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Lvji Technology Holdings Inc.

驢跡科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1745)

**ANNOUNCEMENT OF THE RESULTS
FOR THE SIX MONTHS ENDED JUNE 30, 2020**

The Board hereby announces the unaudited consolidated results of the Group for the six months ended June 30, 2020 with the comparative figures for the same period of 2019.

In this announcement, “we”, “us”, and “our” refer to the Company and where the context otherwise requires, the Group.

KEY HIGHLIGHTS

The Company’s operation and performance were inevitably disrupted by the COVID-19 outbreak and the subsequent disease prevention measures as well as restrictions on tourism and travel imposed all over the world. Compared with the same period in 2019, some key financial metrics for the six months ended June 30, 2020 declined due to decreased demand for online tour guides, which was a result of the implementation of travel restrictions and lockdown policies imposed by governments around the world to combat the spread of COVID-19.

For the six months ended June 30, 2020:

- Revenue decreased by approximately 56.1% to RMB80.3 million from RMB183.0 million for the same period of 2019.
- Results for the period decreased by approximately 254.1% to loss of RMB80.0 million from profit of RMB51.9 million for the same period of 2019.
- Excluding listing expenses, our adjusted loss for the period (a non-GAAP measure) amounted to RMB40.4 million compared to adjusted profit of RMB56.3 million for the same period of 2019.

- Number of online tour guides developed increased by approximately 70.7% year-to-year to 22,044 from 12,913 for the same period of 2019.
- Number of tourist attractions in China that the Group's online tour guides covered increased by approximately 40.6% year-to-year from 8,304 to 11,674 for the same period of 2019.

1. Financial summary

	For the six months ended June 30,		Year-to- year change
	2020 (RMB' 000) (Unaudited)	2019 (RMB' 000) (Audited)	
Revenue	80,305	182,962	(56.1)%
Gross profit	3,701	76,408	(95.2)%
(Loss)/profit before tax	(79,955)	60,565	(232.0)%
(Loss)/profit for the period	(79,955)	51,881	(254.1)%
Net (loss)/profit margin	(99.6)%	28.4%	(127.9) percentage points
Adjusted (loss)/profit for the period excluding listing expenses*	(40,394)	56,260	(171.8)%
Adjusted net (loss)/profit margin excluding listing expenses*	(50.3)%	30.7%	(81.1) percentage points

* Non-GAAP measure

2. Operating metrics

	As of June 30, 2020	2019	Year-to-year change
Online tour guides developed	22,044	12,913	70.7%
Tourist attractions covered in China	11,674	8,304	40.6%

BUSINESS REVIEW AND OUTLOOK

Results Highlights

During the period under review, since late January 2020, the outbreak of COVID-19 has severely impacted the tourism industry as well as the economy in China. The outbreak has become a global pandemic as the number of infections increased exponentially since early March 2020. Cities across China were locked down, consumption and travelling were stalled and halted, which resulting in the biggest disruption to the economy and the tourism industry in decades.

Undoubtedly, our business was affected by the COVID-19 outbreak. However, we seized the opportunities to capture the demand of tourists who resumed travelling in late March 2020. As of June 30, 2020 we developed 22,044 online tour guides covering tourist attractions in China and overseas, recorded an increase of approximately 70.7% from 12,913 online tour guide developed as of June 30, 2019. During the period under review, as the Chinese government has implemented strict crowd control and public health measures to bring the epidemic under control, the supply of various tourism products decreased drastically. Together with the shrinking demand, our business volume experienced a year-to-year decline.

During the period under review, our total revenue decreased by approximately 56.1% year-to-year from RMB183.0 million for the same period of 2019 to RMB80.3 million for the first half of 2020. Despite the suppressed demand in tourism during the COVID-19 outbreak, we endeavored to capture the domestic recovery opportunities when the epidemic has been effectively controlled in China. In addition, we have adopted a cost-saving operation mode immediately after the outbreak of the COVID-19. Despite the flexible operations strategy, stringent cost control and light operating model, we recorded a decrease in our adjusted net margin (a non-GAAP measure) to approximately loss of 50.3% in the first half of 2020 from 30.7% in the first half of 2019.

Business Review

During the period under review, we remained as a market leader in China's online tourism industry. During the epidemic, we were more focused on the customized demands from customers and continued to increase online coverage of our products. At the same time, in order to enrich the channel diversity of online tour guides, we had increased the offline market layout and expansion of sale of online tour guides. We had negotiated with a number of well-known tourism groups, local travel agencies and large organizations and developed innovative sales and marketing strategies, including "Tour Guides + Fuel Cards", live broadcasting promotions, community marketing, "reservation + ticketing" initiatives, SaaS sales model and smart museum, among others, which are aimed to broaden the tourists' secondary consumption opportunities and our revenue was recorded a mild improvement during the COVID-19 outbreak. Since the tourism industry showed signs of recovery and the Chinese government started to proactively stimulate local consumptions, we worked with local governments to revitalize the post-epidemic tourism market.

Based on our core business of selling online tour guides and technology, we provide tourists with high-quality tourism services that rely on big data and artificial intelligence, combined with cutting-edge technologies such as GPS positioning and cloud computing. We provide hand-drawn maps of tourist destinations, multilingual editorial contents and voice-over commentaries, tour route recommendation, one-click navigation and other functions to provide a comprehensive travel experience of "eat, live, travel, shop, and entertain". For administrators of tourist attractions and local government offices, products such as smart tourist destination management service systems and future tourist destinations can break tourism information barriers, fundamentally improve digital operation capabilities, broaden tourists' secondary consumption contacts, and improve our profit margin. Aiming at the tourism management work of scenic spots and travel-related government departments, we combined GIS and SaaS technologies to develop a smart tourist destinations management service system to establish a database, dispatch and command center Internet portals and other manifestations to assist government management departments in efficient local tourism resources, management and reasonable deployment. For example, in the tourist destinations operation service, the system can perform passenger flow monitoring, heat map analysis, intelligent terminal management, artificial intelligence learning, which could analyze tourists' consumption habits, and provide data reference for the tourist destinations management strategy.

