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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 RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021**

The board (the “**Board**”) of directors (the “**Directors**”) of Tu Yi Holding Company Limited (the “**Company**”) wishes to announce the annual audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2021 (the “**Year Under Review**”).

RESULTS HIGHLIGHTS

	For the year ended 31 December		Year-on-Year change (%)
	2021	2020	
	RMB'000	RMB'000	
Revenue	20,789	30,869	(32.7)
Gross profit/(loss)	2,474	(1,275)	(>100)
Net loss attributable to shareholders	(40,590)	(45,292)	(10.4)
Loss per share – Basic and diluted (RMB cents)	(4.06)	(4.53)	(10.4)
	As at 31 December 2021	As at 31 December 2020	Year-on-Year change
Current ratio (%)	118.9	151.0	(32.1) percentage points
Gearing ratio (%)	20.0	16.0	25.0 percentage points

MANAGEMENT DISCUSSION AND ANALYSIS

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 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 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 announcement 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 <i>RMB'000</i>	ART <i>RMB</i>	Percentage of revenue	Gross profit margin	Revenue <i>RMB'000</i>	ART <i>RMB</i>	Percentage of revenue	Gross profit margin
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%
	<u>20,789</u>		<u>100%</u>		<u>30,869</u>		<u>100%</u>	

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 announcement.

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.

CONSOLIDATED STATEMENT OF FINANCE POSITION

At 31 December 2021

	<i>Notes</i>	31 December 2021 RMB'000 (Audited)	31 December 2020 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		106,015	120,815
Investment properties		17,777	20,594
Freehold land		43,541	49,445
Right-of-use assets		4,481	13,625
Goodwill		54	54
Other intangible assets		481	619
Equity investments designated at fair value through other comprehensive income		791	7,995
Investment in an associate		2,390	4,053
Deferred tax assets		8,289	10,258
Total non-current assets		<u>183,819</u>	<u>227,458</u>
CURRENT ASSETS			
Inventories	<i>11</i>	4,218	4,158
Trade receivables	<i>12</i>	1,372	1,834
Prepayments, other receivables and other assets		5,717	8,835
Pledged short-term deposits	<i>13</i>	1,750	320
Cash and cash equivalents	<i>13</i>	43,614	44,024
Financial assets at fair value through profit or loss		–	3,021
Total current assets		<u>56,671</u>	<u>62,192</u>

		31 December 2021	31 December 2020
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Audited)	(Audited)
CURRENT LIABILITIES			
Trade payables	14	810	783
Advance from customers, other payables and accruals		15,304	8,397
Lease liabilities		1,347	1,413
Interest-bearing bank borrowings	15	28,573	29,006
Tax payable		1,639	1,593
		<u>47,673</u>	<u>41,192</u>
Total current liabilities		<u>47,673</u>	<u>41,192</u>
NET CURRENT ASSETS			
		<u>8,998</u>	<u>21,000</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>192,817</u>	<u>248,458</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	15	33,445	38,166
Lease liabilities		3,147	4,476
Deferred tax liabilities		4,606	4,588
		<u>41,198</u>	<u>47,230</u>
Total non-current liabilities		<u>41,198</u>	<u>47,230</u>
Net assets		<u>151,619</u>	<u>201,228</u>
EQUITY			
Equity attributable to owners of the parent			
Issued capital	16	8,797	8,797
Reserves		140,823	190,354
		<u>149,620</u>	<u>199,151</u>
Non-controlling interests		1,999	2,077
		<u>151,619</u>	<u>201,228</u>
Total equity		<u>151,619</u>	<u>201,228</u>

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

For the year ended 31 December 2021

	Notes	2021 RMB'000 (Audited)	2020 RMB'000 (Audited)
REVENUE	5	20,789	30,869
Cost of sales and services rendered	7	<u>(18,315)</u>	<u>(32,144)</u>
Gross profit/(loss)		2,474	(1,275)
Other income and gains, net	5	463	8,146
Selling and distribution expenses		(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	6	<u>(1,398)</u>	<u>(1,276)</u>
LOSS BEFORE TAX	7	(38,963)	(55,517)
Income tax (expense)/credit	8	<u>(1,705)</u>	<u>10,101</u>
LOSS FOR THE YEAR		<u>(40,668)</u>	<u>(45,416)</u>
Loss for the year attributable to:			
Owners of the parent		(40,590)	(45,292)
Non-controlling interests		<u>(78)</u>	<u>(124)</u>
		<u>(40,668)</u>	<u>(45,416)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic and diluted (RMB cents)		<u>RMB (4.06) cents</u>	<u>RMB (4.53) cents</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 CORPORATE INFORMATION

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, PO 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 Company and its subsidiaries (the "Group") was principally engaged in: (i) the design, development and sales of outbound travel package tours and day tours; (ii) the design, development and sales of free independent traveller products (the "FIT Products"); (iii) the provision of visa application processing service; (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 are Mr. Yu Dingxin, Mr. Pan Wei and Mr. Xu Jiong (collectively, the "Controlling Shareholders").

