange fluctuations. However, the Board constantly monitors the economic situation and the Group's foreign exchange risk profile and will consider appropriate hedging measures in the future should the need arise.

INTEREST RATE RISK

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

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2021, the Group employed a total of 77 full time employees. The Group's employee benefits include salary and discretionary bonuses based on the Group's results and individual performance, medical and retirement benefits schemes. The remuneration committee of the Company (the "**Remuneration Committee**") reviews such packages annually, or when the occasion requires. The executive Directors, who are also employees of the Company, receive remuneration in the form of salaries, bonuses and other allowances.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The Group operates primarily through cash generated from operating activities and bank and other borrowings.

The Group's gearing ratio, expressed as a percentage of net debt divided by total capital plus net debt maintained in a similar level during the Year Under Review (31 December 2021: 20.0%; 31 December 2020: 16.0%). The Group adopts conservative treasury policies in cash and financial management. The Group's cash is generally placed as current deposits which are mostly denominated in RMB. The Group's liquidity and financing requirements are reviewed regularly.

The trade receivables turnover days decreased during the Year Under Review as a result of the combined effects of the facts that the revenue of the Group decreased significantly and the overall settlement of trade receivable has been delayed as certain customers operated in low capacities or suspended operations resulted from the outbreak of COVID-19 (31 December 2021: 28 days; 31 December 2020: 212 days).

The trade payables turnover days decreased during the Year Under Review as the Group's certain customers operated in low capacities or suspended operations resulted from the outbreak of COVID-19 which led to lower level of trade payables because of lower demands from customers (31 December 2021: 16 days; 31 December 2020: 64 days).

PLEDGE OF ASSETS

As at 31 December 2021, short-term deposits of approximately RMB1.8 million (2020: approximately RMB0.3 million) were pledged to banks as a guarantee deposit for the Group's tourism operation as required by the PRC government.

EXECUTIVE DIRECTORS

Mr. Yu Dingxin（虞丁心）("Mr. Yu"), aged 52, is the co-founder of the Group and was appointed as an executive Director on 27 February 2018. Mr. Yu is also the chairman of the Board responsible for the overall strategic planning and overseeing general management and daily operation of the Group. Mr. Yu holds directorship in each of the subsidiary of the Company. He is also the chairman of the nomination committee (the "**Nomination Committee**") and a member of remuneration committee of the Group.

Mr. Yu has around 29 years of experience in the travel and tourism industry. From December 1991 to April 2003, he worked in Zhejiang Overseas Travel Company Limited（浙江海外旅遊公司）, a company principally engaged in the provision of travel related services. From June 2003 to December 2004, Mr. Yu had worked for Zhejiang Everbright International Travel Company Limited（浙江光大國際旅遊有限公司）. He subsequently joined Zhejiang Female International Travel Company Limited（浙江婦女國際旅行社有限公司）from January 2005 to January 2008. He then founded the Group in April 2008 together with Mr. Pan and Mr. Xu. Mr. Yu obtained a bachelor's degree in tourism management at Zhejiang University（浙江大學）in June 2003.

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

Mr. Pan Wei（潘渭）("Mr. Pan"), aged 48, is the co-founder of the Group and was appointed as an executive Director on 27 February 2018. Mr. Pan is principally responsible for overseeing procurement and sales and marketing of our Group.

Mr. Pan has over 27 years of experience in the travel and tourism industry. From July 1993 to April 2003, Mr. Pan worked in Zhejiang Overseas Travel Company Limited (浙江海外旅遊公司), a company principally engaged in the provision of travel related services. From June 2003 to December 2004, Mr. Pan had worked for Zhejiang Everbright International Travel Company Limited (浙江光大國際旅遊有限公司). He subsequently joined Zhejiang Female International Travel Company Limited (浙江婦女國際旅行社有限公司) from January 2005 to January 2008. He then founded the Group in April 2008 together with Mr. Yu and Mr. Xu. Mr. Pan obtained a diploma in economics and management at Zhejiang University (浙江大學) in January 1999.

Mr. Xu Jiong（徐炯）("Mr. Xu"), aged 48, is the co-founder of the Group and was appointed as an executive Director on 27 February 2018. Mr. Xu is principally responsible for overseeing business development of the Group.

Mr. Xu has around 27 years of experience in the travel and tourism, and hospitality industry. From August 1993 to August 2002, he worked in Hangzhou Shangri-La Hotel Limited（杭州香格里拉飯店有限公司）as a director of sales department, with responsibilities of overseeing the business development with travel agents. From June 2003 to December 2004, Mr. Xu had worked for Zhejiang Everbright International Travel Company Limited（浙江光大國際旅遊有限公司）. He subsequently joined Zhejiang Female International Travel Company Limited（浙江婦女國際旅行社有限公司）from January 2005 to January 2008. He then founded the Group in April 2008 together with Mr. Yu and Mr. Pan.

Mr. An Jiajin（安家晉）("Mr. An"), aged 31, was appointed as an executive Director on 9 April 2018. Mr. An is principally responsible for the sales and marketing of the Group. In October 2014, Mr. An joined Tuyi Group as a vice manager of sales department.

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhao Jianbo（趙劍波）("Mr. Zhao"), aged 47, was appointed as an independent non-executive Director on 1 March 2019. Mr. Zhao is responsible for supervising and providing independent judgment to the Board. He is also a member of the audit committee, the remuneration committee and the Nomination Committee.

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

Mr. Zhao obtained a bachelor's degree in business administration from International Business University of Beijing（北京國際商務學院）in July 1999.

Ms. Zhou Li（周禮）("Ms. Zhou"), aged 43, was appointed as an independent non-executive Director on 1 March 2019. Ms. Zhou is responsible for supervising and providing independent judgment to the Board. She is also the chairperson of the remuneration committee and a member of the audit committee and the nomination committee of the Group.

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

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

Mr. Zheng Cheng (鄭誠) ("Mr. Zheng"), aged 40, was appointed as an independent non-executive Director on 1 June 2020. Mr. Zheng is responsible for supervising and providing independent judgment to the Board. He is a member of the nomination committee of the Group.

Mr. Zheng has approximately 15 years of experience in computer science and technology. From July 2005 to November 2009, Mr. Zheng worked as software development engineer in various institutions in the PRC. From November 2009 to April 2015, Mr. Zheng was the software development engineer of Hangzhou Daily Newspaper Group (杭州日報報業集團). Since May 2015 to present, Mr. Zheng is the technical director of Zhejiang China Media Holdings Co., Ltd. (浙江華媒控股股份有限公司).

Mr. Zheng obtained a bachelor's degree in computer science and technology from the Zhejiang University of Technology (浙江工業大學之江學院) in June 2005.

Mr. Ying Luming (應鹿鳴) ("Mr. Ying"), aged 50, was appointed as an independent non-executive Director on 30 November 2020. Mr. Zheng is responsible for supervising and providing independent judgment to the Board. He is the chairperson of the audit committee of the Group.

Mr. Ying has over 25 years of experience in accounting and corporate management. Mr. Ying had served as an audit staff of the Audit Bureau of Yuhang City* (余杭市審計局) in the PRC from 1994 to 1999 and as an audit engagement manager of Hangzhou Yongxin Certified Public Accountants Co., Ltd* (杭州永信會計師事務所有限公司) from 1999 to 2003. Mr. Ying has been serving as the head of the firm of Hangzhou Dongxin Certified Public Accountants Co., Ltd* (杭州東欣會計師事務所有限公司) since 2004.

Mr. Ying, aged 50, obtained a bachelor's degree in accounting from Zhejiang University of Finance and Economics (浙江財經大學) in 1994 and was admitted as a certified public accountant in the PRC in 2000.

SENIOR MANAGEMENT

Ms. Chen Jing (陳靜), aged 56, is the executive general manager of the Group, and is responsible for the overseeing the administrative function of the Group. She has over 37 years of experience in the travel and tourism, and hospitality industry. She joined the Group in March 2014. Prior to joining the Group, in November 1983, she worked in Hangzhou Shangri-La Hotel Limited (杭州香格里拉飯店有限公司) as a general staff responsible for room management, and was a marketing director when she left in February 2014. She obtained a diploma of tourism English at Zhejiang Radio & Television University (浙江廣播電視大學) in July 1991.

Ms. Chen Ting (陳婷), aged 48, is a director for Japan business operations of the Group responsible for the overseeing the daily management of Japan business operations of the Group. She has around 11 years of experience in the travel and tourism industry. She joined our Group in January 2015. Prior to joining the Group, from January 1998 to May 1998, she had worked for Guangzhou Guangxing Food Company Limited Hangzhou Branch (廣州廣興食品有限公司杭州辦事處). From April 2007 to March 2010, she worked in Zhejiang Female International Travel Agent Company Limited (浙江婦女國際旅行社有限公司). From April 2010 to July 2010, she had worked for Zhejiang Overseas Travel Company Limited (浙江海外旅遊有限公司). From October 2010 to December 2014, she worked for the Group to provide Japan travel guide service.

Ms. Qiu Xiang (邱香), aged 40, is the secretary of the Board responsible for assisting the Board in terms of overseeing business of the Group. She has around 10 years of experience in the travel and tourism industry. From January 2006 to March 2009, she worked in Hangzhou Advance Hardware MFG Co., Ltd (杭州德美五金有限公司), a company principally engaged in the manufacture and export of hardware products, as a merchandiser. She then joined the Group in June 2010 and was promoted to a chairman secretary in June 2016. She was appointed as an executive director of the Company on 9 April 2018 and resigned as an executive director on 21 January 2020. She obtained a bachelor's degree in international trade from Zhejiang University of Technology (浙江工業大學) in June 2005.

Mr. Wu Longbin (吳龍斌), aged 43, is a sales manager of the Group responsible for the overseeing the online sales and marketing plan of the Group. He has around 8 years of experience in the travel and tourism industry. He joined our Group in January 2012.

Ms. Hu Huiling (胡慧玲), aged 34, is a corporate account sales manager of the Group responsible for the overseeing the maintenance and development of our corporate clients of the Group. She joined our Group in August 2010. She graduated from Zhejiang Travel Higher Vocational Institution (浙江旅遊職業學院) in June 2010, and she then obtained a bachelor degree in Japanese enrolled as part-time student at Zhejiang International Studies College (浙江外國語學院) while she worked at our Group and in July 2013.

Ms. Wang Jing (汪靜), aged 36, is the chairman assistant of the Group responsible for the overseeing the business operation of Japanese department of the Group. She has over 8 years of experience in travel and tourism industry. She joined the Group in July 2011. Prior to joining the Group, from July 2008 to April 2011, she worked in Toshiba International Logistics Co., Ltd (東芝外服貨運有限公司). She obtained a bachelor's degree in Japanese at Zhejiang Normal University (浙江師範大學) in June 2011.

COMPANY SECRETARY

Mr. Yip Ngai Hang, Henry (葉毅恒), aged 45, is a fellow member of the Hong Kong Institute of Certified Public Accountants. He is also the chief executive officer of a local professional firm providing regulatory compliance, corporate governance and corporate secretarial services to listed and unlisted corporations. Mr. Yip has over 20 years of experience in the field of accounting, auditing and regulatory compliance, corporate governance and corporate secretarial services with more than 10 years of experience in handling listed company secretarial and compliance related matters.

CORPORATE GOVERNANCE

The Company is committed to maintaining and promoting stringent corporate governance. The principle of the Company's corporate governance is to promote effective internal control measures and to enhance the transparency and accountability of the Board to all shareholders of the Company. During the Year Under Review, the Company has complied with all the applicable code provisions of the Corporate Governance Code ("**CG Code**") as set out in Appendix 14 to the the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), except for code provision A.2.1 of the CG Code (which has been re-arranged as code provision C.2.1 since 1 January 2022) as explained below.

Code Provision A.2.1

Under code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The Company does not have any officer with the title of "chief executive officer" which is deviated from the code provision A.2.1 of the CG Code.

Mr. Yu Dingxin, who acts as the chairman and an executive director of the Company (the "**Director**") of the Company since 27 February 2018, is also responsible for overseeing the general operations of the Group. The Board will meet regularly to consider major matters affecting the operations of the Group. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Group. The roles of the respective executive directors and senior management, who are in charge of different functions, complement the role of the chairman and chief executive officer. The Board believes that this structure is conducive to strong and consistent leadership enabling the Group to operate efficiently.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its model code for securities transactions by Directors and relevant employees who are likely to be in possession of unpublished price-sensitive information of the Company. Having made specific enquiries, all the Directors and relevant employees who are likely to be in possession of unpublished price-sensitive information of the Company confirmed that they have complied with the Model Code during the year ended 31 December 2021 and up to the date of this annual report.

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

BOARD OF DIRECTORS

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

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

The following is the board of directors ("**Board**") composition during the Year Under Review and up to the date of this report:

Executive Directors

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

Independent Non-executive Directors

Mr. Zhao Jianbo
Ms. Zhou Li
Mr. Zheng Cheng
Mr. Ying Luming

The Board currently comprises four executive Directors and four independent non-executive Directors from different business and professional fields. The profiles of each Director are set out in the section headed "Biographical Details of Directors and Senior Management" in this annual report. The Directors, including the independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective delivery of the Board functions.

Chairman and Chief Executive Officer

Code provision A.2.1 of the CG Code (which has been re-arranged as code provision C.2.1 since 1 January 2022) stipulates that the role of chairman and chief executive officer should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. As at the date of this annual report, the chairman of the Board is Mr. Yu Dingxin. The Company does not have a chief executive officer. The chairman's responsibility is to provide leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practice.

Independent non-executive Directors

During the Year Under Review and up to the date of this annual report, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors, with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

Appointment and Re-election of Directors

Each of the executive Directors and the independent non-executive Directors has entered into either a service contract or a letter of appointment with the Company for a period of three years, respectively.

In accordance with the Company's articles of association (the "**Articles of Association**"), at each annual general meeting of the Company, one-third of the Directors shall retire from office by rotation and every Director shall be subject to retirement at least once every three years. Director (s) newly appointed by the Board shall hold office until the next following general meeting of the Company and shall then be eligible for re-election at the meeting.

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

Newly appointed Director (s) will be given an induction on the information of the Group and a manual on the duties and responsibilities as a director of a listed company under the Listing Rules and applicable laws.

Responsibilities, Accountabilities and Contributions of the Board and Management

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

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

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

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

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

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

Continuous Professional Development of Directors

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

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

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

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

BOARD COMMITTEES

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

Audit Committee

As at the date of this report, the Audit Committee consists of three independent non-executive Directors, namely Mr. Zhao Jianbo, Ms. Zhou Li and Mr. Ying Luming. Mr. Ying Luming is the chairman of the Audit Committee.

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

During the year ended 31 December 2021 and up to the date of this annual report, the Audit Committee reviewed the interim results of the Group for the six months ended 30 June 2021 and the annual results of the Group for the year ended 31 December 2021, including the accounting principles and practices adopted by the Group, and the Group's internal control functions.

Remuneration Committee

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

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

During the year ended 31 December 2021 and up to the date of this annual report, one meeting was held by the Remuneration Committee to review the remuneration packages of the Directors and senior management for the year ended 31 December 2021.

Nomination Committee

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

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

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

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

During the year ended 31 December 2021 and up to the date of this annual report, two meetings were held by the Nomination Committee to discharge duties, including assessing the independency of independent non-executive directors under the Listing Rules and reviewing the Board diversity policy and terms of reference.

Board Diversity Policy

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

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

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

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

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

Director Nomination Policy

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

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

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

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

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

Dividend policy

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

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

Corporate Governance Functions

The Board is responsible for performing the functions set out in the CG Code.

During the Year Under Review, the Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the CG Code and disclosure in this annual report.