Relying on a strong industrial ecological platform, we are working with Tencent and AutoNavi to create the "One Mobile Tour to Yunnan" project and the "Future Tourist Destinations" project. We have established in-depth cooperation with many domestic tourism bureaus, which aim to change the service mode of the tourism industry and the way of travelling. In the post-epidemic era, "transformation and upgrading" has become a key word in China's cultural tourism industry. We will continue to optimize and innovate our smart tourism products based on online electronic guided tours to meet the diverse needs of tourists and tourist destinations managers. At the same time, we also look forward to deepening cooperation with more excellent partners to create a broader application prospect for China's "tourism industry + Internet".

We utilized innovative live streaming programs to promote our brand so as to enhance user retention and explore monetization possibilities. Leveraging on our in-depth knowledge in mini-program, we broadcasted our first mini-program live-streaming in early March 2020. Since then, we continued to launch and promote marketing activities such as TikTok live streaming. We also launched live streaming programs with local governments and varieties of travel destinations on WeChat mini program and other short video platforms to promote the presale of the neighborhood attractions and resorts, which had received positive responses from our users.

At the same time, we use VR technology innovation to further launch our VR business in order to grasp the trend of cloud tourism and 5G innovation, and carry out a comprehensive upgrade and expansion of our 720 panoramic VR, VR panoramic live broadcast, VR comic live broadcast and VR video documentary features. We have core autonomous technology for data collection, panoramic pictures, panoramic views, video synthesis, VR playback and live broadcast and post-processing synthesis technology capabilities to provide static, dynamic, online comprehensive VR solution capabilities to enable us to provide higher quality services in the post-epidemic tourism market.

The number of tourist attractions we covered in the PRC continued to increase in the first half of 2020. The types of tourist attractions for which we provide online tour guides include landscape, historical sites, cities, theme parks, zoos and botanical gardens. In particular, as of June 30, 2020, our online tour guides covered 278 AAAAA tourist attractions and 2,170 AAAA tourist attractions. Our online tour guides are especially valuable at obscure and less visited tourist attractions that are not yet well-developed and do not have the necessary ancillary and supporting facilities. Our high quality online tour guides provide convenience and easy accessibility across a broader range of tourist attractions. Riding on the mutually beneficial partnership with the OTAs and the effective sales and marketing strategies, we were able to further penetrate lower-tier tourist destinations. As of June 30, 2020, the number of AAA tourist attractions we covered increased from 1,022 in the same period in 2019 to 1,425 and the number of AA tourist attractions we covered increased from 167 in the same period in 2019 to 312. After the outbreak of COVID-19, the Chinese government imposed lockdown measures and travel restrictions in most of the major cities swiftly. While China has successfully contained the spread of the virus, lower-tier cities were the first to ease those measures and restrictions, leading to a faster recovery rate in lower-tier cities. Our extensive reach in lower-tier tourist attractions and prompt business adjustments have enabled us to capture the recovery opportunities.

As a technology-driven company, we prioritize the development of our software and information technology. During the reporting period, we continued to optimize our value-added products and services to meet our users' evolving tourism needs. Through in-depth research and analysis, we found that all-in-one tourism and smart tourism are in demands for the government and tourist destinations management committees. In response to the national policies and the needs of the tourist destinations, we have launched a platform ("The Academy of Culture and Tourism"), two programs (a global tourism program and a smart tourist destinations program), three products (a smart guide, a mobile phone tour, and a big tourism data center), and four services (destination marketing, tourism distribution center, tourism identification system, and smart facilities) product system and other value-added services. We are also actively developed in a multi-dimensional and balanced manner to upgrade our technical ability to resist risks. We continued to update our electronic navigation platform, which enhances the ability of multi-channel integration, such as the development of an in-car-use version of the navigation system and a map version of the navigation system. We also spent our R&D efforts in tourist attraction playground platform and smart tourism marketing, service, management and control platform. We also used Hadoop technology to build a guided big data platform and an unified R&D and DevOps platform. Favourable comments from the users were received for all these ancillary products and services during the outbreak of the epidemic.

Business Outlook and Strategies

The outbreak of COVID-19 imposed short-term impact and challenges on our business, but with effective control measures implemented by the Chinese government and the dedication of medical staff, the epidemic has been effectively controlled recently. The market started to revive as the Chinese government introduced various initiatives to encourage domestic consumption and users gradually returned to normal life and resumed travelling. We believe that we are well-positioned to capture the recovery trend and will be able to pursue future growth within a short period of time with our core competitive advantages in technological innovations and strategic cooperation with OTAs. We will continue to focus on our core strategy, operate on cost-saving mode, act on the uncertainties and hunger for opportunities. We are confident that we can overcome the difficulties and grow into a better entity in the future.

In the long run, we believe that the online tourism market in China will continue to evolve rapidly and provide immense growth potentials, thanks to the rising consumption power, expanding urbanization ratio and increasing online penetration rate of online tourism products, especially in lower-tier tourism destinations. In terms of long-term strategy, we will continue to expand our tourist attraction coverage in China and explore new cooperation opportunities with tourist attractions. Leveraging on our relationship with OTAs, we will expand our user base and further penetrate into the online tourism market in China. In the meantime, we plan to use AR and AI technologies to build a digital marketing platform centered on ticket sales of tourist destinations, and integrate the ticketing, management, marketing, and promotion of tourist destinations with the surrounding dining, accommodation, transportation, entertainment and shopping in tourist destinations, and other supporting consumer service facilities to form a commercial closed loop, build a global tourism and smart tourism ecosystem, and at the same time, build the Internet of Things, AI-assisted online electronic navigation and big data-driven software. Smart tourist destinations integrate centralized management and control platform strengthens our technical strength, thereby solidifying our market leadership position. We will also keep our eyes open for merger and acquisition opportunities to seek future growth. We are dedicated to improving our users' experience, empowering our partners' business capabilities and building a more efficient online tourism ecosystem.