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

2 BASIS OF PRESENTATION AND PREPARATION

The 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 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.

3 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, *Interest Rate Benchmark Reform – Phrase 2*
HKFRS 4 and HKFRS 16

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.

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:

Information about principal activities and services

Revenue recognised during the Year Under Review is as follows:

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
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 service	–	225
Income from the Duty-free Shop Business	18,120	13,090
Hotel operation income	1,040	4,524
	20,789	30,869
	20,789	30,869

Geographical information

(a) Revenue from external customers

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Domestic – Mainland China*	19,302	25,047
Taiwan*	403	–
Japan [#]	1,084	5,822
	20,789	30,869
	20,789	30,869

* Mainly from online duty-free shop business.

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

The revenue information is based on the locations of the customers. No revenue from the Group's sales to a single customer amounted to 10% or more of the Group's revenue during the years ended 31 December 2021 and 2020.

(b) Non-current assets

	31 December 2021 RMB'000	31 December 2020 RMB'000
Domestic – Mainland China	45,081	62,954
Japan	129,658	146,251
	<u>174,739</u>	<u>209,205</u>

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

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Revenue from contracts with customers within the scope of HKFRS15	<u>20,789</u>	<u>30,869</u>
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
	<u>4,120</u>	<u>5,656</u>
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
	<u>(3,657)</u>	<u>2,490</u>
	<u>463</u>	<u>8,146</u>

6 FINANCE COSTS

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Interest on bank borrowings	1,314	1,171
Interest on lease liabilities	84	105
	<u>1,398</u>	<u>1,276</u>

7 LOSS BEFORE TAX

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

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Cost of services provided	3,171	22,667
Cost of inventories sold	15,144	9,477
Depreciation of property, plant and equipment	4,028	4,576
Depreciation of right-of-use assets	1,432	1,891
Loss on disposal of items of property, plant and equipment	35	319
Amortisation of other intangible assets	65	72
Lease payments not included in the measurement of lease liabilities	18	153
Impairment loss of an associate	1,643	–
Auditor's remuneration	818	1,590
Impairment of goodwill	–	12,472
Write-down of inventories to net realisable value*	142	853
(Reversal)/impairment of receivables arising from contracts with customers, net	(130)	11,674
Employee benefit expense (excluding directors' remuneration)	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.

8 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.

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Current – Mainland China	72	187
Current – Japan	–	330
Deferred	<u>1,633</u>	<u>(10,618)</u>
Total tax charge/(credit) for the year	<u><u>1,705</u></u>	<u><u>(10,101)</u></u>

9 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 ended in 31 December 2021.

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.

10 FINAL 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).

11 INVENTORIES

	31 December 2021 RMB'000	31 December 2020 RMB'000
Merchandise for sales	4,205	3,925
Hotel supplies	13	233
	<u>4,218</u>	<u>4,158</u>

12 TRADE RECEIVABLES

	31 December 2021 RMB'000	31 December 2020 RMB'000
Trade receivables	14,188	14,780
Impairment	(12,816)	(12,946)
	<u>1,372</u>	<u>1,834</u>

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

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

	31 December 2021 RMB'000	31 December 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
	<u>1,372</u>	<u>1,834</u>

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

	31 December 2021 RMB'000	31 December 2020 RMB'000
At beginning of year	12,946	1,818
Impairment losses	–	11,895
Reversal	(130)	(221)
Amount written off as uncollectible	–	(546)
	<hr/>	<hr/>
At end of year	12,816	12,946
	<hr/> <hr/>	<hr/> <hr/>

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.

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

	Expected credit loss rate	Gross carrying amount RMB'000
Current	1.09%	803
Less than 3 months	0.72%	9
Over 3 months	95.75%	13,376
	<hr/>	<hr/>
Total	90.33%	14,188
	<hr/> <hr/>	<hr/> <hr/>

As at 31 December 2020

	Expected credit loss rate	Gross carrying amount RMB'000
Current	1.17%	342
Less than 3 months	37.50%	80
Over 3 months	89.93%	14,358
	<hr/>	<hr/>
Total	87.59%	14,780
	<hr/> <hr/>	<hr/> <hr/>

13 CASH AND CASH EQUIVALENTS AND PLEDGED SHORT-TERM DEPOSITS

	31 December 2021 RMB'000	31 December 2020 RMB'000
Cash and bank balances	43,614	44,024
Time deposits	1,750	320
	<u>45,364</u>	<u>44,344</u>
Less:		
Pledged time deposits – Pledged for service quality*	<u>(1,750)</u>	<u>(320)</u>
	<u>43,614</u>	<u>44,024</u>

* The pledged time deposits represented the 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.