ATTENDANCE RECORDS OF DIRECTORS

The attendance of individual members of the Board and other Board committees meetings during the year ended 31 December 2021 is set out below:

	Number of Meetings Attended/Held			
Name of Directors	**Board meeting**	**Audit Committee meeting**	**Remuneration Committee meeting**	**Nomination Committee meeting**
Executive Directors				
Mr. Yu Dingxin	4/4	–	1/1	2/2
Mr. Pan Wei	4/4	–	–	–
Mr. Xu Jiong	4/4	–	–	–
Mr. An Jiajin	4/4	–	–	–
Independent Non-executive Directors				
Mr. Zhao Jianbo	4/4	2/2	1/1	2/2
Ms. Zhou Li	4/4	2/2	1/1	2/2
Mr. Zheng Cheng	4/4	–	–	2/2
Mr. Ying Luming	4/4	2/2	–	–

The Company has adopted the practice of holding Board meetings regularly for at least four times in a period of 12 months at approximately quarterly intervals to discuss, among other matters, the financial performance and the business operation and strategic development of the Group. Ad-hoc meetings will also be held if necessary. Notice of Board meeting will be sent to all Directors at least 14 days prior to a regular Board meeting. Reasonable notice will be given to the Directors for ad-hoc Board meetings. Directors may participate either in person or through electronic means of communication.

Agenda and Board papers with complete and reliable information are sent to all the Directors in a timely manner before the meetings. All the Directors are provided with sufficient resources to discharge their duties and there are agreed procedures for the Directors to seek independent professional advice at the Company's expenses in appropriate circumstances. All Directors will have the opportunity to include matters in the agenda for Board meetings. The company secretary of the Company is responsible for keeping the minutes of Board meetings and meetings of Board committees. All minutes are open for inspection by any Director at reasonable time on reasonable notice.

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

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

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

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

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

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

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

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

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

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

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

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

The Board has engaged an external professional firm as its risk management and internal control adviser (the "**Adviser**") to conduct an annual review of the risk management and internal control systems for the year ended 31 December 2021. Such review is conducted annually and cycles reviewed are under rotation basis. The Adviser has reported findings and areas for improvement to the Audit Committee and the Board. The Board and the Audit Committee are of the view that there are no material internal control defects noted. All recommendations suggested are properly followed up to ensure that they are implemented within a reasonable period of time. The Board and the Audit Committee therefore considered that the Group's risk management and internal control systems are effective and adequate. The Board also satisfied that there are adequate resources with appropriate qualifications and experience in its accounting and financial reporting team and that sufficient training and budget have been provided.

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

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2021.

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

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 64 to 68.

REMUNERATION OF THE MEMBERS OF THE SENIOR MANAGEMENT BY BAND OF REMUNERATION

Details of the remuneration of the Directors are set out in note 8 to the audited consolidated financial statements. Save as disclosed therein, the Company has 6 senior management members.

Pursuant to the CG Code, the remuneration of the senior management of the Group by band for the Year is set out below:

Band of remunerations (RMB)	Number of person
Nil to 500,000	14

AUDITORS' REMUNERATION

The remuneration paid to the external auditor of the Company, McMillan Woods (Hong Kong) CPA Limited, in respect of audit services of the Group for the year ended 31 December 2021 amounted to RMB826,000.

COMPANY SECRETARY

The Company engages an external service provider to provide company secretarial services and has appointed Mr. Yip Ngai Hang, Henry, as its company secretary. The biographical details of Mr. Yip are set out in the section headed "Biographical Details of Directors and Senior Management" in this annual report. Mr. Yip is not an employee of our Group and he is responsible for advisory to the Group on corporate governance matters. Mr. Yu Dingxin, executive Director of the Company and the chairman of the Board, is the person who Mr. Yip can contact for the purpose of code provision F.1.1 of the CG Code.

Mr. Yip confirmed that he has complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of relevant professional training during the year ended 31 December 2021.

SHAREHOLDERS' RIGHTS

The Company engages with the shareholder of the Company ("**Shareholder**") through various communication channels.

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

Convening an Extraordinary General Meeting

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

Putting Forward Proposals at Annual General Meetings

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

Putting Forward Enquiries to the Board

Shareholders may send written enquiries and concerns to the Company by mail to the Company's principal place of business in Hong Kong at Room 02-03, 31st Floor, 118 Connaught Road West, Hong Kong.

INVESTOR RELATIONS

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

The Company has not made any changes to its memorandum and articles of association since the Listing Date. An up-to-date version of the Company's memorandum and articles of association is available on the websites of the Company and the Stock Exchange.

Policies relating to Shareholders

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

The Company has adopted a dividend policy pursuant to the CG Code.

INTRODUCTION

Tu Yi Holding Company Limited and its subsidiaries (the "**Group**" or "**we**") have always been aware of the development of community and stakeholders accompanied by the aim to boost an increase in return on investment when setting up the sustainable business. The Group has been actively involved in addressing issues that impact citizens substantially with regard to the society, environment, and livelihood facets in order to achieve our belief and fulfill our responsibilities as corporate citizens.

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

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

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

The CSR Policy formulated by the Group describes a long-term approach to specific issues in four main cornerstones: Marketplace, Workplace, Community, and Environment, which are instrumental in enabling our business operation in a sustainable manner. Each cornerstone comprises with core principles and pragmatic objectives that provides guidance on practicing CSR in our daily operations.

2. Sustainable Operations Policy

With the vision of configuring the Group as a responsible corporation, we are here to commit to the long-term sustainable growth goal. The Group has been continuously implementing sustainable operations and enhancing the environment in several means so as to better the social life. The quality of service, the creation of project teams, and the maintenance of integrity and ethics and sustainability of supply chain management are undertaken attentively to fulfill the sustainable objectives.

3. Board Statement – ESG Governance Structure

The board of directors (the "**Board**") is pleased to present the ESG Report that summarizes the ESG initiatives, plans, and performances of the Group and demonstrates its commitment to sustainable development. The Group sincerely commits towards the long-term sustainable growth goal and strives to be a responsible corporation.

The Group has developed a core governance framework to ensure the alignment of ESG governance with our strategic growth while advocating the integration of ESG into our business operations. The structure of our corporate social responsibility is divided into two main components, namely the Board and an ESG working group.

The Board holds the ultimate responsibility on monitoring the Group's ESG issues, including ESG management approach, strategy, and policies. In order to ameliorate the management of the Group's ESG performance and identify potential risks, the Board conducts regular materiality assessments with the assistance of the ESG working group to evaluate and prioritize material ESG-related issues with reference to the opinions of our stakeholders.

The ESG working group, composed of core members from different departments, is established to facilitate the Board's oversight of ESG matters. The ESG working group is responsible for collecting and analyzing ESG data, monitoring and evaluating the Group's ESG performance, ensuring compliance with ESG-related laws and regulations, and preparing ESG reports. The ESG working group also arranges regular meetings to evaluate the effectiveness of current policies and procedures and formulate appropriate solutions intending to improve the overall performance of ESG policies. At the meetings, the ESG working group discussed the existing and upcoming plans to monitor and manage the Group's strategic goals in terms of sustainable development, mitigation of potential risks, and minimization of the negative impacts in our business operations. By setting ESG-related goals and targets for the purpose of minimizing the environmental impacts in the Group's operation, the Group affirmed its commitment to embedding sustainability into the business operation and fulfilling its corporate responsibility. The ESG working group is responsible to report to the Board periodically, assist in assessing and identifying the Group's ESG risks and opportunities, evaluate the implementation and effectiveness of internal control mechanism, and review the progress of the set goals and targets.

4. Scope of Reporting

This ESG report has covered all the material aspects of the Group's business operations, which included the operations in the People's Republic of China (the "**PRC**") and Japan, namely, the Group's head office in Hangzhou, branches or offices in Wenzhou, Li'an and Shanghai and our operations of self-owned Shuzenji Onsen Hotel Takitei (the "**Shizuoka Hotel**") and Hotel Comfact (the "**Tokyo Hotel**") in Japan.

This reporting period covers from 1 January 2021 to 31 December 2021 (the "Year") and the scope of which has been determined with reference to our assessment of materiality and due consideration to major stakeholders such as shareholders, customers, staff, guests, and suppliers.

5. Reporting Framework

The ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide ("**ESG Reporting Guide**") as set out in Appendix 27 to the Rules Governing the Listing of Securities on Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

During the preparation for this ESG Report, the Group has applied the reporting principles stipulated in the ESG Reporting Guide as the following:

- "Materiality" – The materiality assessment detailed under the section headed "Stakeholder Engagement and Materiality Assessment" has ensured the ESG Report addresses the most material ESG topics pertaining to our businesses.

- "Quantitative" – Supplementary notes are added along with quantitative data disclosed in the ESG Report to explain any standards, methodologies, and source of conversion factors used during the calculation of emissions and energy consumption.

- "Consistency" – The preparation approach of this ESG Report was substantially consistent with the previous year, and explanations were provided regarding data with changes in the scope of disclosure and calculation methodologies.

Information relating to the Group's corporate governance practices can be found in the Corporate Governance Report on pages 13 to 24 of this Annual Report.

6. Stakeholder Engagement and Materiality Assessment

The Group attaches great importance to multi-channel interaction with the stakeholders. The Group respects employee diversity and values the readiness and high performance of employee towards different tasks. A competitive compensation system and prospective career path and training are adopted. The Group is committed to making proactive efforts to continuously interact with key stakeholder groups, which comprise its Stock Exchange, government and regulatory bodies, customers, employees, investors, shareholders, service providers, and the community. The Group maintains its active engagement with stakeholders and collects their feedback through various communication channels to understand and address their concerns. The Group intend to further increase stakeholders' engagement via general meetings, corporate websites, and constructive dialogue, with a view to driving long-term prosperity.

The Group believes that sound ESG performance is important to the Group's sustainable business development and community. The Group is committed to protecting and improving the ecological environment and social factors and minimizing the impact of its activities on the environment. Throughout the stakeholder engagement exercise, the Group's management has assisted the Board to review its operations, identifying key ESG issues and assessing the importance of these issues to its businesses and stakeholders. It is the Group's policy to promote green operation, thereby gradually achieving the coordinated development of the Group, the environment, and the society. All identified material ESG issues, including environmental protection, employment and labor practices, product responsibility, and community investment, all have been disclosed in the ESG Report. The Group will keep creating value for stakeholders and supporting charities and environmental protection.

7. Feedback

The Group welcomes all feedback and opinions from its stakeholders. Any of the feedbacks is cherished and incorporated in operation strategy wherever it sees appropriate and considers as the cornerstone for development. The Group has its website where the comments and suggestions can be posted in terms of sustainable development performance.

ENVIRONMENTAL PROTECTION

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

During the Year, the Group targeted to further promote our employees' awareness on environmental protection, specifically focus on carbon reduction, waste reduction, energy conservation, and water saving. Due to the impact brought by the COVID-19 pandemic on the tourism industry, the environmental data during the Year was not stable. Therefore, the Group will consider setting quantitative targets in the next financial year.

1. Emissions

The principal operations of the Group are (i) the design, development and sales of outbound travel package tours and day tours; (ii) the design, development and sales of FIT Products; (iii) the provision of visa application processing service; (iv) the provision of other ancillary travel-related products and services; and (v) hotel operation, therefore our operations do not result in a significant amount of direct emissions of air pollutants. Despite that, the Group has continued to refine and improve upon its mitigation policies to reduce both its direct and indirect negative environmental impacts arising from its business operations.

During the Year, the Group was not aware of any material non-compliance with relevant laws and regulations in Hong Kong relating to air and greenhouse gas ("**GHG**") emissions, discharges into water and land, and generation of hazardous and non-hazardous wastes. Such relevant laws and regulations include but not limited to the Environmental Protection Law of the People's Republic of China, Air Pollution Control Ordinance of Hong Kong, Waste Disposal Ordinance of Hong Kong, Noise Control Ordinance of Hong Kong, and Basic Environment Law of Japan.

Air Emissions

Due to the Group's business nature, only an immaterial amount of air emissions was generated from the use of company vehicles. Description of mitigation measures of emissions will be provided in the following section – GHG Emissions.

GHG Emissions

Given the Group's principal operations, air emissions generated are primarily greenhouse gas ("**GHG**") emissions arising from its energy use and air transportation arising from tours escorts and package tours organized by the Group.

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

To reduce GHG emissions, the Group is taking initiatives to efficiently use non-renewable resources, such as electricity and water and further reduce the daily consumption by implementing a number of strategies, including the use of high-quality mobile fuel and the selection for eco-friendly vehicles in the future.

During the Year, GHG emissions was significantly decreased comparing to that in 2020 due to the suspended service of Shizuoka Hotel.

Summary of GHG emissions performance:

Indicator[1]	Unit[2]	2020	**2021**	Variance Increase/ (decrease) %
Scope 1 - Direct GHG emissions • Petrol, natural gas, and kerosene consumption	tCO_2e	342	**30**	(91%)
Scope 2 - Indirect GHG emissions • Purchased electricity	tCO_2e	302	**158**	(48%)
Scope 3 – Other indirect GHG emissions • Paper waste • Tour operation by air travel	tCO_2e	315	**3**	(99%)
Total GHG emissions	tCO_2e	959	**191**	(80%)
Intensity	tCO_2e/employee	8	**2**	(75%)

Note:

1. GHG emissions data is presented in terms of carbon dioxide equivalent and is based on, but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development, "How to prepare an ESG report – Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange, the latest released emission factors of China's regional power grid basis, and CO2 Emissions Intensity 2020 issued by Tokyo Electric Power Company Holdings, Inc..

2. tCO_2e is defined as tonnes of carbon dioxide equivalent.

3. The number of employees as at 31 December 2020 and 31 December 2021 are 115 and 77 respectively. The data is also used for calculating other intensity data.

Sewage Discharge

Due to the Group's business nature, the sewage discharge into land is insignificant. Similarly, there was no significant amount of sewage water discharged; Used water was discharged to the regional water treatment plant via the municipal sewage network.

Waste Management

Due to the Group's business nature, the operations did not generate a significant amount of hazardous waste during the Year.

Non-hazardous waste was created due to the daily operations of the hotels and the administrative offices and branches. Recycling was promoted in the Group under categories of plastic, paper, glasses, cans, and non-recyclable wastes. Printer or toner cartridges were also recycled on a regular basis by collaborating with our suppliers. The Group currently did not report on the volume of non-hazardous waste generated in the past, however, consistent reduction of potential impacts of its activities on the environment are encouraged. For instance, the Group promotes green information and electronic communication by the use of e-mail and electronic statements, where possible, with an aim to minimize wastes produced from its activities. The Group has also taken initiative to reduce the usage of plastic bags and encourage the use of eco-friendly bags.

During the Year, disclosure on non-hazardous waste disposal was newly introduced due to advancement the Group's data collection system in order to comply with the ESG reporting guides.

Summary of major non-hazardous waste discharge performance:

Categories of waste	Unit	**2021**
Food waste	Kg	**676**
Hotel domestic waste	Kg	**201**
General office waste	Kg	**138**
Total non-hazardous waste	Kg	**1,015**
Intensity	Kg/employee	**13**

2. Use of Resources

The Group recognizes its responsibility to take the initiative in efficiently utilizing finite resources and carry out its corporate social responsibility for the purpose of introducing additional eco- friendly approaches to enhance the Group's sustainability performance.

Energy Management

The major resources used by the Group during the Year Include electricity, fuel used in the vehicles and natural gases used for hotel catering and kerosene for hotel equipment.

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

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

- Installation of light sensors to reduce electricity consumption; and
- Gradual replacement of halogen lamps with energy-saving light emitting diode lightbulbs.

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

During the Year, energy consumption was significantly decreased comparing to that in 2020 due to the suspended service of Shizuoka Hotel.

Summary of energy consumption performance:

Types of energy	Unit	2020	**2021**	Variance Increase/ (decrease) %
Direct Energy Consumption	MWh	1,507	**123**	(92%)
• Petrol	MWh	50	**28**	(44%)
• Natural Gas	MWh	59	**8**	(86%)
• Kerosene	MWh	1,398	**87**	(94%)
Indirect Energy Consumption	MWh	583	**308**	(47%)
• Electricity	MWh	583	**308**	(47%)
Total Energy Consumption	MWh	2,090	**431**	(79%)
Total Energy Consumption Intensity	MWh/employee	18	**5.60**	(68%)

Water Management

The water resources have always been a material issue around the globe. Thus, the Group is aware of the use of water resources throughout the business operation and the reduction of use of water.

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

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

Municipal water is supplied in the office premises and hotels via the local water supply department, hence, the Group does not have any concern in sourcing water that is fit for such purpose. During the Year, water consumption was significantly decreased comparing to that in 2020 due to the suspended service of Shizuoka Hotel.