MANAGEMENT DISCUSSION AND ANALYSIS

Six months ended June 30, 2020 compared to six months ended June 30, 2019

	For the six months ended 30 June	
	2020 (RMB'000) (Unaudited)	2019 (RMB'000) (Audited)
REVENUE	80,305	182,962
Cost of sales	<u>(76,604)</u>	<u>(106,554)</u>
Gross profit	3,701	76,408
Other income and gains	4,726	9,794
Selling and distribution expenses	(15,760)	(10,584)
Administrative expenses	(57,628)	(14,878)
Other expenses	(14,804)	(141)
Finance costs	<u>(190)</u>	<u>(34)</u>
(LOSS)/PROFIT BEFORE TAX	(79,955)	60,565
Income tax	<u>–</u>	<u>(8,684)</u>
(LOSS)/PROFIT FOR THE PERIOD	<u>(79,955)</u>	<u>51,881</u>
(LOSS)/PROFIT FOR THE PERIOD ATTRIBUTABLE TO:		
Owners of the parent	<u>(79,955)</u>	<u>51,881</u>

Revenue

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

	For the six months ended June 30,	
	2020	2019
	(RMB' 000)	(RMB' 000)
	(Unaudited)	(Audited)
Sale of online tour guides through OTAs	78,578	175,726
Sale of online tour guides to travel agencies	20	130
Sale of online tour guides through Lvji APP	128	309
Sale of customized content	1,579	6,797
	<hr/>	<hr/>
Total revenue	80,305	182,962
	<hr/> <hr/>	<hr/> <hr/>

Revenue decreased by approximately 56.1% from RMB183.0 million for the six months ended June 30, 2019 to RMB80.3 million for the six months ended June 30, 2020.

Sale of Online Tour Guides

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

Sale of online tour guides through OTAs

We generated a substantial portion of our revenue from sale of online tour guides through OTAs for the six months ended June 30, 2020. We provide our API to embedded portals or mini programs or APPs on the platform of OTAs so that the end users can purchase our standard online tour guides for different tourist attractions. End users' access to our cloud system is through our H5 pages embedded into OTA's stand-alone APPs and mini programs by our open API. Our strategic alliance with major OTAs enables us to broaden our reach by leveraging the vast end user base of these OTAs. For the six months ended June 30, 2020, we maintained two exclusive agreements with two of our top five OTAs pursuant to which we are the exclusive third-party online tour guide provider to end users through their platforms.

The sale of our online tour guides through OTAs accounted for approximately 97.8% of our total revenue for the six months ended June 30, 2020. We present revenue from online tour guides business received from the OTAs on a gross basis as it represents the gross amount of unit price generated from the end users for the online tour guides we sold, while the concession fees retained by the OTAs are recorded as our cost of sales. The number of OTAs we cooperated with increased from 24 for the six months ended June 30, 2019 to 32 for the six months ended June 30, 2020. Revenue from the sale of online tour guides through OTAs decreased by approximately 55.3% from RMB175.7 million for the six months ended June 30, 2019 to approximately RMB78.6 million for the six months ended June 30, 2020. The decrease was primarily due the outbreak of COVID-19 with declined demand from the users purchasing online tour guides through OTAs.

Sale of Online Tour Guides to Travel Agencies

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

The number of travel agencies we sold to increased from 70 for the six months ended June 30, 2019 to 82 for the six months ended June 30, 2020. Revenue from sale of online tour guides to travel agencies decreased by approximately 84.6% from RMB0.13 million for the six months ended June 30, 2019 to RMB0.02 million for the six months ended June 30, 2020. The decrease was mainly attributable to the outbreak of COVID-19 with declined demand from the users purchasing online tour guides through travel agencies.

Sale of Online Tour Guides through our Lvji APP

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

The number of registered users of our Lvji APP increased from 881,967 for the six months ended June 30, 2019 to 1,925,435 for the six months ended June 30, 2020. Revenue from sale of online tour guides through our Lvji APP decreased by approximately 58.6% from RMB0.3 million for the six months ended June 30, 2019 to RMB0.1 million for the six months ended June 30, 2020. The decrease was mainly driven by the drop in the sales volume of our online tour guides for popular tourist attractions.

Sale of Customized Content

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

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

The number of tourism attractions we customized online tour guide contents increased from 485 for the six months ended June 30, 2019 to 621 for the six months ended June 30, 2020. Revenue from sale of customized content decreased by approximately 76.8% from RMB6.8 million for the six months ended June 30, 2019 to RMB1.6 million for the six months ended June 30, 2020. The decrease was mainly attributable to the delay in project delivery for our content customization projects due to the outbreak of COVID 19.

Cost of Sales

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

Cost of sales decreased by approximately 28.1% from RMB106.6 million for the six months ended June 30, 2019 to RMB76.6 million for the six months ended June 30, 2020. The decrease was mainly due to the decrease in the concession fees we paid to the OTAs as our sales from OTAs decreased.

Gross Profit

As a result of the foregoing, our gross profit decreased by approximately 95.2% from approximately RMB76.4 million for the six months ended June 30, 2019 to approximately RMB3.7 million for the six months ended June 30, 2020. Our gross profit margin decreased from approximately 41.8% for the six months ended June 30, 2019 to 4.6% for the six months ended June 30, 2020 as a result of the decrease in sales from OTAs while the amortization of our other intangible assets increased steadily.