14 TRADE PAYABLES

	31 December 2021 RMB'000	31 December 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
	<u>810</u>	<u>783</u>

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

15 INTEREST-BEARING BANK BORROWINGS

Current	Effective interest rate %	Maturity	31 December 2021 RMB'000	31 December 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
			28,573	29,006
Non-Current	Effective interest rate %	Maturity	31 December 2021 RMB'000	31 December 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
			33,445	38,166
			31 December 2021 RMB'000	31 December 2020 RMB'000
Analysed into:				
<i>Bank loans repayable</i>				
– 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
			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, is recognised. While the corresponding amount 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;
- (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; 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).

(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.

16 SHARE CAPITAL

	31 December 2021 RMB'000	31 December 2020 RMB'000
Authorised:		
1,500,000,000 ordinary shares of HK\$0.01 each	<u>15,000</u>	<u>15,000</u>
	31 December 2021 RMB'000	31 December 2020 RMB'000
Issued and fully paid:		
1,000,000,000 ordinary shares of HK\$0.01 each	<u>8,797</u>	<u>8,797</u>

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 <i>HKD'000</i>	Utilised Net Proceeds during the period from Listing Date to 31 December 2021 <i>HKD'000</i>	Unutilised Net Proceeds as at 31 December 2021 <i>HKD'000</i>	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)	–	–
	<u>88,000</u>	<u>(70,400)</u>	<u>17,600</u>	

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 announcement.

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.

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 absolute 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 announcement, 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 Scheme (the “**Option**”), the Eligible Participant shall pay HK\$1.00 to the Company by way of 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 Rules Governing the Listing of Securities on the Stock Exchange (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.

Further details of the share option scheme (the “**Share Option Scheme**”) are set out in Appendix V to the prospectus of the Company dated 18 June 2019 (the “**Prospectus**”). 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.

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.

DIVIDEND

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

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 as set out in Appendix 14 to 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 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code for securities transactions by Directors and senior management. Having made specific enquiries to all the Directors, all the Directors confirmed that they have complied with the Model Code during the Year Under Review.

AUDIT COMMITTEE

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

The Audit Committee has reviewed the 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 Mr. Yu Dingxin, Mr. Zhao Jianbo and Ms. Zhou Li of whom Mr. Zhao Jianbo and Ms. Zhou Li are independent non-executive Directors and Mr. Yu Dingxin is the Chairman of the Board and an executive Director. The chairman of the Remuneration Committee is Ms. Zhou Li. The primary responsibilities of the Remuneration Committee include, among others, evaluating the performance and making recommendation on the remuneration package of the Directors and senior management, and evaluating and making recommendation on the share award plan of the Company.

NOMINATION COMMITTEE

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

PURCHASE, SALES OR REDEMPTION OF 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.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the best knowledge of the Directors as at the date of this announcement, the Company has maintained the public float of not less than 25% of the issued Shares as required under the Listing Rules.

CONTRACTUAL ARRANGEMENTS

The Group is primarily engaged in the provision of outbound travel products and services (the “**Outbound Travel Business**”) through 途益集團有限公司 (Tu Yi Group Company Limited) and 杭州谷歌旅行社有限公司 (Hangzhou Guge Travel Company Limited) (collectively, the “**Operating Entities**”). Pursuant to the relevant provisions of the Regulations on Travel Agencies (Revision 2017 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 for further details.

PRINCIPAL RISKS AND UNCERTAINTIES

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

1. Japan is the most popular destination of the Group's package tours and FIT Products and any material adverse change in the economic, political or social conditions relating to Japan, deterioration of diplomatic relationships between the PRC and Japan, negative developments related to the Japan tourism market, or natural or other disasters occurring in Japan may materially and adversely affect our business and operating results;
2. The Group's business and revenue may be adversely affected by any future changes to the respective visa application policies of the PRC government and the Japanese government;
3. Changes in the foreign exchange rate for JPY 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.

FORWARD LOOKING STATEMENTS

This announcement 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.

SCOPE OF WORK OF MCMILLAN WOODS (HONG KONG) CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Group's auditors, McMillan Woods (Hong Kong) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by McMillan Woods (Hong Kong) CPA Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by McMillan Woods (Hong Kong) CPA Limited on the preliminary announcement.

ANNUAL GENERAL MEETING

The forthcoming 2021 annual general meeting (the "AGM") of the Company will be held on Monday, 30 May 2022. Notice of the AGM will be published and despatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 25 May 2022 to Monday, 30 May 2022, both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the AGM. In order to qualify for the right to attend and vote at the forthcoming AGM, all transfers documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 24 May 2022.

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

This annual results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.tuyigroup.com). The Company's annual report for year ended 31 December 2021 containing all information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

By order of the Board
Tu Yi Holding Company Limited
Yu Dingxin
Chairman and executive Director

The PRC, 28 March 2022

As at the date of this announcement, the Board comprises four executive Directors: Mr. Yu Dingxin, Mr. Pan Wei, Mr. Xu Jiong and Mr. An Jiajin and four independent non-executive Directors: Mr. Zhao Jianbo, Ms. Zhou Li, Mr. Zheng Cheng and Mr. Ying Luming.

In this announcement, if there is any inconsistency between the Chinese names of certain items and their English translations, the Chinese names shall prevail.