Summary of water consumption performance:

Indicators	Unit	2020	**2021**	Variance Increase/ (decrease) %
Water consumption	m^3	21,046	**2,583**	(88%)
Water consumption intensity	m^3/employee	183	**34**	(82%)

Use of Packaging Materials

The Group consumption on packaging materials is limited for the transportation needs of the online duty-free shop business under the name Direct Courier from Shop Manager. The Group's mission to minimise the use of packaging material as much as possible and endeavour to reduce emissions in other aspects in order to take up the responsibility while enjoying the advantage of business growth provided by the surroundings.

Summary of packaging materials consumption performance:

Categories of packaging materials	Unit	**2021**
Carton boxes	Kg	**11,801**
Bubble wrap	Kg	**1,842**
Total		**13,643**

3. The Environment and Natural Resources

The Group is committed to minimizing negative to the impacts environmental occasioned by the Group's business operations. The business activities do not significantly impact the environment and natural resources. The Group does, however, continue to be vigilant to the potential environmental impacts arising from its business operations.

Working Environment

The Group is committed to providing employees with a comfortable and green working environment by maintaining good air quality. The poor ventilation and air quality was caused by photocopiers and stale air and hazardous substances drawn in from outside through poorly located fresh air inlets. In order to improve the indoor air quality, a range of air pollution emission measures have been implemented by the Group:

- Ensure air inlets are away from any source of pollutants and sufficient ventilation systems;
- Clean all air units regularly (e.g. air inlets, air outlets and filters); and
- Perform regular maintenance on carpet and furniture upholstery.

4. Climate Change

Climate Change Mitigation and Adaptation

The Group recognizes the importance of the identification and mitigation of significant climate-related issues, therefore closely monitors the potential impact of climate change on our business and operations. In accordance with the reporting framework developed by the Task Force on Climate-related Financial Disclosures, there are two major categories of climate-related risks, physical and transition risks. The Group has established Risk Management Policy in identifying and mitigating climate-related risks.

Physical Risks

The increased frequency and severity of extreme weather events such as typhoons, storms, heavy rainfalls, and extreme cold or heat bring acute and chronic physical risks to the Group's business. The Group's capacity and productivity will be reduced under extreme weather events as the safety of our employees is threatened and the operational sites might be damaged, which exposes the Group to risks associated with non-performance and delayed performance, leading to direct negative impact on the Group's revenue.

To minimize the potential risks and hazards, the Group has established mitigation plans, including flexible working arrangements and precautionary measures during bad or extreme weather conditions such as typhoon and black rainstorm. The Group will explore emergency plan to further reduce the vulnerability of our installations to extreme weather events in order to enhance business stability.

Transition Risks

To achieve the global vision on carbon neutrality, the Group expects evolution of the regulatory, technological and market landscape due to climate change, including the tightening of national policies and listing rules and the emergence of environmentally related taxes. Stricter environmental laws and regulations may expose enterprises to higher risks of claims and lawsuits, which might incur additional compliance costs and affect the reputation of the Group.

In response to the policy and legal risks as well as the reputation risks, the Group constantly monitors any changes in laws or regulations and global trends on climate change to avoid cost increments, non-compliance fines or reputational risks due to delayed response. In addition, the Group has been taking comprehensive environmental protection measures, including GHG reduction measures and has set targets to gradually reduce the Group's energy consumption and GHG emissions in the future.

EMPLOYMENT AND LABOUR PRACTICES

1. Employment

Employees are the valuable assets of the Group as they provide substantial support to achieving business operations and sustainable goals. To retain talents in the Group, management has taken initiatives to maintain an unbiased and dynamic working environment which is helpful in maintaining positive working atmosphere and employee diversity. The organization also provides a ladder for career development, proper compensation, and promotional benefits, care for both mental and physical health and mutual respect of the employees with the aim of discovering employees' potential talent, boosting performance and taking care of their wellness.

During the Year, the Group was not aware of any material non-compliance with employment-related laws and regulations in Hong Kong that would have a significant impact on the Group. The relevant laws and regulations include, but are not limited to, the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention, Control of Occupational Diseases and the Social Insurance Law of the People's Republic of China, Employment Ordinance of Hong Kong, Minimum Wage Ordinance of Hong Kong, Labor Standards Act of Japan, the Industrial Safety and Health Act of Japan, and the Labor Contract Act of Japan.

As at 31 December 2021, the Group had a total number of 77 (2020: 115) employees, which breakdown as follows:

	2020	**2021**
Total number of employees	115	**77**
BY GENDER		
Male	55	**37**
Female	60	**40**
BY AGE GROUP		
Below 30 years old	18	**13**
Between 31-50 years old	71	**51**
Above 50 years old	26	**13**
BY GEOGRAPHICAL REGION		
PRC	80	**69**
Japan	35	**8**
BY EMPLOYMENT TYPE		
Full-time	96	**75**
Part-time	19	**2**

During the Year, the Group recorded a turnover rate of approximately 43%. The table below shows the employee turnover rate by gender, age group and geographical region:

	2021 Turnover rate
BY GENDER	
Male	**46%**
Female	**40%**
BY AGE GROUP	
Below 30 years old	**26%**
Between 31-50 years old	**33%**
Above 50 years old	**87%**
BY GEOGRAPHICAL REGION	
PRC	**16%**
Japan[4]	**135%**

Note:

4. Due to the very small number of employees in Japan, the turnover rate of that age group is very volatile and can reach extreme value.

Talent Attraction and Retention

The recruitment in the team aligns with the merit-based principle. The whole process focuses on the identification of instrumental factors of candidates such as team spirit, conduct, academic qualifications, skills, professionalism, and other factors. These factors ensure that the right talent is hired and made part of the Group. The company also aims at becoming a discrimination-free and diversified workplace, so equal opportunities are open to all. The Group follows the policy of zero discrimination in the workplace and bears no tolerance to any type of discrimination such as gender, religion, marital status, and race.

Promotion and advancement will be made based on merits and in line with the Recruitment and Selection Policy documented in the Employee Handbook. The Group conducts annual performance and salary review regularly to determine any salary adjustments and/or promotion opportunities. Written and verbal performance evaluations will be given to all employees at least once a year, such evaluations are intended to give recognition to the hard work of the employees and provide any comments for improvement. Unreasonable dismissal under any circumstances is prohibited. A detailed list of major offences regarded as just reasons for immediate dismissal can be found in the Employee Handbook.

The compensation benefits are provided by the Group after giving due consideration to the needs of the employees and market practice as benchmark. The remuneration is equivalent to the market level salary. Remuneration and benefits are the compositions of basic pay, salary with the position, pay for performance, bonus, commission, and other benefits where applicable. The paid leaves consist of annual leaves, public holidays, furthermore employees are entitled to marriage leaves, sick leaves, and maternity leaves. Bonus, vacation, promotion, and increase in overall salary are used as motivational tools among the employees and channel their energy in the right direction. The benefits package mentioned above has been stated in the Employee Handbook along with the working hours of the employees.

Equal opportunities are provided to employees in respect of recruitment, training and development, job advancement, and compensation and benefits. Consequently, employees are not protected from discrimination or deprivation of opportunities based on gender, ethnic background, religion, race, sexual orientation, age, marital status, family status, retirement, disability, pregnancy or any other discrimination prohibited by applicable law. The Group also appreciates the cultural diversity in the development of the Group and employs employees in a wide range of ages, genders, and ethnicities. In particular, the Group adopted a Board Diversity function under which the Board composition includes members with different skills, industry knowledge and experience, education, background, and other qualities without discrimination.

The Group pays due importance to both the mental and physical health of employees. Events are organized on a regular basis to provide a relaxing environment where the family members are also invited to join so as to maintain an accurate balance of work and life and strengthen family ties. To leverage the sense of belongingness within the Group, a wide range of activities are conducted, such as annual outings or dinners. These activities increase communication among the employees and relax them. The practice is also effective in maintaining a work-life balance.

2. Health and Safety

Employee safety and health are always the Group's highest priority. The procedures adopted are in line with the safety techniques adopted by the inns and hotels of Japan. In all the subsidiaries, a comprehensive mechanism is adopted to ensure the safety of the employees and cover major occupational health standards. Awareness regarding the same is spread among the employees on a regular basis along with the establishment of stringent labor and safety practices in order to avoid cases of accidents and boost the implementation of health standards. Training sessions are conducted to ensure safety and occupational health. The training sessions include emergency handling procedures and the importance of maintaining safety standards. Fire drills, maintenance of the air conditioner and treatment to the carpets, and inspections of the safety standards adopted on a regular basis. Sufficient amount of first aid boxes are placed in the organization to handle unforeseen circumstances. The workplace environment promotes a non-toxic and smoke-free zone to secure the health of employees' working conditions. To ensure effective implementation of the safety standards and procedures, regular inspection is conducted in the workplace along with audit and reviews. The aim is to create an accident-free work environment.

During the Year, the Group was not aware of any material non-compliance with the health and safety-related laws and regulations in Mainland China, Hong Kong and Japan that would have a significant impact on the Group. The relevant laws and regulations include, but are not limited to, Labour Law of the People's Republic of China, Occupational Safety and Health Ordinance (Chapter 509 of The Laws of Hong Kong), Industrial Safety and Health Law of Japan, and the Inns and Hotels Act of Japan. During the Year, there were no reported cases of work-related injuries, thus zero lost days due to work injury. The Group has achieved zero work-related fatalities in the past three years.

3. Development and Training

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

To maintain the sustainable goals of the Group, it is essential to equip employees with the ever-renovating ESG knowledge and skills required to add value to the organization. Besides, the Group provides a complete focus on the career development and modification of the training plan to continuously improve the performance of employees and move ahead to fulfill their ambitions and increase the productivity of the Group. With regard to the hotels and travel industries, they have identified the importance of employee development and its impact on work performance, hence the Group conducts employee assessment on an annual basis. The result derived influence the determination of the performance paid and adjustments to salaries and positions.

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

During the Year, the Group has 74% of employees trained and achieved a total training hour of 1,131 hours. The table below shows the employee training data by gender and employee category:

	Percentage of employees trained (%)	2021 Average training hours (hours)
BY GENDER		
Male	47%	14.41
Female	53%	14.95
BY EMPLOYEE CATEGORY		
Senior management	9%	13.00
Middle-level management	11%	13.00
Technical employees	2%	13.00
General employees	78%	15.24

4. Labour Standards

The Group prohibits the recruitment of children and forced labor as prescribed by laws and regulations. The Group lists specific requirements on the advertisement to hire the most suitable candidate. All resumes, original identification cards, original certificates shall be checked by the HR department during the interview. The Group may contact the candidate's preceded employer for a reference check.

The Group has no tolerance for the use of forced labor or child labor in its business operations. The Group enters into an employment contract with each of its employees in accordance with the relevant laws and regulations. If the use of forced labor or child labor is discovered, the Group will terminate the employment contract and investigate if further action is needed.

During the Year, the Group was not aware of any material non-compliance with child and forced labor-related laws and regulations in in Mainland China, Hong Kong and Japan that would have a significant impact on the Group. The relevant laws and regulations include but are not limited to the Provisions on the Prohibition of Using Child Labor and Labor, Law of the People's Republic of China, Employment Ordinance of Hong Kong, and Labor Standards Act of Japan.

OPERATING PRACTICES

1. Supply Chain Management

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

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

To fulfill the aim of environmental sustainability in supply chain management, procurement of eco-friendly products is given priority where possible and economically viable. The Group has been closely working with our suppliers to strengthen our sustainability portfolio and minimize risks throughout the supply chain and is committed to promoting sustainable and responsible operational standards. In this regard, the Group formulated a series of sustainable procurement policies. The Group prefers local suppliers whenever possible to reduce carbon emissions from transportation and to support the local economy. During the Year, the Group worked with 126 suppliers, 85 of which were located in PRC and 41 of which were located in Japan.

Purchase of Food Materials

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

2. Product Responsibility

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

During the Year, the Group was not aware of any material non-compliance with laws and regulations that would have a significant impact on the Group, including but not limited to the the Advertising Law of the People's Republic of China, the Law of the People's Republic of China on the Protection of Consumer Rights and Interests, Trade Descriptions Ordinance of Hong Kong, Personal Data (Privacy) Ordinance of Hong Kong, the Act against Unjustifiable Premiums and Misleading Representations of Japan, and the Outdoor Advertisement Act of Japan, concerning health and safety, advertising, labelling and privacy matters relating to products and services and methods of redress. Given the Group's business nature, the Group was not involved in the sale of products, therefore disclosure on product recall procedures and number of products recalled are not applicable.

Customer Services and Data Protection

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

Protection of Intellectual Property Rights

The brand途益Tuyi, is based in Zhejiang Province, the PRC, and has become a well-established brand in the field of outbound travel products and service providers which has created its image in the mind of customers through its operations for ten years. The brand has been presented as a one-stop destination for the personalization of all types of travel services.

Advertising and Labelling

To maintain the sustainability objective, sustainability is integrated into the promotion of the business as well. The Group adheres to the guidelines which are stated in the Advertising Law of the People's Republic of China, the Law of the People's Republic of China on the Protection of Consumer Rights and Interests, the Act against Unjustifiable Premiums and Misleading Representations of Japan, and the Outdoor Advertisement Act of Japan. The focus on consumer rights is done through the incorporation of content authenticity with the right and interests of consumers.

3. Anti-corruption

The base foundation of an organization is dependent upon the level of ethics and integrity maintained within the organization. The Group ensures that employees comprehend laws and regulations stated in the Anti-Unfair Competition Law of the People's Republic of China, the Criminal Law of the People's Republic of China, the Interim Provisions on Prohibition of Commercial Bribery. The Group maintains an Employee Handbook that highlights the expected ethical behavior and integrity from the employees. The Employee Handbook establishes moral regulations along with the conflict resolution mechanism and the areas in which employees are forbidden to ask for or accept any interests from any business-related units, and where appropriate, our employees are required to report their interest conflict to the Group. Employees' integrity and moral ethics are maintained through continuous training initiatives.

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

Under the COVID-19 pandemic, the Group is unable to organise anti-corruption training for its employees for the sake of employees' health and safety, therefore no training hours recorded during the Year.

During the Year, the Group was not aware of any material non-compliance with the relevant laws and regulations of bribery, extortion, fraud, and money laundering. The relevant laws and regulations include, but are not limited to the the Anti-Unfair Competition Law of the People's Republic of China, Criminal Law of the People's Republic of China, Interim Provisions on Prohibition of Commercial Bribery, Prevention of Bribery Ordinance of Hong Kong, Unfair Competition Prevention Act (Act No 47 of 1993) of Japan, and Penal Code (Act No 45 of 1907) of Japan. During the Year, there is no legal concluded cases regarding corrupt practices brought against the Group or its employees.

Whistle-blowing Mechanism

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

COMMUNITY

1. Community Investment

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

The Directors present their report and the audited financial statements of the Group for the year ended 31 December 2021 (the "**Year**").

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries of the Company comprise (i) the design, development and sales of outbound travel package tours and day tours; (ii) the design, development and sales of free independent traveller products (the "**FIT Products**"); and (iii) the provision of visa application processing service; (iv) the provision of other ancillary travel-related products and services and (v) hotel operation.

BUSINESS REVIEW

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

COMPLIANCE WITH LAWS AND REGULATIONS

The Group is primarily engaged in the provision of outbound travel products and services (the "**Outbound Travel Business**") through Tu Yi Group Company Limited（途益集團有限公司）and Hangzhou Guge Travel Company Limited (collectively, the "**Operating Entities**")（杭州谷歌旅行社有限公司）. Pursuant to the relevant provisions of the Regulations on Travel Agencies (Revision 2017 and Revision 2020)《旅行社條例》) promulgated by the State Council of the PRC, the Group's Outbound Travel Business is prohibited from foreign ownership. Accordingly, the Group cannot acquire equity interest in our Operating Entities, which hold, or in the course of application for, Travel Agency Business License（旅行社業務經營許可證）with the scope to conduct outbound travel business for the operation of our Outbound Travel Business. As a result the Group conducts all its operations in the PRC and exerts management control over the operations of and enjoy the economic benefits derived from the Operating Entities through entering into the contractual arrangements (the "**Contractual Arrangements**") with the Operating Entities. Please refer to the section headed "Contractual Arrangements" in the prospectus of the Company dated 18 June 2019 (the "**Prospectus**") and this annual report for further details.