Other Income and Gains

Other income and gains decreased by approximately 51.7% from RMB9.8 million for the six months ended June 30, 2019 to RMB4.7 million for the six months ended June 30, 2020. The decrease was mainly due to a decrease of VAT rebates.

Selling and Distribution Expenses

Selling and distribution expenses increased by approximately 48.9% from RMB10.6 million for the six months ended June 30, 2019 to RMB15.8 million for the six months ended June 30, 2020. The increase was mainly due to increase in employee salary and welfare expenses driven by the development of our business and the increase in number of headcount.

Administrative Expenses

Administrative expenses increased by approximately 287.3% from RMB14.9 million for the six months ended June 30, 2019 to RMB57.6 million for the six months ended June 30, 2020. The increase was mainly due to (i) an increase in listing expenses, (ii) an increase in development costs; and (iii) an increase in management salaries.

Finance Costs

Finance costs increased by approximately 458.8% from RMB34,000 for the six months ended June 30, 2019 to RMB0.2 million for the six months ended June 30, 2020. The increase in finance costs was solely attributed to the interest portion of lease liabilities.

Other expenses

Other expenses increased by approximately RMB14.7 million from RMB0.1 million for the six months ended June 30, 2019 to RMB14.8 million for the six months ended June 30, 2020. The increase was mainly due to impairment loss recognised for other intangible assets of online tour guides for some overseas tourist destinations of approximately RMB14.8 million.

Income Tax

We recorded an income tax expense of approximately RMB8.7 million for the six months ended June 30, 2019 compared to zero for the six months ended June 30, 2020, as a result of the loss for the period.

Results for the Period

Results for the period decreased by approximately 254.1% year-to-year to loss of RMB80.0 million for the six months ended June 30, 2020 from profit of RMB51.9 million for the six months ended June 30, 2019. Net result margin decreased from approximately profit of 28.4% for the six months ended June 30, 2019 to loss of 99.6% for the six months ended June 30, 2020. Excluding listing expenses, our adjusted results for the period (a non-GAAP measure) was RMB40.4 million for the six months ended June 30, 2020, compared to profit of RMB56.3 million for the six months ended June 30, 2019. Our adjusted net loss margin (a non-GAAP measure) was 50.3% for the six months ended June 30, 2020, compared to net profit margin of 30.7% for the six months ended June 30, 2019. The decrease in our net profit margin and adjusted net profit margin was mainly due to the decrease in our gross profit margin.

OTHER FINANCIAL INFORMATION

Liquidity and Capital Resources

The funding of our liquidity is mainly from net cash generated from our operation and the net proceeds received from the Global Offering. We have adopted a prudent financial management approach towards our treasury management policies and thus maintained a healthy liquidity position throughout the six months ended June 30, 2020. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors our liquidity position to ensure that the liquidity structure of our assets, liabilities and other commitments can meet our funding requirements from time to time.

As of June 30, 2020, we had cash and cash equivalents of approximately RMB128.6 million (as of December 31, 2019: RMB77.3 million), time deposits of approximately RMB421.5 million (as of December 31, 2019: nil), net current assets of approximately RMB564.8 million (as of December 31, 2019: RMB101.1 million) and total equity of approximately RMB1,153.4 million (as of December 31, 2019: RMB664.7 million). Our current ratio was approximately 11.71 times as of June 30, 2020 (as of December 31, 2019: 2.76 times). The increases in our cash and cash equivalents, net current assets and current ratio were mainly due to the additions to other intangible assets and net proceeds received from the Global Offering. We had no bank borrowings as of June 30, 2020 (as of December 31, 2019: Nil), and thus gearing ratio determined by bank borrowings divided by total equity was not applicable to us (as of December 31, 2019: not applicable).

Capital Expenditure

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

Property, plant and equipment were mainly our furniture and fixtures, leasehold improvements and construction in progress. Decrease of approximately RMB0.4 million, or 11.0% from December 31, 2019 to June 30, 2020 was mainly due to depreciation for the period.

Other intangible assets comprise copyrights and computer software and are amortized over its expected useful life. Increase of approximately RMB23.8 million, or 4.3% from December 31, 2019 to June 30, 2020 was mainly due to (i) the tourism destinations we covered increased and the number of online tour guides we developed increased, (ii) an amortization of RMB36.7 million, and (iii) recognition of impairment loss of RMB14.8 million.

Significant Investment, Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

During the reporting period, we did not have any significant investment, material acquisition nor disposal of subsidiaries, associates and joint ventures.

Future Plans for Material Investments and Capital Assets

As stated in the Prospectus, approximately 6.5% (approximately HK\$37.7 million) of the net proceeds from the Listing is intended to use for upgrading our existing hardware and software and procuring servers and approximately 20% (approximately HK\$116.0 million) of the net proceeds from the Listing is intended to use for strategic investments and acquisitions. For further details of the proposed use of the net proceeds from the Listing, please refer to the Prospectus.

During the six months ended June 30, 2020, we had commenced the process of improving our development capabilities, but no actual purchases has been made, and, while we have been exploring and tracking potential opportunities in the market in a diligent and prudent manner, however, no suitable investment objective has been identified.

Save as disclosed in the Prospectus and the section headed “Use of Proceeds”, there was no other plans for material investments and capital assets as at the date of this announcement.

Employee and Remuneration Policies

As of June 30, 2020, we had a total of 221 full-time employees (as at December 31, 2019: 200). The remuneration of the employees is determined based on their performance, experience, competence and market comparable. The remuneration and compensation package of the Directors and senior management is determined, by reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities and performance of the Directors and senior management. The Directors and senior management receive remuneration, including basic salaries, housing allowances, other allowances and benefits in kind, contributions to pension plans and discretionary bonus. The Company has adopted a share option scheme on December 20, 2019 as an incentive to the employees, Directors and other eligible participants. As of June 30, 2020, no share options had been granted or agreed to be granted by us pursuant to the Share Option Scheme.

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

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

None of our employees is currently represented by labor unions. We believe that we maintain a good working relationship with our employees and did not experience any significant labor disputes or any material difficulties in recruiting employees for our operations for the six months ended June 30, 2020.

Contingent Liabilities

The Group did not have any material contingent liabilities as at June 30, 2020.

Charge on Assets

As of June 30, 2020, the Group had pledged deposits of RMB0.4 million (as of December 31, 2019: RMB0.4 million), which was pledged to the government authorities for conducting tourist related business in the PRC.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended June 30, 2020

	Notes	For the six months ended 30 June	
		2020 (RMB'000) (Unaudited)	2019 (RMB'000) (Audited)
REVENUE	4	80,305	182,962
Cost of sales		<u>(76,604)</u>	<u>(106,554)</u>
Gross profit		3,701	76,408
Other income and gains	4	4,726	9,794
Selling and distribution expenses		(15,760)	(10,584)
Administrative expenses		(57,628)	(14,878)
Other expenses	6	(14,804)	(141)
Finance costs	7	<u>(190)</u>	<u>(34)</u>
(LOSS)/PROFIT BEFORE TAX	5	(79,955)	60,565
Income tax	8	<u>–</u>	<u>(8,684)</u>
(LOSS)/PROFIT FOR THE PERIOD		<u>(79,955)</u>	<u>51,881</u>
(LOSS)/PROFIT FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the parent		<u>(79,955)</u>	<u>51,881</u>
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)	10	<u>(0.06)</u>	<u>0.05</u>

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2020

	For the six months ended 30 June	
	2020	2019
	(RMB'000)	(RMB'000)
	(Unaudited)	(Audited)
(LOSS)/PROFIT FOR THE PERIOD	<u>(79,955)</u>	<u>51,881</u>
OTHER COMPREHENSIVE INCOME		
OTHER COMPREHENSIVE INCOME THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS		
Exchange differences on translation of financial statements	<u>10,839</u>	<u>—</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	10,839	—
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u>10,839</u>	<u>—</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>(69,116)</u>	<u>51,881</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:		
Owners of the parent	<u>(69,116)</u>	<u>51,881</u>

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2020

		30 June 2020 (RMB'000) (Unaudited)	31 December 2019 (RMB'000) (Audited)
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	<i>11</i>	3,351	3,764
Other intangible assets	<i>12</i>	578,200	554,444
Right-of-use assets		5,886	5,201
Other non-current assets	<i>13</i>	5,000	5,000
		<hr/>	<hr/>
Total non-current assets		592,437	568,409
CURRENT ASSETS			
Trade receivables	<i>14</i>	47,682	47,488
Prepayments, deposits and other receivables	<i>15</i>	19,299	33,228
Amounts due from related parties	<i>22(c)</i>	86	–
Pledged deposits		350	350
Time deposits		421,542	–
Cash and cash equivalents		128,608	77,323
		<hr/>	<hr/>
Total current assets		617,567	158,389
CURRENT LIABILITIES			
Trade payables	<i>16</i>	6,773	11,269
Other payables and accruals	<i>17</i>	14,264	17,529
Contract liabilities	<i>18</i>	4,625	2,780
Deferred income		1,127	549
Tax payable		23,508	23,508
Lease liabilities		2,426	1,686
		<hr/>	<hr/>
Total current liabilities		52,723	57,321
NET CURRENT ASSETS		564,844	101,068
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,157,281	669,477
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Deferred income		316	1,343
Lease liabilities		3,550	3,448
		<hr/>	<hr/>
Total non-current liabilities		3,866	4,791
		<hr/>	<hr/>
Net assets		1,153,415	664,686
		<hr/>	<hr/>

		30 June 2020	31 December 2019
	<i>Notes</i>	(RMB'000)	(RMB'000)
		(Unaudited)	(Audited)
EQUITY			
Equity attributable to owners of the parent			
Share capital	<i>19</i>	97,139	758
Reserves		1,056,276	663,928
		<hr/>	<hr/>
Total equity		1,153,415	664,686
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. CORPORATE INFORMATION

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

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

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

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with HKAS 34 Interim Financial Reporting. These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements as at 31 December 2019.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

- (a) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The amendments did not have any impact on the financial position and performance of the Group.

- (b) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.
- (c) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted. The amendments did not have any impact on the Group's interim condensed consolidated financial information.
- (d) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

3. OPERATING SEGMENT INFORMATION

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

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

Geographical information

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

Information about major customers

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

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2020	2019
	(RMB'000)	(RMB'000)
	(Unaudited)	(Audited)
<i>Revenue from contracts with customers</i>		
Sale of online tour guide through OTAs	78,578	175,726
Sale of online tour guide to travel agencies	20	130
Sale of online tour guide through Lvji APP	128	309
Sale of customized content	1,579	6,797
	<u>80,305</u>	<u>182,962</u>

Revenue from contracts with customers

(i) Disaggregated revenue information

	For the six months ended 30 June	
	2020	2019
	(RMB'000)	(RMB'000)
	(Unaudited)	(Audited)
Types of goods or services		
Sale of online tour guide	78,726	176,165
Sale of customized content	1,579	6,797
	<u>80,305</u>	<u>182,962</u>
Timing of revenue recognition		
Goods transferred at a point in time	<u>80,305</u>	<u>182,962</u>

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

	For the six months ended 30 June	
	2020	2019
	(RMB'000)	(RMB'000)
	(Unaudited)	(Audited)
Revenue recognized that was included in contract liabilities		
Sale of customized content	<u>1,579</u>	<u>720</u>

(ii) Performance obligations

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

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

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

Revenue from the sale of online tour guide to travel agencies

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

Revenue from the sale of customized content

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

Other income and gains

	For the six months ended 30 June	
	2020	2019
	(RMB'000)	(RMB'000)
	(Unaudited)	(Audited)
<i>Other income and gains</i>		
Government grants (note (i))	1,903	9,024
Franchise income	666	249
Interest income	1,164	79
Exchange gain	346	1
Others	647	441
	4,726	9,794