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

ENVIRONMENTAL POLICY AND PERFORMANCE

The Group is committed to conducting its business in an environmentally conscious manner and minimizing the adverse effects caused by its operations on the environment. The Group continues to make endeavors in saving energy and reducing unnecessary waste by adopting various green measures in its workplace. Such measures include using of energy-efficient light tubes, encouraging use of recycle papers and both sides of papers for printing and copying and keeping office temperature at reasonable level. The Group will review the environmental policy from time to time and will consider implementing further environmentally friendly measures and practices in the operation of the Group's business. A report on the environmental, social and governance aspects is prepared in accordance with Appendix 27 to the Listing Rules is set out on pages 25 to 42 of this annual report.

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

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

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

RESULTS AND DIVIDENDS

The Group's results for the year ended 31 December 2021 and the Group's financial position at that date are set out in the consolidated financial statements on pages 69 to 149 of this annual report.

The Board did not declare the payment of a dividend for the year ended 31 December 2021 (2020: Nil).

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 150 of this annual report. This summary does not form part of the audited financial statements.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Year Under Review and up to the date of this report.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of movements in share capital of the Company are set out in note 30 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Group during the Year Under Review are set out in the section headed "Consolidated Statement of Changes in Equity" of this annual report. Loss attributable to equity shareholders, of RMB40,590,000 (Loss attributable to equity shareholders for the year ended 31 December 2020: RMB45,292,000) have been transferred to reserves. As at 31 December 2021, the Company's reserves available for distribution to shareholders consisted of share premium amounted to approximately RMB91.1 million.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year Under Review, sales to the Group's five largest customers accounted for approximately 32% of the total sales for the year and sales to the largest customer included therein amounted to approximately 13%. Purchases from the Group's five largest suppliers accounted for 30% of the total purchases for the Year and purchases from the largest supplier included therein amounted to 9%.

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

DIRECTORS

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

Executive Directors

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

Independent Non-executive Directors

Mr. Zhao Jianbo
Ms. Zhou Li
Mr. Zheng Cheng
Mr. Ying Luming

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

In accordance with the Articles of Association, Mr. Yu Dingxin, Mr. Pan Wei and Ms. Zhou Li will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

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

CONTRACT OF SIGNIFICANCE

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

DIRECTORS' SERVICE CONTRACTS

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

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

DIRECTORS' REMUNERATION

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

PERMITTED INDEMNITY PROVISION

During the Year Under Review, the Company has purchased liability insurance for all directors to minimise their risks arising from the performance of their duties. The permitted indemnity provisions are provided in such directors liability insurance in respect of potential liability and costs associated with legal proceedings that may be brought against such directors.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

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 Under Review.

TAX RELIEF AND EXEMPTION

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

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

As at 31 December 2021, the interests and short positions of the Directors of the Company in the share capital and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Hong Kong Securities and Futures Ordinance (the "**SFO**"), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for the Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules, were as follows:

Long positions in the shares of the Company

Name	Nature of interest	Number of Shares	Approximate percentage of shareholding
Mr. Yu Dingxin (1)	Interest in controlled corporation	702,312,000	70.2312%
Mr. Pan Wei (2)	Interest in controlled corporation	702,312,000	70.2312%
Mr. Xu Jiong (3)	Interest in controlled corporation	702,312,000	70.2312%

Notes:

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

(2) King Pan Co., Ltd holds 121,062,000 Shares. King Pan Co., Ltd is directly and wholly owned by Mr. Pan Wei, who is therefore deemed to be interested in all the Shares held by King Pan Co., Ltd. Mr. Yu Dingxin, Mr. Pan Wei and Mr. Xu Jiong entered into a concert party agreement on 13 April 2018, and are therefore deemed to be interested in the interests of each other.

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

Save as disclosed above, as at 31 December 2021, none of the Directors nor chief executive of the Company had registered an interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been recorded in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

So far as the Directors are aware, as at 31 December 2021, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in the shares of the Company:

Name	Nature of interest	Number of Shares	Approximate percentage of shareholding
York Yu Co., Ltd (1)	Beneficial owner	418,725,000	41.8725%
David Xu Co., Ltd (1)	Beneficial owner	50,025,000	5.0025%
King Pan Co., Ltd (2)	Beneficial owner	121,062,000	12.1062%
Jeffery Xu Co., Ltd (3)	Beneficial owner	112,500,000	11.2500%
Mr. Yu Dingxin (1)	Interest in controlled corporation	702,312,000	70.2312%
Mr. Pan Wei (2)	Interest in controlled corporation	702,312,000	70.2312%
Mr. Xu Jiong (3)	Interest in controlled corporation	702,312,000	70.2312%

Notes:

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

(2) King Pan Co., Ltd holds 121,062,000 Shares. King Pan Co., Ltd is directly and wholly owned by Mr. Pan Wei, who is therefore deemed to be interested in all the Shares held by King Pan Co., Ltd. Mr. Yu Dingxin, Mr. Pan Wei and Mr. Xu Jiong entered into a concert party agreement on 13 April 2018, and are therefore deemed to be interested in the interests of each other.

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

Save as disclosed above, as at 31 December 2021, the Company had not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

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

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

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

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

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

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

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

Since the adoption of the Share Option Scheme and during the Year Under Review, no Option has been granted, exercised, lapsed or cancelled, and as at 31 December 2021, no Options under the Share Option Scheme were outstanding.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or the laws of Cayman Island being the jurisdiction in which the Company is incorporated, under which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

EQUITY-LINKED AGREEMENTS

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

DIRECTORS' SECURITIES TRANSACTIONS

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

DEED OF NON-COMPETITION

As disclosed in the Prospectus, the controlling shareholders of the Company (the "**Controlling Shareholders**") entered into a deed of non-competition in favour of the Company on 1 March 2019 (for itself and as trustee for its subsidiaries) (the "**Deed of Non-Competition**"). Each of the Controlling Shareholders confirmed to the Company that they have compiled with the Deed of Non-Competition during the period from the Listing Date to 31 December 2021.

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

The independent non-executive Directors of the Company have reviewed the declaration made by the Controlling Shareholders regarding the compliance of the Deed of Non-Competition and were satisfied that the terms of the Deed of Non-Competition had been duly complied with and enforced since 28 June 2019 (the "**Listing Date**") to 31 December 2021.

COMPETING INTERESTS

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

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

There were no significant investments held by the Company, nor were there any material acquisitions and disposals of subsidiaries, associates and joint ventures during the Year Under Review. As at 31 December 2021, the Group had no future plan for any material investments or acquisitions or disposals of capital assets as at the date of this report.

CONNECTED TRANSACTIONS

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

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

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

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

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

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

b. nothing has come to our attention that causes us to believe that the Continuing Connected Transactions were not entered into, in all material respects, in accordance with the Structured Contracts comprising the Contractual Arrangements (both defined in the Prospectus) governing such transactions; and

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

McMillan Woods (Hong Kong) CPA Limited have issued their letter containing their findings and conclusions in respect of the Continuing Connected Transactions in accordance with Rule 14A of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

CONTRACTUAL ARRANGEMENTS

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

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

Summary of the major terms of the Contractual Arrangements

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

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

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

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

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

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

(i) Exclusive Business Cooperation and Service Agreement

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

The consultation and services provided by WFOE include:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(ii) Exclusive Option Agreement

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

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

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

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

– distribute dividends and bonuses in any forms;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(iii) Equity Interest Pledge Agreement

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

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

(iv) Shareholders' Rights Entrustment Agreement

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

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

– convening and attending shareholders' meetings of Tuyi Group;

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

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

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

Revenue and Assets in relation to the Contractual Arrangements

During the year ended 31 December 2021, revenue attributable to the Operating Entities (before any inter-company eliminations) was approximately RMB1.6 million (2020: approximately RMB13.2 million). During the year ended 31 December 2021, the total asset and net asset attributable to the Operating Entities (before any inter-company eliminations) was approximately RMB171.8 million and RMB105.2 million (2020: approximately RMB204.4 million and RMB132.6 million), respectively.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

No Material Change

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

Unwinding of Contractual Arrangements

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

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

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

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

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

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

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

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken by the Group during the Year Under Review are set out in note 35 to the consolidated financial statements in this annual report. None of such related party transactions constitutes connected transaction which is subject to the reporting, annual review, announcement and/or shareholders' approval requirements under Chapter 14A of the Listing Rules. Except for the transactions described in the section headed "Connected Transactions" in this report, none of these related party transactions constitute connected transactions that are required to be disclosed under Chapter 14A of the Listing Rules.

REVIEW BY AUDIT COMMITTEE

The audited consolidated financial statements of the Group for the year ended 31 December 2021 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the year ended 31 December 2021 comply with applicable reporting standards, the Listing Rules, and that adequate disclosures have been made.

EVENTS AFTER THE REPORTING PERIOD

There was no material events affecting the Group occurred subsequent to 31 December 2021 and up to the date of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

Ernst & Young resigned as auditor of the Company with effect from 24 August 2021 as the Company and EY cannot reach a consensus on the audit fee for the financial year ending 31 December 2021 and McMillan Woods (Hong Kong) CPA Limited was appointed as the new auditors to fill the causal vacancy. The financial statements for the year ended 31 December 2021 was audited by McMillan Woods (Hong Kong) CPA Limited. McMillan Woods (Hong Kong) CPA Limited will retire at the conclusion of the forthcoming annual general meeting and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

FORWARD LOOKING STATEMENTS

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

APPRECIATION

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

On behalf of the Board
Yu Dingxin
Chairman and executive Director
28 March 2022

McMillanWoods
Professionalism at the forefront

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF TU YI HOLDING COMPANY LIMITED
途屹控股有限公司
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Tu Yi Holding Company Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 69 to 149, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 2021, 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 (the "**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, 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. The key audit matters we identified is impairment assessment of leasehold land and buildings and freehold land:

Impairment assessment of leasehold land and buildings and freehold land	How our audit addressed the key audit matter
We refer to the significant accounting policies in note 2.4, significant accounting judgements, estimates and assumptions in note 3, and relevant disclosures in respect of impairment of the Group's leasehold land and buildings in note 13 and freehold land in note 15 to the Group's consolidated financial statements. As at 31 December 2021, the Group had leasehold land and buildings and freehold land deployed in hotel operations. Given the economic environment in which the Group's hotels operate and the existence of impairment indicators at Group's hotel operations, there is a risk that the carrying amounts of these hotels held by the Group are higher than their recoverable amounts. Management has carried out impairment assessments which involved estimating the recoverable amounts, being the higher of fair value less costs of disposal and value-in-use, requires management significant judgement and estimations. As at 31 December 2021, the management considered that no provision for impairment loss for leasehold land and buildings and freehold land was necessary. As the aggregated carrying value of the Group's leasehold land and buildings and freehold land amounted to approximately RMB148,293,000, represented 62% of the total assets of the Group and the determination of the recoverable amount requires management judgement. As such, we determined that this is a key audit matter.	Our procedures in relation to management's assessments of impairment of leasehold land and buildings and freehold land held by the Group's subsidiary for the hotel operations in Japan included: – Understanding management's process to identify triggering events for potential impairment of leasehold land and buildings and freehold land; – Assessing whether there were any indicators exist and whether the leasehold land and buildings and freehold land were impaired; – Involving our valuation expert to assist us with our evaluation of management's impairment assessments and tested the reasonableness of inputs and assumptions adopted therein, and assessing the results of their work as part of our audit; and – Assessing the adequacy of the Group's disclosures in the consolidated financial statements.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2020, were audited by another auditor who expressed an unmodified opinion on those statements on 29 March 2021.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors are responsible for the Other Information. The Other Information comprises all of 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 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 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee assists the directors 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. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

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

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

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

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

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

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

McMillan Woods (Hong Kong) CPA Limited
Certified Public Accountants
Lo Ka Ki

Audit Engagement Director
Practising Certificate Number P06633
24/F, Siu On Centre,
188 Lockhart Road,
Wan Chai,

Hong Kong, 28 March 2022

For the year ended 31 December 2021

	Notes	**2021** **RMB'000**	2020 *RMB'000*
Revenue	5	**20,789**	30,869
Cost of sales and services rendered		**(18,315)**	(32,144)
Gross profit/(loss)		**2,474**	(1,275)
Other income and gains, net	5	**463**	8,146
Selling and distribution costs		**(6,700)**	(11,906)
Administrative expenses		**(29,922)**	(23,987)
Share of (loss)/profit of an associate		**(20)**	53
(Reversal)/impairment of receivables arising from contracts with customers, net		**130**	(11,674)
Impairment of goodwill		**–**	(12,472)
Impairment loss of an associate		**(1,643)**	–
Other expenses		**(2,347)**	(1,126)
Finance costs	7	**(1,398)**	(1,276)
Loss before tax	6	**(38,963)**	(55,517)
Income tax (expense)/credit	10	**(1,705)**	10,101
Loss for the year		**(40,668)**	(45,416)

		2021 RMB'000	2020 RMB'000
Other comprehensive income, net of tax:			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(8,847)**	(5,588)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Equity investments designated at fair value through other comprehensive income change in fair value		**(94)**	(420)
Other comprehensive loss for the year		**(8,941)**	(6,008)
Total comprehensive loss for the year		**(49,609)**	(51,424)
Loss for the year attributable to:			
Owners of the parent		**(40,590)**	(45,292)
Non-controlling interests		**(78)**	(124)
		(40,668)	(45,416)
Total comprehensive loss for the year attributable to:			
Owners of the parent		**(49,531)**	(51,300)
Non-controlling interests		**(78)**	(124)
		(49,609)	(51,424)
Loss per share attributable to ordinary equity holders of the parent			
Basic and diluted (RMB cents)	12	**(4.06)**	(4.53)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Notes	2021 *RMB'000*	2020 *RMB'000*
Non-current assets			
Property, plant and equipment	13	**106,015**	120,815
Investment properties	14	**17,777**	20,594
Right-of-use assets	16(a)	**4,481**	13,625
Freehold land	15	**43,541**	49,445
Goodwill	17	**54**	54
Other intangible assets	18	**481**	619
Investment in an associate	19	**2,390**	4,053
Equity investments designated at fair value through other comprehensive income	20	**791**	7,995
Deferred tax assets	29	**8,289**	10,258
		183,819	227,458
Current assets			
Inventories	21	**4,218**	4,158
Trade receivables	22	**1,372**	1,834
Prepayments, other receivables and other assets	23	**5,717**	8,835
Pledged short-term deposits	25	**1,750**	320
Financial assets at fair value through profit or loss	24	**–**	3,021
Cash and cash equivalents	25	**43,614**	44,024
		56,671	62,192
Current liabilities			
Trade payables	26	**810**	783
Advance from customers, other payables and accruals	27	**15,304**	8,397
Interest-bearing bank borrowings	28	**28,573**	29,006
Lease liabilities	16(b)	**1,347**	1,413
Tax payable		**1,639**	1,593
		47,673	41,192
Net current assets		**8,998**	21,000
Total assets less current liabilities		**192,817**	248,458
Non-current liabilities			
Interest-bearing bank borrowings	28	**33,445**	38,166
Lease liabilities	16(b)	**3,147**	4,476
Deferred tax liabilities	29	**4,606**	4,588
		41,198	47,230
NET ASSETS		**151,619**	201,228

At 31 December 2021

	Notes	2021 *RMB'000*	2020 *RMB'000*
Equity			
Equity attributable to owners of the parent			
Issued capital	30	**8,797**	8,797
Reserves	31	**140,823**	190,354
		149,620	199,151
Non-controlling interests		**1,999**	2,077
TOTAL EQUITY		**151,619**	201,228

Approved by the Board of Directors on 28 March 2022 and are signed on its behalf by:

Yu Dingxin
Director

Pan Wei
Director

	Attributable to owners of the parent											
	Issued capital *RMB'000* (note 30)	Share premium* *RMB'000* (note 31)	Capital reserves* *RMB'000* (note 31)	Statutory surplus reserves* *RMB'000* (note 31)	Fair value reverse of financial assets at fair value through other comprehensive income* *RMB'000* (note 31)	Retained earnings/ (accumulated losses)* *RMB'000*	Revaluation reserves* *RMB'000*	Difference arising from acquisition of non-controlling interests* *RMB'000*	Foreign currency translation reserves* *RMB'000* (note 31)	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2021	**8,797**	**91,120**	**88,967**	**6,482**	**(420)**	**8,709**	**1,579**	**(19)**	**(6,064)**	**199,151**	**2,077**	**201,228**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**(40,590)**	**-**	**-**	**-**	**(40,590)**	**(78)**	**(40,668)**
Changes in fair value of equity investments at fair value through other comprehensive loss	**-**	**-**	**-**	**-**	**(94)**	**-**	**-**	**-**	**-**	**(94)**	**-**	**(94)**
Exchange differences	**-**	**-**	**-**	**-**	**12**	**-**	**-**	**-**	**(8,859)**	**(8,847)**	**-**	**(8,847)**
At 31 December 2021	**8,797**	**91,120**	**88,967**	**6,482**	**(502)**	**(31,881)**	**1,579**	**(19)**	**(14,923)**	**149,620**	**1,999**	**151,619**
At 1 January 2020	8,797	91,120	88,967	6,482	–	54,001	1,579	(19)	(476)	250,451	2,201	252,652
Loss for the year	–	–	–	–	–	(45,292)	–	–	–	(45,292)	(124)	(45,416)
Changes in fair value of equity investments at fair value through other comprehensive loss	–	–	–	–	(420)	–	–	–	–	(420)	–	(420)
Exchange differences	–	–	–	–	–	–	–	–	(5,588)	(5,588)	–	(5,588)
At 31 December 2020	8,797	91,120	88,967	6,482	(420)	8,709	1,579	(19)	(6,064)	199,151	2,077	201,228

* These reserve accounts comprise the consolidated reserves of RMB140,823,000 (2020: RMB190,354,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Cash flows from operating activities			
Loss before tax		**(38,963)**	(55,517)
Adjustments for:			
Depreciation of items of property, plant and equipment	13	**4,028**	4,576
Amortisation of intangible assets	18	**65**	72
Loss on modification of leases	16	**7,733**	10
Changes in fair value of investment properties	14	**2,817**	(56)
Gain on disposal of items of property, plant and equipment	5	**(35)**	(319)
Changes in fair value of financial assets at fair value through profit or loss	5	**(2,380)**	(21)
Impairment of goodwill	17	**–**	12,472
(Reversal)/impairment of receivables arising from contracts with customers, net	22	**(130)**	11,674
Impairment loss of an associate	19	**1,643**	–
Loss on loan modification	28	**1,917**	–
Impairment of inventories		**142**	853
Share of loss/(profit) of an associate		**20**	(53)
Bank interest income	5	**(11)**	(25)
Interest income from loans to third parties	5	**(1,491)**	(821)
Other interest income from financial assets at fair value through profit or loss	5	**(83)**	(2,646)
Finance costs	7	**1,398**	1,276
Depreciation of right-of-use assets	16	**1,432**	1,891
Foreign exchange loss/(gains)	5	**4,126**	(2,094)
		(17,772)	(28,728)
Decrease in trade receivables		**592**	20,557
Decrease in prepayments, deposits and other receivables		**3,118**	11,175
Decrease in amounts due from a director		**–**	201
Increase in inventories		**(202)**	(3,282)
Increase/(decrease) in trade payables		**27**	(9,726)
Increase/(decrease) in advance from customers, other payables and accruals		**6,907**	(4,224)
Cash used in operations		**(7,330)**	(14,027)

	Notes	**2021** **RMB'000**	2020 RMB'000
Income tax paid		**–**	(8,449)
Net cash flows used in operating activities		**(7,330)**	(22,476)
Cash flows from investing activities			
Purchases of items of property, plant and equipment		**(609)**	(425)
Purchases of items of intangible assets		**–**	(133)
Purchases of financial assets at fair value through profit or loss		**–**	(106,026)
Proceeds from disposal of financial assets at fair value through profit or loss		**3,000**	103,026
Other interest income from financial assets at fair value through profit or loss		**83**	2,646
Decrease in time deposits with original maturity of over three months		**–**	22,538
Proceeds from disposal of items of property, plant and equipment		**372**	399
Advances of loans to third parties		**–**	(26,210)
Repayment of loans to third parties		**–**	26,210
Purchase of an equity investment designated at fair value through other comprehensive income		**(1,935)**	(8,415)
Proceeds from disposal of an equity investment designated at fair value through other comprehensive income		**11,165**	–
(Increase)/decrease in pledged short-term deposits		**(1,430)**	1,333
Interest received from bank		**11**	25
Interest received from loans to third parties		**1,491**	821
Net cash flows from investing activities		**12,148**	15,789
Cash flows from financing activities			
Repayment of bank borrowings		**–**	(1,243)
New bank borrowings raised		**–**	10,000
Decrease in amounts due to a related party		**–**	(224)
Principal portion of lease payments		**(1,416)**	(9,597)
Interest paid		**(1,398)**	(1,276)
Net cash flows used in financing activities		**(2,814)**	(2,340)
Net increase/(decrease) in cash and cash equivalents		**2,004**	(9,027)
Effect of foreign exchange rate changes, net		**(2,414)**	(3,062)
Cash and cash equivalents at beginning of year		**44,024**	56,113
Cash and cash equivalents at end of year	25	**43,614**	44,024

1 CORPORATE INFORMATION

Tu Yi Holding Company Limited (the "**Company**") is a limited liability company incorporated in the Cayman Islands on 27 February 2018. The registered address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business in Hong Kong is located at Room 02-03, 31/F, 118 Connaught Road West, Hong Kong. The principal place of business in Mainland China is located at Room 813, 8/F, Block 4, Hai Chuang Technology Centre, No. 1288 Wenyi West Road, Cangqian Sub-district, Yuhang District, Hangzhou City, Zhejiang Province, the People's Republic of China (the "**PRC**"). The shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited on 28 June 2019.

The Company is an investment holding company. During the year, the Company's subsidiaries were principally involved in (i) the design, development and sales of outbound travel package tours and day tours; (ii) the design, development and sales of free independent traveller ("**FIT**") products; (iii) the provision of visa application processing services; (iv) hotel operation and (v) duty-free shop business.

In the opinion of the directors of the Company, as at 31 December 2021, the ultimate controlling shareholders of the Company and its subsidiaries (together, the "**Group**") are Mr. Yu Dingxin, Mr. Pan Wei and Mr. Xu Jiong (collectively the "**Controlling Shareholders**"). York Yu Co., Ltd and David Xu Co., Ltd (incorporated in British Virgin Islands), is directly and wholly owned by Mr. Yu Dingxin. King Pan Co., Ltd (incorporated in British Virgin Islands), is directly and wholly owned by Mr. Pan Wei. Jeffery Xu Co., Ltd (incorporated in British Virgin Islands), is directly and wholly owned by Mr. Xu Jiong.

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place and date of incorporation/ registration and place of business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Citizen Holiday Co., Ltd	British Virgin Islands/ Hong Kong 6 March 2018	United States dollar ("**USD**") 1	100	–	Investment holding
Tuyi HK Group Co., Limited 途易香港有限公司	Hong Kong 19 March 2018	USD1	–	100	Investment holding
Hangzhou Tuyi Information Technology Company Limited ("**WFOE**") (a)* 杭州途屹信息技術有限公司	The PRC/ Mainland China 3 April 2018	USD5 million	–	100	Investment holding

1 CORPORATE INFORMATION (CONTINUED)

Information about subsidiaries (continued)

Name	Place and date of incorporation/ registration and place of business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Tu Yi Group Company Limited ("**Tuyi Group**") (b) (c)* 途益集團有限公司	The PRC/ Mainland China 29 April 2008	RMB60 million	–	100	Travel business
Zhejiang Kaida Ticketing Company Limited ("**Kaida Ticketing**") (b)* 浙江凱達票務有限公司	The PRC/ Mainland China 18 August 2010	RMB5 million	–	100	Air ticket booking services
Tu Yi Group Japan Co., Ltd ("**Tuyi Group Japan**")* 途易集團日本株式會社	Japan 31 March 2015	Japanese Yen ("**JPY**") 5 million	–	100	Travel and hotel accommodation agency services
Hangzhou Guge Travel Company Limited ("**Guge Travel**") (b) (c)* 杭州谷歌旅行社有限公司	The PRC/ Mainland China 23 April 2010	RMB0.3 million	–	100	Travel business
Hangzhou Tuyi Investment Management Company Limited ("**Tuyi Investment**") (b)* 杭州途易投資管理有限公司	The PRC/ Mainland China 2 June 2015	RMB1 million	–	98	Investment holding
Tu Yi Tourism Development Company Limited ("**Tuyi Tourism Development**")* 途易觀光開發株式會社	Japan 7 May 2015	JPY 1 million	–	100	Investment holding
Shuzenji Takitei Company Limited ("**Shuzenji Takitei**")* 修善寺滝亭株式會社	Japan 15 March 2010	JPY 0.1 million	–	100	Hotel operation

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

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

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

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

2.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and the disclosure requirements of the Hong Kong Companies Ordinance (cap.622). They have been prepared under the historical cost convention, except for investment properties, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (continued)

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phrase 2*

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates ("**IBOR reform**"). The amendments do not have an impact on these financial statements as the Group does not have contracts that are indexed to benchmark interest rates which are subject to the IBOR reform.

The Group also elected to adopt the following amendment early:

Amendment to HKFRS 16	*COVID-19-Related Rent Concession beyond 30 June 2021*

The Group previously applied the practical expedient in HKFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions are met. One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from 30 June 2021 to 30 June 2022.

With the extended time limit, certain rent concessions that were previously ineligible for the practical expedient because of the original time limit, become eligible. Accordingly, these rent concessions, which were previously accounted for as lease modifications, are now accounted for as negative variable lease payments, and are recognised in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 January 2021.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied any new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2021. These new and revised HKFRSs include the following which may be relevant to the Group.

		Effective for accounting periods beginning on or after
Amendments to HKFRS 3	*Business Combination – Reference to the Conceptual Framework*	1 January 2022
Amendments to HKAS 16	*Property, Plant and Equipment – Proceeds before Intended Use*	1 January 2022
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022
Annual Improvements to HKFRSs 2018 – 2020 Cycle		1 January 2022
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Presentation of Financial Statements and Making Materiality Judgements – Disclosure of Accounting Policies*	1 January 2023
Amendments to HKAS 8	*Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*	1 January 2023
Amendments to HKAS 12	*Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction*	1 January 2023

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment in an associate

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

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

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

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

Business combination and goodwill

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

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combination and goodwill (continued)

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, investment properties, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

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

Related parties

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

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties (continued)

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Freehold land

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation

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

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

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

Freehold land	Not depreciated
Leasehold land and buildings	Over the shorter of the term of the land use rights or 40 years
Computer and office equipment	3 to 10 years
Motor vehicles	4 years
Leasehold improvements	5 years

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties

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

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

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

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

Intangible assets (other than goodwill)

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

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

Group as a lessee

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

(a) Right-of-use assets

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

Office units and equipment	2 to 5 years
Motor vehicle	5 years
Hotel facilities	2 to 30 years

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

(b) Lease liabilities

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Group as a lessee (continued)

(b) Lease liabilities (continued)

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

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

(c) Short-term leases

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

Group as a lessor

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

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

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss and other comprehensive income. Dividends are recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets measured at fair value through profit or loss

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Financial assets measured at fair value through profit or loss (continued)

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through 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 derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

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

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

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets

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

General approach

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

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

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

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

Simplified approach

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

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities include trade and other payables and interest-bearing bank borrowings.

Subsequent measurement

The subsequent measurement of loans and borrowings is as follows:

Financial liabilities at amortised cost (loans and borrowings)

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Inventories

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

Cash and cash equivalents

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

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

Income tax

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

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

(a) where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(b) in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

(a) when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(b) in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government grants

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

Revenue recognition

Revenue from contracts with customers

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

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

Sales of travel-related products and services and duty-free products

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

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

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

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

(v) Revenue from sales of duty-free products is recognised at the point in time when control of the asset is transferred to the customer, generally on acceptance of the duty-free products by the customers.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Other income

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

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

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

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

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

Employee benefits

Pension scheme

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

The employees of the Company's subsidiaries which operated in Japan are required to participate in a central pension scheme operated by a government affiliated corporation (the "National Pension Scheme"), which is considered as a defined contribution plan and these subsidiaries are required to contribute certain percentage of employees' salaries to the National Pension Scheme. The Group has no further payment obligations once the contributions have been paid. On the other hand, the employees of the Company's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government (the "Central Pension Scheme"), which is also considered as a defined contribution plan and these subsidiaries are required to contribute certain percentage of employees' salaries to the Central Pension Scheme. The Group has no further payment obligations once the contributions have been paid. All contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees and when they fall due under the relevant regulations. For both the National Pension Scheme and Central Pension Scheme, no forfeited contributions could be used by employer to reduce the existing level of contributions.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

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

Dividends

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

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

Foreign currencies

The financial statements is presented in RMB because the Group's principal operations are carried out in Mainland China. The functional currency of the Company is HKD and certain subsidiaries incorporated outside Mainland China use JPY as their functional currencies. The functional currency of the subsidiaries established in Mainland China is RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (Continued)

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

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

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Judgements

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

Principal versus agent

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

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Judgements (Continued)

Principal versus agent (Continued)

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

For duty-free shop business, management reaches the conclusion that the Group acts as a principal except for the sales of "one-click ship" for which the Group acts as an agent. For usual duty-free products sales, the Group controls the products before delivering to the customers. While for "one-click ship" sales, the supplier controls the products and is responsible for the warehousing, logistics distribution, after-sales service and other services of the sold products. Accordingly, the Group recognises revenue from the usual duty-free products sales on a gross basis and the revenue from "one-click ship" on a net basis.

Contractual Arrangements

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

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

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

Estimation uncertainty

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

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Estimation uncertainty (Continued)

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2021 was RMB54,000 (2020: RMB54,000). Further details are given in note 17 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 customer 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 such as purchasing managers' index. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 22 to the consolidated financial statements.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. All non-financial assets of the Group are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of property, plant and equipment, freehold land, right-of-use assets and other intangible assets at the end of each reporting period are disclosed in notes 13,15,16 and 18 to the consolidated financial statements.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Estimation uncertainty (Continued)

Estimation of fair value of investment properties

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

The carrying amount of investment properties was RMB17,777,000 (2020: RMB20,594,000). Further details, including the key assumptions used for fair value measurement, are given in note 14 to the consolidated financial statements.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the tax losses and other deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. The amount of deferred tax assets in respect of unrecognised tax losses in Mainland China at 31 December 2021 was RMB441,000 (2020: RMB2,438,000). The amount of deferred tax assets in respect of unrecognised tax losses in Japan at 31 December 2021 was RMB5,176,000 (2020: RMB4,719,000). Further details are contained in note 29 to the consolidated financial statements.

Income tax

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

Investment in an associate

Investment in an associate is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the investment in an associate exceeds its recoverable amount. The recoverable amount is determined with reference to the fair value less costs of disposal. Determination of fair value requires management significant judgement and estimations. Where the fair value less costs of disposal are less than expected or there are unfavourable events and change in facts and circumstance which result in revision of fair value less costs of disposal, a material impairment loss may arise. Impairment of investment in an associate of approximately RMB1,643,000 (2020: Nil) was made for the year ended 31 December 2021.

4 OPERATING SEGMENT INFORMATION

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

	2021	2020
	RMB'000	*RMB'000*
Revenue		
Sales of package tours and day tours	**1,442**	12,339
Margin income from sales of FIT products	**187**	691
Margin income from the provision of visa application processing services	**–**	225
Income from the duty-free shop business	**18,120**	13,090
Hotel operation income	**1,040**	4,524
Total	**20,789**	30,869

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

Geographical information

(a) Revenue from external customers

	2021	2020
	RMB'000	*RMB'000*
Domestic – Mainland China*	**19,302**	25,047
Taiwan*	**403**	–
Japan#	**1,084**	5,822
Total	**20,789**	30,869

* Mainly from online duty-free shop business.

Mainly from hotel operation and commission from Japan customers.