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

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2020	2019
	(RMB'000)	(RMB'000)
	(Unaudited)	(Audited)
Concession fee	39,289	87,863
Depreciation of property, plant and equipment	800	706
Depreciation of right-of-use assets	949	711
Amortization of other intangible assets	36,724	16,152
Impairment of other intangible assets (note 12)	14,803	–
Research and development costs	7,365	1,649
Listing expenses	39,561	4,379
Impairment of trade receivables	275	923
Lease payments not included in the measurement of lease liabilities	14	43
Employee benefit expense		
(including directors' remuneration wages and salaries)	16,363	10,067
Pension scheme contributions (defined contribution scheme)	487	1,278
	<u>156,630</u>	<u>123,771</u>
Bank interest income	(1,164)	(79)
Other interest income from short term investments measured at fair value through profit or loss	–	(228)
Government grants	<u>(1,903)</u>	<u>(9,024)</u>

6. OTHER EXPENSES

An analysis of other expenses is as follows:

	For the six months ended 30 June	
	2020	2019
	(RMB'000)	(RMB'000)
	(Unaudited)	(Audited)
Impairment of other intangible assets	14,803	–
Others	<u>1</u>	<u>141</u>
	<u>14,804</u>	<u>141</u>

7. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2020	2019
	(RMB'000)	(RMB'000)
	(Unaudited)	(Audited)
Interest portion of lease liabilities	<u>190</u>	<u>34</u>

8. INCOME TAX

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

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

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the period.

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

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

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

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

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

	For the six months ended 30 June	
	2020	2019
	(RMB'000)	(RMB'000)
	(Unaudited)	(Audited)
Current income tax – Mainland China	–	8,823
Deferred income tax	–	(139)
	<hr/>	<hr/>
Total tax charge for the period	–	8,684

9. DIVIDENDS

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

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

The calculation of the basic (loss)/earnings per share amount is based on the (loss)/earnings for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the period, as adjusted for the assumption that 1,089,000,000 new shares issued pursuant to the Capitalization Issue had been issued on 1 January 2019.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2020 and 2019.

The calculations of basic and diluted (loss)/earnings per share are based on:

	For the six months ended 30 June	
	2020	2019
	(RMB'000)	(RMB'000)
	(Unaudited)	(Audited)
(Loss)/earnings		
(Loss)/profit attributable to ordinary equity holders of the parent, used in the basic and diluted (loss)/earnings per share calculation:	(79,955)	51,881
Shares		
Issue of shares on 7 November 2018 (note 19 (a))	50,000	50,000
Share subdivision on 28 November 2018 (note 19 (a))	4,950,000	4,950,000
Effect of issue of shares on 25 July 2019 (note 19 (b))	6,000,000	6,000,000
Effect of issue of new shares on the Listing Date (note 19 (c))	282,870,166	–
Effect of Capitalization Issue (note 19 (d))	1,089,000,000	1,089,000,000
Weighted average number of ordinary shares in issue during the period used in the basic and diluted (loss)/earnings per share calculation	1,382,870,166	1,100,000,000

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquires assets with a cost of RMB425,000 (30 June 2019: RMB1,942,000).

Assets with a net book value of RMB38,000 were disposed by the Group during the six months ended 30 June 2020 (30 June 2019: RMB304,000).

12. OTHER INTANGIBLE ASSETS

During the six months ended 30 June 2020, the Group acquires other intangible assets with a cost of RMB75,283,000 (30 June 2019: RMB149,085,000).

During the six months ended 30 June 2020, in view of the temporary closure of tourist attraction areas and poor performance of certain cash generating units under COVID-19 pandemic situation, an impairment loss of RMB14,803,000 was recognized, based on the management review performed under the value-in-use basis, of which the calculation using cash-flow projections with the pre-tax discount rate applied to the cash-flow projection at 16%.

13. OTHER NON-CURRENT ASSETS

	30 June	31 December
	2020	2019
	(RMB'000)	(RMB'000)
	(Unaudited)	(Audited)
Deposits and other receivables (note (i))	5,000	5,000

Note (i): During the year ended 31 December 2019, the Group entered into a service agreement with an independent third party service provider to render its professional service with regards to business development, products promotion and related activities for the Group, and as stipulated under the terms of the agreement, the Group made a down payment deposit amounted to RMB5,000,000 for a two-year service contract duration from 1 July 2019 to 30 June 2021. The deposit is refundable upon the expiry of the agreement by June 2021.

14. TRADE RECEIVABLES

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

	30 June 2020 (RMB'000) (Unaudited)	31 December 2019 (RMB'000) (Audited)
Within 3 months	26,822	46,559
3 to 6 months	6,409	525
6 months to 1 year	14,067	404
Over 1 years	384	—
	<u>47,682</u>	<u>47,488</u>

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2020 (RMB'000) (Unaudited)	31 December 2019 (RMB'000) (Audited)
Prepayments	3,112	7,930
Government grant receivable	12,063	12,063
Deferred listing expenses	—	6,625
Contract cost	1,921	3,694
Other receivables	2,203	2,916
	<u>19,299</u>	<u>33,228</u>

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

The majority of the above balances were settled within 12 months and had no historical default. In calculating the expected credit loss rate, the Group considers the historical loss rate and adjusts for forward-looking macroeconomic data. During the period, the Group estimated that the expected loss rate for the above receivables is insignificant.

16. TRADE PAYABLES

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

	30 June 2020 (RMB'000) (Unaudited)	31 December 2019 (RMB'000) (Audited)
Within 3 months	124	11,269
3 to 12 months	6,649	—
1 to 2 years	—	—
	<u>6,773</u>	<u>11,269</u>

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

17. OTHER PAYABLES AND ACCRUALS

	30 June 2020 (RMB'000) (Unaudited)	31 December 2019 (RMB'000) (Audited)
Other payables	8,379	9,775
Payroll and welfare payables	5,677	6,094
Other tax payable	208	1,660
	<u>14,264</u>	<u>17,529</u>

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

18. CONTRACT LIABILITIES

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

	30 June 2020 (RMB'000) (Unaudited)	31 December 2019 (RMB'000) (Audited)
Sale of customized content	<u>4,625</u>	<u>2,780</u>

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

	30 June 2020 (RMB'000) (Unaudited)	31 December 2019 (RMB'000) (Audited)
Within one year	<u>4,625</u>	<u>2,780</u>

Movements in contract liabilities during the period are as follows:

	30 June 2020 (RMB'000) (Unaudited)	31 December 2019 (RMB'000) (Audited)
At the beginning of the period/year	2,780	720
Additions	3,424	10,732
Revenue recognized during the period/year	<u>(1,579)</u>	<u>(8,672)</u>
At the end of the period/year	<u>4,625</u>	<u>2,780</u>

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

	30 June 2020 (RMB'000) (Unaudited)	31 December 2019 (RMB'000) (Audited)
Within one year	4,625	2,780

19. SHARE CAPITAL

Shares

	30 June 2020 (RMB'000) (Unaudited)	31 December 2019 (RMB'000) (Audited)
Issued and fully paid:		
1,410,300,000 (2019: 11,000,000) ordinary shares of US\$0.01 each	97,139	758

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

	Number of shares in issue	Share capital (USD'000)	Share capital (RMB'000) Equivalent
Issued and fully paid:			
At 1 January 2019 (note (a))	5,000,000	50	345
Issue of new shares (note (b))	6,000,000	60	413
At 31 December 2019 and 1 January 2020	11,000,000	110	758
Issue of new shares (note (c))	310,300,000	3,103	21,373
Capitalization issue (note (d))	1,089,000,000	10,890	75,008
At 30 June 2020	1,410,300,000	14,103	97,139

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

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

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

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

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

20. COMMITMENTS

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

21. CONTINGENT LIABILITIES

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

22. RELATED PARTY TRANSACTIONS AND BALANCES

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

(a) Name and relationship

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

(b) Related party transactions

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

	For the six months ended 30 June	
	2020	2019
	(RMB'000)	(RMB'000)
	(Unaudited)	(Audited)
Advances from related parties:		
Outu	–	–
Mr. Zang	–	798
	–	798
	–	798
Advances to related parties:		
Outu	–	68,381
Mr. Zang	86	–
	86	68,381
	86	68,381

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

(c) Outstanding balances with related parties

The Group had the following balances with related parties:

The Group

	30 June	31 December
	2020	2019
	(RMB'000)	(RMB'000)
	(Unaudited)	(Audited)
Amounts due from related parties:		
Mr. Zang	86	–
	86	–
	86	–

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

	30 June	31 December
	2020	2019
	(RMB'000)	(RMB'000)
	(Unaudited)	(Audited)
Maximum amount due from related parties outstanding:		
Mr. Zang	86	98,949
Outu	–	68,381
Lu Jia	–	321
Invest Profit	–	24
	86	167,675
	86	167,675

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

(d) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2020 (RMB'000) (Unaudited)	2019 (RMB'000) (Audited)
Short-term employee benefits	622	690
Contributions to the pension scheme	10	65
	<u>632</u>	<u>755</u>

23. FINANCIAL INSTRUMENTS BY CATEGORY

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

2020

Financial assets

The Group	Financial assets at amortized cost (RMB'000) (Unaudited)
Trade receivables	47,682
Financial assets included in prepayments, deposits and other receivables	12,063
Amounts due from related parties	—
Pledged deposits	350
Time deposits	421,542
Cash and cash equivalents	<u>128,608</u>
	<u>610,245</u>

Financial liabilities

The Group	Financial liabilities at amortized cost (RMB'000) (Unaudited)
Trade payables	6,773
Financial liabilities included in other payables and accruals	8,379
Lease liabilities	<u>5,976</u>
	<u>21,128</u>

At 31 December 2019

Financial assets

	Financial assets at amortized cost (RMB'000) (Audited)
The Group	
Trade receivables	47,488
Financial assets included in prepayments, deposits and other receivables	21,604
Amounts due from related parties	—
Pledged deposits	350
Cash and cash equivalents	77,323
	<hr/>
	146,765
	<hr/> <hr/>

Financial liabilities

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

24. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

As at 30 June 2020, the fair values of the Group's financial assets or liabilities approximated to their respective carrying amounts.

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

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

25. EVENTS AFTER THE REPORTING PERIOD

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

The Group estimates that the degree of COVID-19 impact will be dependent on the duration of epidemic and the outcome of preventive measures as undertaken by the respective local authorities. Given the dynamic circumstances and uncertainties of COVID-19 situation, the Group will keep continuous attention on the development of COVID-19 and react actively to its impacts on the operation and financial position of the Group, and as at the date of this report, the overall financial impact could not be reasonably estimated, and will reflect in the Group’s 2020 annual financial statements.

26. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the board of directors on 31 August 2020.

USE OF PROCEEDS

The Shares were successfully listed on the Stock Exchange on the Listing Date. The net proceeds from the Listing were approximately HK\$580.0 million (after deducting the underwriting commissions and other related listing expense payable by the Company in the Global Offering). For the six months ended June 30, 2020, the Group has used approximately HK\$52.5 million (equivalent to approximately RMB46.5 million).

CORPORATE GOVERNANCE AND OTHER INFORMATION

Compliance with the Corporate Governance Code

The Company has adopted and applied the principles and code provisions as set out in the Corporate Governance Code. During the six months ended June 30, 2020, the Company has complied with the code provisions in the Corporate Governance Code with the exception for the deviation from code provision A.2.1 of the Corporate Governance Code.