4 OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information (continued)

(b) Information about major customers

Revenue from customers of the corresponding years individually contributing over 10% of the Group's revenue are as follows:

	2021 *RMB'000*	2020 *RMB'000*
Customer A	**3,759**	–

(c) Non-current assets

	2021 *RMB'000*	2020 *RMB'000*
Domestic – Mainland China	**45,081**	62,954
Japan	**129,658**	146,251
Total	**174,739**	209,205

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

5 REVENUE, OTHER INCOME AND GAINS, NET

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

An analysis of revenue, other income and gains /(loss) is as follows:

	2021	2020
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15	**20,789**	30,869
Other income		
Bank interest income	**11**	25
Government grants	**864**	1,990
Gross rental income from investment property operating leases:		
Lease payments, including fixed payments	**55**	33
Other interest income from financial assets at fair value through profit or loss	**83**	2,646
Other interest income from loans to third parties	**1,491**	821
Others	**1,616**	141
	4,120	5,656

	2021	2020
	RMB'000	*RMB'000*
Gains, net		
Gain on disposal of items of property, plant and equipment	**35**	319
Fair value change of financial assets at fair value through profit or loss	**2,380**	21
Gain on disposal of financial assets	**871**	–
Changes in fair value of investment properties	**(2,817)**	56
Foreign exchange (loss)/gains, net	**(4,126)**	2,094
	(3,657)	2,490
	463	8,146

5 REVENUE, OTHER INCOME AND GAINS, NET (CONTINUED)

Notes:

(a) Disaggregation of revenue from contracts with customers within the score of HKFRS 15

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

	2021 *RMB'000*	2020 *RMB'000*
Timing of revenue recognition		
Over time		
– Sales of package tours and day tours	**1,442**	12,339
At a point in time		
– Margin income from the sales of FIT products	**187**	691
– Margin income from the provision of visa application processing services	**–**	225
– Income from the duty-free shop business	**18,120**	13,090
– Hotel operation	**1,040**	4,524
	19,347	18,530
Total	**20,789**	30,869

(b) Contract liabilities

Details of contract liabilities are as follows:

	2021 *RMB'000*	2020 *RMB'000*
Current*	**121**	272

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

5 REVENUE, OTHER INCOME AND GAINS, NET (CONTINUED)

Notes: (continued)

(b) Contract liabilities (continued)

(i) Significant changes in contract liabilities

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

(ii) Revenue recognised in relation to contract liabilities

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

	2021 ***RMB'000***	2020 *RMB'000*
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**272**	3,206

(iii) Performance obligations

At 31 December 2021 and 2020, the remaining performance obligations (unsatisfied or partially unsatisfied) were expected to be recognised within one year. As permitted under HKFRS 15, the transaction prices allocated to these unsatisfied contracts are not disclosed.

6 LOSS BEFORE TAX

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

	Notes	**2021** **RMB'000**	2020 RMB'000
Cost of services provided		**3,171**	22,667
Cost of inventories sold		**15,144**	9,477
Depreciation of property, plant and equipment	13	**4,028**	4,576
Depreciation of right-of-use assets	16	**1,432**	1,891
Amortisation of other intangible assets	18	**65**	72
Lease payments not included in the measurement of lease liabilities	16(c)	**18**	153
Impairment loss of an associate		**1,643**	–
Auditor's remuneration		**818**	1,590
Impairment of goodwill	17	**–**	12,472
Write-down of inventories to net realisable value*		**142**	853
(Reversal)/impairment of receivables arising from contracts with customers, net	22	**(130)**	11,674
Employee benefit expense (excluding directors'remuneration):	8		
Wages and salaries		**3,908**	8,878
Pension scheme contributions		**647**	1,219
Staff welfare expenses		**1,844**	717
		6,399	10,814

* Write-down of inventories to net realisable value is included in "Other expenses" in the consolidated statement of profit or loss and other comprehensive income.

7 FINANCE COSTS

An analysis of finance costs is as follows:

	2021 **RMB'000**	2020 RMB'000
Interest on bank borrowings	**1,314**	1,171
Interest on lease liabilities	**84**	105
	1,398	1,276

8 DIRECTORS' REMUNERATION

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

	2021	2020
	RMB'000	*RMB'000*
Fees	**79**	100
Other emoluments:		
Salaries, allowances and benefits in kind	**1,090**	530
Pension scheme contributions	**66**	115
	1,156	645
	1,235	745

(a) Independent non-executive directors

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

	2021	2020
	RMB'000	*RMB'000*
Ms. Zhou Li	**43**	47
Mr. Zhao Jianbo	**–**	11
Mr. Gu Jiong [(1)]	**–**	39
Mr. Ying Luming [(2)]	**36**	3
Mr. Zheng Cheng [(3)]	**–**	–
	79	100

There were no other emoluments paid or payable to the independent non-executive directors during the year (2020: Nil).

Notes:

(1) Gu Jiong resigned as an independent non-executive director on 30 November 2020.

(2) Ying Luming was appointed as an independent non-executive director on 30 November 2020.

(3) Zheng Cheng was appointed as an independent non-executive director on 1 June 2020.

8 DIRECTORS' REMUNERATION (CONTINUED)

(b) Executive directors

	Fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Pension scheme contributions *RMB'000*	Total remuneration *RMB'000*
2021				
Executive directors:				
Mr. Yu Dingxin	**–**	**296**	**20**	**316**
Mr. Pan Wei	**–**	**276**	**18**	**294**
Mr. Xu Jiong	**–**	**259**	**16**	**275**
Mr. An Jiajin	**–**	**259**	**12**	**271**
	–	**1,090**	**66**	**1,156**
2020				
Executive directors:				
Mr. Yu Dingxin	–	107	34	141
Mr. Pan Wei	–	101	29	130
Mr. Xu Jiong	–	87	29	116
Mr. An Jiajin	–	118	15	133
Mr. Peng Ying (1)	–	102	6	108
Ms. Qiu Xiang (2)	–	15	2	17
	–	530	115	645

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

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

Notes:

(1) Peng Ying resigned as an executive director on 1 June 2020.

(2) Qiu Xiang resigned as an executive director on 21 January 2020.

9 FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors (2020: Nil), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the two (2020: five) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2021	2020
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**1,394**	1,157
Pension scheme contributions	**116**	156
	1,510	1,313

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

	Number of employees	
	2021	2020
Nil to HK$1,000,000	**2**	5

10 INCOME TAX EXPENSE/(CREDIT)

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

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

Pursuant to the rules and regulations of Japan, the subsidiaries incorporated in Japan are subject mainly to corporate tax, inhabitant tax and enterprise tax, and the effective statutory tax rate for these taxes was 33.6% (2020: 33.6%).

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime during the years of assessment 2021 and 2020. The first HK$2,000,000 of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the year (2020: Nil).

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

10 INCOME TAX EXPENSE/(CREDIT) (CONTINUED)

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

	2021 *RMB'000*	2020 *RMB'000*
Current – Mainland China	**72**	187
Current – Japan	**–**	330
Deferred (note 29)	**1,633**	(10,618)
Total tax charge/(credit) for the year	**1,705**	(10,101)

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

2021

	Mainland China *RMB'000*	*%*	**Japan** *RMB'000*	*%*	**Total** *RMB'000*	*%*
Loss before tax	**(17,529)**		**(21,434)**		**(38,963)**	
Tax at the statutory tax rate of 25% in Mainland China	**(4,382)**	**25.0**	**–**	**–**	**(4,382)**	**11.2**
Tax at the statutory tax rate of 33.6% in Japan	**–**	**–**	**(7,202)**	**33.6**	**(7,202)**	**18.5**
Lower tax rates enacted by the local authority	**12**	**–**	**–**	**–**	**12**	**–**
Loss attributable to an associate	**416**	**(2.4)**	**–**	**–**	**416**	**(1.1)**
Income not subject to tax	**(1,020)**	**5.8**	**(939)**	**4.4**	**(1,959)**	**5.0**
Non-deductible expenses for tax purposes	**545**	**(3.1)**	**3,578**	**(16.7)**	**4,123**	**(10.6)**
Tax losses not recognised	**6,004**	**(34.3)**	**4,693**	**(21.9)**	**10,697**	**(27.5)**
Tax credit at the Group's effective tax rate	**1,575**	**(9.0)**	**130**	**(0.6)**	**1,705**	**(4.4)**

10 INCOME TAX EXPENSE/(CREDIT) (CONTINUED)

2020

	Mainland China *RMB'000*	*%*	Japan *RMB'000*	*%*	Total *RMB'000*	*%*
Loss before tax	(30,364)		(25,153)		(55,517)	
Tax at the statutory tax rate of 25% in Mainland China	(7,591)	25.0	–	–	(7,591)	13.7
Tax at the statutory tax rate of 33.6% in Japan	–	–	(8,450)	33.6	(8,450)	15.2
Lower tax rates enacted by the local authority	(161)	0.5	–	–	(161)	0.3
Profits attributable to an associate	(2)	–	–	–	(2)	–
Income not subject to tax	–	–	(246)	1.0	(246)	0.4
Non-deductible expenses for tax purposes	638	(2.1)	4,969	(19.8)	5,607	(10.1)
Tax losses not recognised	332	(1.1)	410	(1.6)	742	(1.3)
Tax credit at the Group's effective tax rate	(6,784)	22.3	(3,317)	13.2	(10,101)	18.2

11 DIVIDENDS

At the meetings of the Directors held on 28 March 2022, the directors of the Company did not recommend any payment of final dividend for the year (2020: Nil).

12 LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent amounted to approximately RMB40,590,000 (2020: RMB45,292,000), and the weighted average number of ordinary shares of 1,000,000,000 (2020: 1,000,000,000) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2021 and 2020 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2021 and 2020.

13 PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings *RMB'000*	Computer and office equipment *RMB'000*	Motor vehicles *RMB'000*	Leasehold improvements *RMB'000*	Total *RMB'000*
31 December 2021					
At 1 January 2021:					
Cost	**134,552**	**870**	**1,590**	**925**	**137,937**
Accumulated depreciation	**(15,161)**	**(742)**	**(340)**	**(879)**	**(17,122)**
Net carrying amount	**119,391**	**128**	**1,250**	**46**	**120,815**
At 1 January 2021, net of accumulated depreciation	**119,391**	**128**	**1,250**	**46**	**120,815**
Additions	**–**	**609**	**–**	**–**	**609**
Disposals	**–**	**(3)**	**(334)**	**–**	**(337)**
Depreciation provided during the year	**(3,609)**	**(90)**	**(329)**	**–**	**(4,028)**
Exchange realignments	**(11,030)**	**(14)**	**–**	**–**	**(11,044)**
At 31 December 2021, net of accumulated depreciation	**104,752**	**630**	**587**	**46**	**106,015**
At 31 December 2021:					
Cost	**122,139**	**1,375**	**1,165**	**925**	**125,604**
Accumulated depreciation	**(17,387)**	**(745)**	**(578)**	**(879)**	**(19,589)**
Net carrying amount	**104,752**	**630**	**587**	**46**	**106,015**
31 December 2020					
At 1 January 2020:					
Cost	135,903	968	2,387	925	140,183
Accumulated depreciation	(11,148)	(740)	(1,214)	(852)	(13,954)
Net carrying amount	124,755	228	1,173	73	126,229
At 1 January 2020, net of accumulated depreciation	124,755	228	1,173	73	126,229
Additions	–	–	425	–	425
Disposals	–	(19)	(61)	–	(80)
Depreciation provided during the year	(4,183)	(79)	(287)	(27)	(4,576)
Exchange realignments	(1,181)	(2)	–	–	(1,183)
At 31 December 2020, net of accumulated depreciation	119,391	128	1,250	46	120,815
At 31 December 2020:					
Cost	134,552	870	1,590	925	137,937
Accumulated depreciation	(15,161)	(742)	(340)	(879)	(17,122)
Net carrying amount	119,391	128	1,250	46	120,815

Certain of the Group's leasehold land and buildings with an aggregate net carrying amount of RMB16,901,000 (2020: RMB20,574,000) were pledged to secure bank loan facilities granted to the Group (note 28(i)).

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Impairment assessment

As at 31 December 2020 and 2021, management of the Group concluded there was indication for impairment in hotel operation and conducted impairment assessment on the Group's leasehold land and buildings and freehold land with carrying amount of approximately RMB104,752,000 (2020: RMB119,391,000) and RMB43,541,000 (2020: RMB49,445,000) respectively. The recoverable amount of the leasehold land and buildings and freehold land have been determined based on their fair value less costs of disposal (2020: fair value less costs of disposal).

The Group uses direct comparison approach (2020: direct comparison approach) to estimate the fair value less costs of disposal of the Group's leasehold land and buildings and freehold land which is based on the recent transaction prices for similar properties adjusted for nature, location, and conditions. The fair value measurement is categorised into Level 3 fair value hierarchy. The valuation of both leasehold land and buildings and freehold land has been made on the assumption that the owner sells the property in the market in its existing state without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the value of such property. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the property and no allowance has been made for the property to be sold in one lot or to a single purchaser.

The leasehold land held under medium-term leases are in Japan.

14 INVESTMENT PROPERTIES

	2021 ***RMB'000***	2020 *RMB'000*
Carrying amount at 1 January	**20,594**	20,538
(Loss)/gain from a fair value adjustment recognised in profit or loss	**(2,817)**	56
Carrying amount at 31 December	**17,777**	20,594

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

The Group's investment properties with an aggregate net carrying amount of RMB9,423,000 (2020: RMB10,050,000) were pledged to secure bank loan facilities granted to the Group as at 31 December 2021 (note 28(ii)).

The Group's investment properties consist of retail shops and offices in Mainland China. As at 31 December 2021, the Group's investment properties were revalued based on valuations performed by Zhejiang Huaxia Assets Appraisal Co. (浙江華夏資產評估有限公司) (2020: Zhejiang Guozhongyingxin Real Estate Land Valuation Advisory Limited (浙江國仲盈信房地產土地資產評估諮詢有限公司)), an independent professionally qualified valuer. The fair value measurement is categorised into Level 3 fair value hierarchy. The investment properties were leased to third parties under operating leases, further details of which are included in note 16 to the consolidated financial statements.

14 INVESTMENT PROPERTIES (CONTINUED)

Fair value hierarchy (Continued)

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2020: Nil).

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

	Retail shops *RMB'000*	Office units *RMB'000*	Total *RMB'000*
Carrying amount at 1 January 2020	10,518	10,020	20,538
Net gain from a fair value adjustment recognised in other income and gains, net in profit or loss	26	30	56
Carrying amount at 31 December 2020 and 1 January 2021	10,544	10,050	20,594
Net loss from a fair value adjustment recognised in other income and gains, net in profit or loss	(2,190)	(627)	(2,817)
Carrying amount at 31 December 2021	8,354	9,423	17,777

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

As at 31 December 2021:

Investment properties	Valuation techniques	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Retail shops	Direct market comparison method	Transacted price of comparable properties	RMB21,200 to RMB21,900 per square metre	The higher the comparable value, The higher the fair value
Office units	Direct market comparison method	Transacted price of comparable properties	RMB21,200 to RMB21,900 per square metre	The higher the comparable value, The higher the fair value

14 INVESTMENT PROPERTIES (CONTINUED)

Fair value hierarchy (Continued)

As at 31 December 2020:

Investment properties	Valuation techniques	Significant unobservable inputs	Rate of unobservable inputs	Relationship of unobservable inputs to fair value
Retail shops	Income method	Estimated rental value	RMB170.90 per square metre per month	The higher the unit monthly rent, the higher the fair value
		Discount rate	5.8%	The higher the rate, the lower the fair value
Office units	Income method	Estimated rental value	RMB135.08 per square metre per month	The higher the unit monthly rent, the higher the fair value
		Discount rate	5.3%	The higher the rate, the lower the fair value

As at 31 December 2021, the valuations of investment properties have been arrived by adopting direct comparison approach with reference to comparable sale transactions for similar properties in the same location and condition adjusted for differences in key valuation attributes, such as size and floor, were used to value the properties. The most significant input into this valuation approach is the price per square meter. A significant increase/(decrease) in the estimated price per square meter will result in a significant increase/(decrease) in the fair value of the investment properties.

As at 31 December 2020, the estimated market rents are estimated based on the independent valuer's view of recent letting transactions within the subject properties and other comparable properties. A significant increase/(decrease) in the estimated rental value in isolation would result in a significant increase/(decrease) in the fair value of the investment properties. A significant increase/(decrease) in the discount rate in isolation would result in a significant decrease/(increase) in the fair value of the investment properties. Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the discount rate.