Code provision A.2.1 of the Corporate Governance Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Zang currently serves as chairman of the Board and chief executive officer of the Company. He is responsible for formulation of business plans, strategies and other major decisions of the Group, as well as overall management of the Group. The Board believes that at the current stage of development of the Group, vesting the roles of both chairman and the chief executive officer in the same person provides the Company with strong and consistent leadership, and allows for effective and efficient planning and implementation of business decisions and strategies. The Board also meets regularly on a quarterly basis to review the operations of the Company led by Mr. Zang. Accordingly, the Board believes that this arrangement will not have impact on the balance of power and authorizations between the Board and the management of the Company.

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

Compliance with the Model Code

The Company has adopted the Model Code. Specific enquiries have been made to all the Directors and the Directors have confirmed that they had complied with the Model Code during the period from the Listing Date to June 30, 2020.

The Company's employees, who are likely to be in possession of inside information of the Company, have also been subject to the Model Code for securities transactions. No incident of non-compliance of the Model Code by the employees was noted by the Company during the period from the Listing Date to June 30, 2020.

Purchase, Sales or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period from the Listing Date to June 30, 2020.

Audit Committee

The Audit Committee consists of three independent non-executive Directors, namely Ms. Gu Jianlu, Ms. Wu Daxiang and Mr. Liu Yong, with terms of reference in compliance with the Listing Rules. The chairman of the Audit Committee is Ms. Gu Jianlu.

The condensed consolidated interim financial results have not been audited by the independent auditor of the Company. The Audit Committee has considered and reviewed the accounting principles and practices adopted by the Group and has discussed matters in relation to internal controls and financial reporting with the management, including the review of the unaudited condensed consolidated interim financial results of the Group for the six months ended June 30, 2020. The Audit Committee considers that the interim financial results for the six months ended June 30, 2020 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

Events after June 30, 2020

Mr. Zhou Qinyong (“Mr. Zhou”) has tendered his resignation as a non-executive Director with effect from August 21, 2020 due to his other work commitments. Mr. Zhou has confirmed that he has no disagreement with the Board and there is no matter relating to his resignation that shall be brought to the attention of the Stock Exchange and the Directors and Shareholders.

Save for the above, there has been no material event after the end of the reporting period which requires disclosure in this announcement.

Interim dividend

The Board has resolved not to declare an interim dividend for the six months ended June 30, 2020 to the Shareholders (six months ended June 30, 2019: nil).

Publication of Interim Results Announcement and Interim Report

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.lvji.cn).

The interim report for the six months ended June 30, 2020 containing all the information required by Appendix 16 to the Listing Rules will be despatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

DEFINITION

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

“AI”	artificial intelligence
“API”	application programming interface, a set of clearly defined methods of communication between various software components
“APP”	application software designed to run on smartphones and other mobile devices

“AR”	augmented reality, a live direct or indirect view of a physical, real-world environment whose elements are augmented by computer-generated sensory input such as sound, video or graphics
“Audit Committee”	the audit committee of the Board
“Board”	the board of directors of the Company
“China” or “PRC”	the People’s Republic of China, except where the context requires otherwise and only for the purposes of this announcement, excluding Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“Company” or “Lvji”	Lvji Technology Holdings Inc. (驢跡科技控股有限公司), an exempted company with limited liability incorporated on November 7, 2018 in the Cayman Islands
“Corporate Governance Code”	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
“COVID-19”	Novel Coronavirus
“DevOps”	a set of practices that automates the processes between software development and IT teams, in order that they can build, test, and release software faster and more reliably
“Director(s)”	the director(s) of the Company
“GAAP”	generally accepted accounting principles
“GIS”	Geographic Information System
“Global Offering”	the offering of the Company’s Shares as described in the Prospectus
“Group”, “we”, “us” or “our”	the Company and its subsidiaries
“H5”	a mark-up language used for structuring and presenting content on the World Wide Web, the fifth and current major version of the HTML standard
“Hadoop”	a collection of open-source software utilities
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HKAS”	Hong Kong Accounting Standard

“HKFRS”	Hong Kong Financial Reporting Standard(s) (including HKASs and Interpretation) issued by the Hong Kong Institute of Certified Public Accountants
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange, which occurred on the Listing Date
“Listing Date”	January 17, 2020, the date on which the Shares were listed on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with GEM of the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“Mr. Zang”	Mr. Zang Weizhong, a PRC resident and an executive Director, chairman of the Board, chief executive officer and our controlling shareholder
“OTA”	online travel agency
“Prospectus”	the prospectus dated December 31, 2019 issued by the Company
“R&D”	research and development
“RMB”	Renminbi, the lawful currency of China
“SaaS”	software as a service, a cloud-based software licensing and delivery model in which software and associated data are centrally hosted
“Share(s)”	ordinary share(s) in the share capital of the Company, currently of nominal value US\$0.01 each
“Shareholder(s)”	holder(s) of the Share(s)
“VAT”	value-added tax
“VR”	virtual reality

APPRECIATION

The Board would like to express its sincere gratitude to the Shareholders, management team, employees, business partners and customers of the Company for their support and contribution to the Group.

By order of the Board
Lvji Technology Holdings Inc.
Zang Weizhong
*Chairman, Executive Director and
Chief Executive Officer*

Guangzhou, the PRC, August 31, 2020

As at the date of this announcement, the Board comprises Mr. Zang Weizhong, Ms. Sun Hongyan and Mr. Long Chao as executive Directors; Mr. Cheung King Him Edmund and Mr. Zhang Jun as non-executive Directors; and Ms. Gu Jianlu, Mr. Liu Yong and Ms. Wu Daxiang as independent non-executive Directors.