There has been a change in valuation techniques used from income approach to direct comparison method since the change results in a measurement that is equally or more representative of fair value. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

15 FREEHOLD LAND

	2021 RMB'000	2020 RMB'000
Carrying amount at beginning of year	**49,445**	50,086
Exchange realignments	**(5,904)**	(641)
Carrying amount at the end of year	**43,541**	49,445

The Group's freehold land with an aggregate carrying amount of RMB43,541,000 (2020: RMB49,445,000) was pledged to secure bank loan facilities granted to the Group (note 28(iii)).

Details of the Group's impairment assessment of freehold land is set out in Note 13 to the consolidated financial statements.

16 LEASES

The Group as a lessee

The Group has lease contracts for various items of office units and equipment, motor vehicle and hotel facilities used in its operations. Leases of office units and equipment generally have lease terms between 2 and 5 years, motor vehicle generally have lease terms for 5 years, while hotel facilities generally have lease terms between 2 and 30 years. Other equipment generally has lease terms of 12 months or less. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

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

	Office units and equipment RMB'000	Motor vehicle RMB'000	Hotel facilities RMB'000	Total RMB'000
As at 1 January 2020	287	232	6,952	7,471
Additions	106	–	8,000	8,106
Depreciation charge	(227)	(46)	(1,618)	(1,891)
Reduction as a result of lease modifications	(31)	(30)	–	(61)
As at 31 December 2020 and 1 January 2021	135	156	13,334	13,625
Additions	127	–	–	127
Depreciation charge	(73)	(40)	(1,319)	(1,432)
Reduction as a result of lease modifications	(106)	–	(7,733)	(7,839)
As at 31 December 2021	**83**	**116**	**4,282**	**4,481**

16 LEASES (CONTINUED)

The Group as a lessee (Continued)

(b) Lease liabilities

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

	2021 *RMB'000*	2020 *RMB'000*
Carrying amount at 1 January	**5,889**	7,431
New leases	**127**	8,106
Reduction as a result of lease modifications	**(106)**	(51)
Accretion of interest recognised during the year	**84**	105
Payments	**(1,500)**	(9,702)
Carrying amount at 31 December	**4,494**	5,889
Analysed into:		
Current portion	**1,347**	1,413
Non-current portion	**3,147**	4,476

The maturity analysis of lease liabilities is disclosed in note 38 to the consolidated financial statements.

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

	2021 *RMB'000*	2020 *RMB'000*
Interest on lease liabilities	**84**	105
Depreciation charge of right-of-use assets	**1,432**	1,891
Expense relating to short-term leases (included in administrative expenses)	**18**	153
Total amount recognised in profit or loss	**1,534**	2,149

(d) The total cash flow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 33(c) and 34, respectively, to the consolidated financial statements.

The Group as a lessor

The Group leases its investment properties (note 14) under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits. Rental income recognised by the Group during the year was RMB55,000 (2020: RMB33,000), details of which are included in note 5 to the consolidated financial statements.

17 GOODWILL

As at 31 December 2020	*RMB'000*
Cost	13,686
Accumulated impairment	(13,632)
Net carrying amount	54
Cost at 1 January 2021, net of accumulated impairment and net carrying amount at 31 December 2021	54
As at 31 December 2021	
Cost	13,686
Accumulated impairment	(13,632)
Net carrying amount	54

Impairment testing of goodwill

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

The covid-19 pandemic has developed rapidly in early 2020. Many countries have required businesses to limit or suspend operations and implemented travel restrictions and quarantine measures. The measures taken to contain the virus have adversely affected economic activity and disrupted many businesses. As the pandemic continues to progress and evolve, it is extremely challenging to predict the full extent and duration of its impact on Shuzenji Takitei unit's businesses and the location where the Shuzenji Takitei unit operates. Based on information available as at 31 December 2020, management has made additional adjustments to the five year business plans used in the Group's impairment testing in order to reflect the estimated impact. The impairment charges recognised and discussed immediately below, are based on expected cash flows after applying these adjustments.

Due to the aforementioned increased touristic and economic uncertainty under the covid-19 pandemic, the revenue and gross margin of Shuzenji Takitei unit decreased and management recognised an impairment charge following a reduction in projected cash flows. Based on the impairment assessment review, an impairment loss of goodwill of approximately RMB12,472,000 was recognised in profit or loss for the year ended 31 December 2020 and no further impairment loss of goodwill was recognised for the year ended 31 December 2021.

The impairment charges recognised with respect to Shuzenji Takitei unit reflect management's latest assessment of likely touristic and economic conditions in the five year business plan. Management's view of the long-term potential in these markets remains unchanged.

17 GOODWILL (CONTINUED)

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

	2021	2020
	RMB'000	*RMB'000*
Budgeted revenue (annual growth rate%)[1]	**25.79%**	22.10%
Budgeted gross margin (of revenue%)[2]	**79.42%**	70.46%
Long term growth rate	**0.49%**	0.56%
Pre-tax discount rate	**9.49%**	9.49%

Notes:

(1) Budgeted revenue is expressed as the compound annual growth rates in the initial five years for Shuzenji Takitei unit of the plans used for impairment testing.

(2) Budgeted gross margin is expressed as the average gross margin of hotel operation as a percentage of revenue in the initial five years for Shuzenji Takitei unit of the plans used for impairment testing.

Assumptions were used in the value in use calculation of the Shuzenji Takitei unit for 31 December 2021 and 31 December 2020. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted revenue – The budgeted sales amounts are based on the historical data, including both the revenue achieved in the years before and after the covid-19 pandemic outbreak, adjusted for management's expectation on the future market, on probability-weighted scenarios to reflect the uncertainty under covid-19 pandemic.

Budgeted gross margins – The budgeted gross margins are based on the historical data, including both the gross margins achieved in the years before and after the covid-19 pandemic adjusted for management's expectation on the future operation efficiency and market development, on probability-weighted scenarios to reflect the uncertainty under the covid-19 pandemic.

Long term growth rate – For the purposes of the Group's value in use calculation, a long-term growth rate into perpetuity is applied immediately at the end of the five year forecast period which is based on the nominal GDP growth rate forecasts for Japan, the country where the Shuzenji Takitei unit operates.

17 GOODWILL (CONTINUED)

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

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

The recoverable amount of the cash-generating unit at the end of the reporting period was RMB24,782,000 (2020: RMB21,589,000).

18 OTHER INTANGIBLE ASSETS

31 December 2021	**Onsen use right** *RMB'000*	**Software** *RMB'000*	**Total** *RMB'000*
Cost at 1 January 2021, net of accumulated amortisation	**507**	**112**	**619**
Amortisation provided during the year	**(40)**	**(25)**	**(65)**
Exchange realignments	**(61)**	**(12)**	**(73)**
At 31 December 2021	**406**	**75**	**481**
At 31 December 2021:			
Cost	**649**	**163**	**812**
Accumulated amortisation	**(242)**	**(89)**	**(331)**
Net carrying amount	**407**	**74**	**481**

31 December 2020	Onsen use right *RMB'000*	Software *RMB'000*	Total *RMB'000*
Cost at 1 January 2020, net of accumulated amortisation	560	4	564
Addition	–	133	133
Amortisation provided during the year	(47)	(25)	(72)
Exchange realignments	(6)	–	(6)
At 31 December 2020	507	112	619
At 31 December 2020:			
Cost	740	179	919
Accumulated amortisation	(233)	(67)	(300)
Net carrying amount	507	112	619

19 INVESTMENT IN AN ASSOCIATE

	2021 **RMB'000**	2020 RMB'000
Share of net assets	**4,033**	4,053
Less: Impairment loss	**(1,643)**	–
	2,390	4,053

The transactions with the associate are disclosed in note 35(a) to the consolidated financial statements.

Particulars of the associate at the end of reporting period are as follows:

Company	**Place of registration and business**	**Nominal value of registered share capital**	**Percentage of ownership interest attributable to the Group**		**Principal activity**
			2021	2020	
Hangzhou Yitu Network Technology Co., Ltd. ("**Hangzhou Yitu**")	PRC/Mainland China	RMB10,000,000	**40%**	40%	Techonology consulting

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

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

The associate established on 27 September 2019 and is in the process of dissolution in December 2021.

Subsequent to the end of reporting period on 27 January 2022, the dissolution of an associate has been completed.

The following table illustrates the summarised financial information in respect of Hangzhou Yitu adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2021 **RMB'000**	2020 RMB'000
Current assets	**10,084**	10,133
Net assets	**10,084**	10,133
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**40%**	40%
Group's share of net assets of the associate	**4,033**	4,053
Revenue	**–**	79
Interest income	**–**	152
(Loss)/profit and total comprehensive (loss)/income for the year	**(49)**	133

20 EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021	2020
	RMB'000	*RMB'000*
Equity investments designated at fair value through other comprehensive income listed equity investments, at fair value		
Meituan	**774**	–
Raily Aesthetic Medicine International Holdings Limited	**17**	7,995
	791	7,995

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

21 INVENTORIES

	2021	2020
	RMB'000	*RMB'000*
Merchandise for sales	**4,205**	3,925
Hotel supplies	**13**	233
	4,218	4,158

22 TRADE RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
Trade receivables	**14,188**	14,780
Impairment	**(12,816)**	(12,946)
	1,372	1,834

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

22 TRADE RECEIVABLES (CONTINUED)

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

	2021 ***RMB'000***	2020 *RMB'000*
1 to 30 days	**750**	185
31 to 90 days	**44**	154
91 to 180 days	**9**	50
181 to 360 days	**569**	1,445
	1,372	1,834

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

	2021 ***RMB'000***	2020 *RMB'000*
At beginning of year	**12,946**	1,818
Impairment losses	**–**	11,895
Reversal	**(130)**	(221)
Amount written off as uncollectible	**–**	(546)
At end of year	**12,816**	12,946

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

22 TRADE RECEIVABLES (CONTINUED)

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

As at 31 December 2021	**Current**	**Pass due** Less than 3 months	**Pass due** over 3 months	**Over Total**
Expected credit loss rate	**1.09%**	**0.72%**	**95.75%**	**90.33%**
Gross carrying amount (RMB'000)	**803**	**9**	**13,376**	**14,188**
Expected credit losses (RMB'000)	**9**	**–**	**12,807**	**12,816**

As at 31 December 2020	Current	Pass due Less than 3 months	Pass due over 3 months	Over Total
Expected credit loss rate	1.17%	37.50%	89.93%	87.59%
Gross carrying amount (RMB'000)	342	80	14,358	14,780
Expected credit losses (RMB'000)	4	30	12,912	12,946

23 PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2021 ***RMB'000***	2020 *RMB'000*
Prepayments	**2,674**	4,773
Deposits and other receivables	**1,892**	2,143
Prepaid expenses	**224**	896
Prepaid other tax	**927**	1,023
	5,717	8,835

The financial assets included in the above balances are non-interest-bearing, unsecured and repayable on demand and relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2021 and 2020, the loss allowance was assessed to be minimal.

24 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 **RMB'000**	2020 RMB'000
Financial assets at fair value through profit or loss – unlisted investments at fair value	**–**	3,021

The above unlisted investments were wealth management products issued by banks in Mainland China. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

25 CASH AND CASH EQUIVALENTS AND PLEDGED SHORT-TERM DEPOSITS

	2021 **RMB'000**	2020 RMB'000
Cash and bank balances	**43,614**	44,024
Time deposits	**1,750**	320
	45,364	44,344
Less: Pledged time deposits: Pledged for service quality*	**(1,750)**	(320)
Cash and cash equivalents	**43,614**	44,024
Denominated in RMB	**21,055**	40,689
Denominated in JPY	**2,852**	2,827
Denominated in USD	**1,147**	12
Denominated in HKD	**18,560**	496
Cash and cash equivalents	**43,614**	44,024

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

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

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

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

26 TRADE PAYABLES

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

	2021 *RMB'000*	2020 *RMB'000*
1 to 30 days	**494**	317
31 to 90 days	**–**	65
91 to 180 days	**–**	54
181 to 360 days	**20**	95
1 to 2 years	**296**	252
	810	783

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

27 ADVANCE FROM CUSTOMERS, OTHER PAYABLES AND ACCRUALS

	2021 *RMB'000*	2020 *RMB'000*
Advance from customers	**121**	272
Payroll payables	**1,902**	1,075
Tax payable other than income tax	**4,585**	3,635
Other payables	**8,696**	3,415
	15,304	8,397

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

28 INTEREST-BEARING BANK BORROWINGS

Current	Effective interest rate (%)	Maturity	**2021** *RMB'000*	2020 *RMB'000*
Bank loans-secured	4.00	2022	**10,000**	10,000
JPY241,812,000 current portion of long-term secured bank loans*	1.88	2022	**14,872**	15,291
JPY7,128,000 current portion of long-term secured bank loans*	1.88	2022	**840**	451
JPY51,624,000 current portion of long-term secured bank loans*	1.88	2022	**2,861**	3,264
			28,573	29,006

28 INTEREST-BEARING BANK BORROWINGS (CONTINUED)

Non-current	Effective interest rate (%)	Maturity	**2021** ***RMB'000***	2020 *RMB'000*
JPY18,424,000 secured bank loans	1.88	2024	**1,021**	1,165
JPY585,121,000 secured bank loans	1.88	2032	**32,424**	37,001
			33,445	38,166

	2021 ***RMB'000***	2020 *RMB'000*
Analysed into:		
Bank loans repayable		
– Within one year or on demand	**28,573**	29,006
– In the second year to fifth year	**33,445**	38,166
	62,018	67,172

* The current portion of long-term bank loan of approximately RMB18,573,000, which was supposed to be repaid fully during 2021, was granted extension of repayment to a point of time in 2022 that is subject to the mutual agreement between the Group and the Japanese bank.

During the year ended 31 December 2021, the Group and the Japanese bank entered into extension agreements pursuant to which to extend the repayment date of the Group's bank loans which constituted substantial modifications on the financial liability and shall be accounted for as an extinguishment of the original bank loans and recognition of new bank loans. The original bank loans as at the debt modification date, was derecognised and the fair value of the modified bank loans under the extension agreements was discounted at the prevailing market interest rate, was recognised. The difference between the face value of the original bank loans and the fair values of the new bank loans of approximately RMB1,917,000, at the loan modification date, was charged to profit or loss for the year ended 31 December 2021 at loan modification date.

Notes:

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

(i) mortgages over the Group's buildings situated in Japan, which had an aggregate net carrying amount of RMB10,903,000 (2020: RMB14,362,000); and mortgages over the Group's leasehold land and buildings situated in Mainland China, which had an aggregate net carrying amount of RMB5,998,000 (2020: RMB6,212,000) as at 31 December 2021 (note 13);

(ii) mortgages over the Group's investment properties situated in Mainland China, which had an aggregate net carrying amount of RMB9,423,000 (2020: RMB10,050,000) as at 31 December 2021 (note 14); and

(iii) mortgages over the Group's freehold land situated in Japan, which had an aggregate carrying amount of RMB43,541,000 (2020: RMB49,445,000) (note 15).

(b) Except for the 4.00% secured bank loan which is denominated in RMB, all the secured bank loans amounting to RMB52,018,000 (2020: RMB57,172,000) were denominated in JPY.

29 DEFERRED TAX ASSETS

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

Deferred tax assets

	Impairment of trade receivables and inventory *RMB'000*	**Tax losses** *RMB'000*	**Accruals** *RMB'000*	**Lease liabilities** *RMB'000*	**Total** *RMB'000*
Deferred tax as at 1 January 2020	472	–	269	2,494	3,235
Deferred tax credited/ (charged) to profit or loss during the year (note 10)	3,052	7,828	(16)	(532)	10,332
Gross deferred tax as at 31 December 2020 and 1 January 2021	3,524	7,828	253	1,962	13,567
Deferred tax credited/ (charged) to profit or loss during the year (note 10)	(237)	(1,784)	(49)	(445)	(2,515)
Exchange realignment	(35)	(427)	–	–	(462)
Gross deferred tax as at 31 December 2021	**3,252**	**5,617**	**204**	**1,517**	**10,590**

29 DEFERRED TAX ASSETS (CONTINUED)

Deferred tax liabilities

	Fair value adjustments arising from acquisition of subsidiaries *RMB'000*	**Accelerated depreciation for tax purposes** *RMB'000*	**Fair value change of investment properties** *RMB'000*	**Right-of-use assets** *RMB'000*	**Total** *RMB'000*
Deferred tax as at 1 January 2020	3,838	1,069	793	2,483	8,183
Deferred tax (credited)/ charged to profit or loss during the year (note 10)	(112)	333	14	(521)	(286)
Gross deferred tax as at 31 December 2020 and 1 January 2021	3,726	1,402	807	1,962	7,897
Deferred tax (credited)/ charged to profit or loss during the year (note 10)	–	267	(704)	(445)	(882)
Exchange realignment	–	(108)	–	–	(108)
Gross deferred tax as at 31 December 2021	**3,726**	**1,561**	**103**	**1,517**	**6,907**

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

	2021 *RMB'000*	2020 *RMB'000*
Net deferred tax assets recognised in the consolidated statement of financial position	**8,289**	10,258
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(4,606)**	(4,588)
	3,683	5,670

29 DEFERRED TAX ASSETS (CONTINUED)

Deferred tax liabilities (Continued)

As at 31 December 2021, the Group has unrecognised tax losses arose in Mainland China and Japan of RMB441,000 (2020: RMB2,438,000) and RMB5,176,000 (2020: RMB4,719,000) that will be expired in one to five years and nine years respectively for offsetting against further taxable profits. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

The Group has no tax losses arising in Hong Kong as at 31 December 2021 (2020: Nil) that are available for offsetting against future taxable profits of the companies in which the losses arose.

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

As of 31 December 2021 and 2020, no deferred tax liability has been recognised for withholding taxes that would be payable on unremitted earnings of the Group's subsidiaries established in Mainland China. In the opinion of the Company's directors, it is not probable that these subsidiaries will distribute such earnings to foreign entities in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised was approximately RMB17,350,000 as at 31 December 2021 (2020: RMB31,826,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

30 SHARE CAPITAL

	2021 *RMB'000*	2020 *RMB'000*
Authorised:		
1,500,000,000 ordinary shares of HK$0.01 each	**15,000**	15,000

	2021 *RMB'000*	2020 *RMB'000*
Issued and fully paid:		
1,000,000,000 ordinary shares of HK$0.01 each	**8,797**	8,797

31 RESERVES

The amounts of the Group's reserves and the movements therein for the current year and prior years are presented in the consolidated statement of changes in equity on pages 73 of the consolidated financial statements.

Share premiums

The application of the share premium account is governed by the Companies Law of the Cayman Islands. Under the constitutional documents and the Companies Law of the Cayman Islands, the share premium is distributable as a dividend on condition that the Company is able to pay its debts when they fall due in the ordinary course of business at the time the proposed dividend is to be paid.

Capital reserves

The capital reserve of the Group represents the aggregate paid-up capital of the subsidiaries, comprising the Group and the deemed contribution from Mr. Yu Dingxin, one of the Controlling Shareholders.

Statutory surplus reserves

In accordance with the Company Law of the PRC, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserves may be converted to increase share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

31 RESERVES (CONTINUED)

Reversal of the fair value of the financial assets at FVTOCI

Reversal of the fair value of the financial assets at fair value through other comprehensive income reserve comprises the cumulative net change in the fair value of financial assets at FVTOCI held at the end of the reporting period and is dealt with in accordance with the accounting policy for financial assets at fair value through other comprehensive income.

Foreign currency translation reserves

The foreign currency translation reserves comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy adopted for foreign currencies.

32 PLEDGE OF ASSETS

Details of the Group's assets pledged for bank loans and for the tour business granted to the Hangzhou Tourism Commission are included in notes 13, 14, 15, 25 and 28 to the consolidated financial statements.

33 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 RMB127,000 (2020: RMB8,106,000) and RMB127,000 (2020: RMB8,106,000), respectively, in respect of lease arrangements for office units and hotel facilities.

(b) Changes in liabilities arising from financing activities

2021	**Lease liabilities** *RMB'000*	**Interest-bearing bank borrowings** *RMB'000*
At 1 January 2021	**5,889**	**67,172**
New leases	**127**	**–**
Changes from financing cash flows	**(1,500)**	**–**
Finance costs	**84**	**–**
Reduction as a result of lease modifications	**(106)**	**–**
Loss on loan modification	**–**	**(1,917)**
Foreign exchange movement	**–**	**(3,237)**
At 31 December 2021	**4,494**	**62,018**

33 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

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

2020	Interest payable *RMB'000*	Lease liabilities *RMB'000*	Interest-bearing bank borrowings *RMB'000*	Amount due to a related party *RMB'000*
At 1 January 2020	–	7,431	59,200	224
Changes from financing cash flows	(1,171)	(9,702)	8,757	(224)
New leases	–	8,106	–	–
Finance costs	1,171	105	–	–
Reduction as a result of lease modifications	–	(51)	–	–
Foreign exchange movement	–	–	(785)	–
At 31 December 2020	–	5,889	67,172	–

(c) Total cash outflow for leases

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

	2021 *RMB'000*	2020 *RMB'000*
Within operating activities	**18**	153
Within financing activities	**1,500**	9,702
	1,518	9,855

34 COMMITMENTS

The Group has various lease contracts that have not yet commenced as at 31 December 2021. The future lease payments for these non-cancellable lease contracts are RMB65,000 (2020: RMB730,000) due within one year.

35 RELATED PARTY TRANSACTIONS

The Group's principal related parties are as follows:

Name	**Relationship with the Company**
Hangzhou Yitu	An associate of the Group
Mr. Yu Dingxin	One of the Controlling Shareholders

(a) In addition to the transactions disclosed elsewhere in these consolidated financial statements, the Group had the following transaction with related party during the year:

	Note	**2021** **RMB'000**	2020 *RMB'000*
Loan from:			
Hangzhou Yitu	(i)	**–**	390

Note:

(i) The Group obtained a loan of RMB390,000 from Hangzhou Yitu in 2020 as the working capital. The loan had been repaid during 2020. The loan was unsecured and interest-free.

(b) Outstanding balances with directors:

	2021 **RMB'000**	2020 *RMB'000*
Advances to a director:		
Maximum amount outstanding during the year:		
Mr. Yu Dingxin	**–**	201

The balance with a director is non-trade, unsecured, interest-free and repayable on demand.

(c) Compensation of key management personnel of the Group:

	2021 **RMB'000**	2020 *RMB'000*
Salaries, allowances and benefits in kind	**1,770**	1,313
Pension scheme contributions	**142**	212
Total compensation paid to key management personnel	**1,912**	1,525

Further details of directors' emoluments are included in note 8 to the consolidated financial statements.

35 RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

36 FINANCIAL INSTRUMENTS BY CATEGORY

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

Financial assets

Financial assets at amortised cost

	2021 ***RMB'000***	2020 *RMB'000*
Trade receivables	**1,372**	1,834
Financial assets included in prepayments, deposits and other receivables	**1,892**	2,143
Pledged short-term deposits	**1,750**	320
Cash and cash equivalents	**43,614**	44,024
	48,628	48,321

Financial assets at fair value through profit or loss

	2021 ***RMB'000***	2020 *RMB'000*
Financial assets at fair value through profit or loss	**–**	3,021

Financial assets at fair value through other comprehensive income

Equity investment

	2021 ***RMB'000***	2020 *RMB'000*
Equity investment at fair value through other comprehensive income	**791**	7,995

36 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Financial assets (Continued)

Financial liabilities – at amortised cost

	2021 ***RMB'000***	2020 *RMB'000*
Trade payables	**810**	783
Financial liabilities included in advance from customers, other payables and accruals	**8,696**	3,415
Interest-bearing bank borrowings	**62,018**	67,172
	71,524	71,370

37 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in advance from customers, other payables and accruals, the current portion of interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

Management has assessed that the fair values of the non-current portion of interest-bearing bank borrowings approximate to their carrying amounts largely due to the fact that such borrowings were made between the Group and an independent third party financial institution based on prevailing market interest rates.

The fair values of the financial assets and liabilities are included the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of the financial assets at fair value through profit or loss have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The fair values of listed equity investment is based on quoted market prices.

37 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments:

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Equity investments designated at fair value through other comprehensive income	791	–	–	791
	791	–	–	791

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Financial assets at fair value through profit or loss	–	3,021	–	3,021
Equity investments designated at fair value through other comprehensive income	7,995	–	–	7,995
	7,995	3,021	–	11,016

The Group did not have any financial liabilities measured at fair value as at 31 December 2021 (2020: Nil).

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2020: Nil).

38 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings, cash and cash equivalents and pledged deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

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

Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between RMB and other currencies in which the Group conducts business may affect the Group's financial condition and results of operations. The Group seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position.

The following table demonstrates the sensitivity at the end of the year to a reasonably possible change in the JPY and USD and HKD exchange rates, with all other variables held constant, of the Group's loss before tax (due to changes in the fair values of monetary assets and liabilities).

2021	**Increase/ (decrease) in rate of foreign currency** %	**Increase/ (decrease) in loss before tax** *RMB'000*
If RMB weakens against JPY	**5**	**106**
If RMB strengthens against JPY	**(5)**	**(106)**
If RMB weakens against USD	**5**	**57**
If RMB strengthens against USD	**(5)**	**(57)**

38 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk (Continued)

2020	Increase/ (decrease) in rate of foreign currency %	Increase/ (decrease) in loss before tax *RMB'000*
If RMB weakens against JPY	5	131
If RMB strengthens against JPY	(5)	(131)
If RMB weakens against HKD	5	3
If RMB strengthens against HKD	(5)	(3)
If RMB weakens against USD	5	1
If RMB strengthens against USD	(5)	(1)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers 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 Group does not offer credit terms without the specific approval of the President and the Chairman.

Maximum exposure and year-end staging

The tables below shows 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.

38 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Maximum exposure and year-end staging (Continued)

The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2021

	12-months ECLs	Lifetime ECLs			
	Stage 1 *RMB'000*	**Stage 2** *RMB'000*	**Stage 3** *RMB'000*	**Simplified approach** *RMB'000*	**Total** *RMB'000*
Trade receivables*	–	–	–	14,188	14,188
Financial assets included in prepayments, other receivables and other assets					
– Normal**	1,892	–	–	–	1,892
Pledged deposits					
– Not yet past due	1,750	–	–	–	1,750
Cash and cash equivalents					
– Not yet past due	43,614	–	–	–	43,614
	47,256	–	–	14,188	61,444

38 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Maximum exposure and year-end staging (Continued)

As at 31 December 2020

	12-months ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	14,780	14,780
Financial assets included in prepayments, other receivables and other assets					
– Normal**	2,143	–	–	–	2,143
Pledged deposits					
– Not yet past due	320	–	–	–	320
Cash and cash equivalents					
– Not yet past due	44,024	–	–	–	44,024
	46,487	–	–	14,780	61,267

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 22 to the consolidated financial statements.

** 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".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables, and financial assets included in prepayments, other receivables and other assets are disclosed in notes 22 and 23, respectively, to the consolidated financial statements.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g., trade receivables and other financial assets) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and lease liabilities.

38 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

The maturity profile of the Group's financial liabilities as at the end of the year, based on the contractual undiscounted payments, is as follows:

	2021					
	On demand *RMB'000*	**Less than 3 months** *RMB'000*	**3 to 12 months** *RMB'000*	**1 to 5 years** *RMB'000*	**Over 5 years** *RMB'000*	**Total** *RMB'000*
Trade payables	**494**	**316**	**–**	**–**	**–**	**810**
Financial liabilities included in advance from customers, other payables and accruals	**8,696**	**–**	**–**	**–**	**–**	**8,696**
Lease liabilities	**–**	**394**	**1,183**	**3,190**	**–**	**4,767**
Interest-bearing bank borrowing	**–**	**13,669**	**13,041**	**39,489**	**–**	**66,199**
	9,190	**14,379**	**14,224**	**42,679**	**–**	**80,472**

	2020					
	On demand *RMB'000*	Less than 3 months *RMB'000*	3 to 12 months *RMB'000*	1 to 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*
Trade payables	466	317	–	–	–	783
Financial liabilities included in advance from customers, other payables and accruals	3,415	–	–	–	–	3,415
Lease liabilities	–	376	1,128	4,442	25	5,971
Interest-bearing bank borrowing	–	364	28,823	45,788	–	74,975
	3,881	1,057	29,951	50,230	25	85,144

38 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group has interest-bearing assets and liabilities in relation to cash and cash equivalents and interest-bearing bank borrowings, details of which are disclosed in Notes 25 and 28, respectively, to the consolidated financial statements. The Group has not used any financial instrument to hedge potential fluctuations in interest rates. The exposure to interest rates risk for the Group's cash at banks and bank loans are considered minimal.

If interest rates have been 50 basis points higher/lower for variable-rate bank borrowings and all other variables were held constant, the Group's loss for the year ended 31 December 2021 would increase/decrease by RMB500,000 (2020: RMB500,000).

Equity price risk

The Group is exposed to equity price risk arising from listed equity securities held by the Group. Management manages this exposure by maintaining a portfolio of investment with difference risks.

It is estimated that an increase/decrease of 50 basis points higher/lower in equity price, with all other variables held constant, would have decreased/increased the Group's loss after tax and accumulated losses by RMB39,000 (2020: RMB399,000). Other components of consolidated equity would not be affected (2020: Nil).

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 2020.

38 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management (Continued)

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt includes interest-bearing bank borrowings, trade payables, advance from customers, other payables and accruals and lease liabilities, less cash and cash equivalents and pledged deposits. Total capital represents equity attributable to the owners of the parent. The gearing ratios as at the end of the years were as follows:

	31 December 2021 *RMB'000*	31 December 2020 *RMB'000*
Interest-bearing bank borrowings	**62,018**	67,172
Lease liabilities	**4,494**	5,889
Trade payables	**810**	783
Advance from customers, other payables and accruals	**15,304**	8,397
Less: Cash and cash equivalents	**(43,614)**	(44,024)
Pledged deposits	**(1,750)**	(320)
Net debt	**37,262**	37,897
Equity attributable to owners of the parent	**149,620**	199,151
Total capital and net debt	**186,882**	237,048
Gearing ratio	**20%**	16%

39 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:

	2021	2020
	RMB'000	*RMB'000*
NON-CURRENT ASSETS		
Investment in a subsidiary	**5**	5
Total non-current assets	**5**	5
CURRENT ASSETS		
Cash and cash equivalents	**499**	877
Prepayments, other receivables and other assets	**92**	145
Due from subsidiaries	**83,997**	89,949
Total current assets	**84,588**	90,971
CURRENT LIABILITIES		
Other payables and accruals	**83**	337
Total current liabilities	**83**	337
NET CURRENT ASSETS	**84,505**	90,634
TOTAL ASSETS LESS CURRENT LIABILITIES	**84,510**	90,639
Net assets	**84,510**	90,639
EQUITY		
Share capital	**8,797**	8,797
Share premium	**91,120**	91,120
Other reserves	**(15,407)**	(9,278)
Total equity	**84,510**	90,639

Approved by the Board of Directors on 28 March 2022 and are signed on its behalf by:

Yu Dingxin
Director

Pan Wei
Director

39 STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

A summary of the Company's reserves is as follows:

	Share premium *RMB'000*	Exchange fluctuation reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At 1 January 2020	91,120	1,769	(3,711)	89,178
Loss for the year	–	–	(1,481)	(1,481)
Exchange differences on translation of the Company	–	(5,855)	–	(5,855)
At 31 December 2020 and 1 January 2021	91,120	(4,086)	(5,192)	81,842
Loss for the year	–	–	(1,425)	(1,425)
Exchange differences on translation of the Company	–	(4,704)	–	(4,704)
At 31 December 2021	91,120	(8,790)	(6,617)	75,713

40 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 28 March 2022.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and the Prospectus, is set out below.

	Year ended 31 December				
	2021	2020	2019	2018	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
RESULTS					
Revenue	**20,789**	30,869	233,803	205,051	168,867
(Loss)/profit before tax	**(38,963)**	(55,517)	36,652	10,771	29,660
Income tax (expense)/credit	**(1,705)**	10,101	(10,842)	(3,702)	(8,017)
(Loss)/profit for the year	**(40,668)**	(45,416)	25,810	7,069	21,643

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2021	2020	2019	2018	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	**240,490**	289,650	357,121	278,008	211,713
Total liabilities	**88,871**	88,422	(104,469)	(154,452)	(97,356)
Non-controlling interests	**1,999**	2,077	(2,201)	(2,603)	(3,171)
Total equity	**151,619**	201,228	(250,451)	(120,953)	(111,186)