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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)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

The board (the “**Board**”) of directors (the “**Directors**”) of Tu Yi Holding Company Limited (the “**Company**”) wishes to announce the unaudited consolidated interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2022 (the “**Period Under Review**”).

FINANCIAL HIGHLIGHTS

	For the six month ended 30 June		Period-on- period change (%)
	2022	2021	
	<i>RMB'000</i>	<i>RMB'000</i>	
Revenue	12,581	9,708	29.6
Gross profit	7,015	1,956	258.6
Net loss attributable to shareholders	(3,609)	(11,934)	(69.8)
Gross profit margin (%)	55.8%	20.1%	35.7
			percentage points
Loss per share – Basic and diluted (<i>RMB cents</i>)	(0.36)	(1.19)	(69.7)
	As at	As at 31	Period-on-
	30 June	December	period
	2022	2021	change (%)
Current ratio (%)	110.9	118.9	(8.0)
			percentage points
Gearing ratio (%)	23.0	20.0	3.0
			percentage points

MANAGEMENT DISCUSSION AND ANALYSIS

During the Period Under Review, in light of the uncertainties as a result of the developments of certain global emergencies, the novel coronavirus global pandemic (the “**COVID-19 Pandemic**”) and the subsequent massive disruptions of trade, production and logistics on a global basis, the economy of the People’s Republic of China (the “**PRC**”) and, in turn, the demand for and the market conditions of the tourism and hospitality industry (the “**Industry**”) in the PRC have been deteriorating. Nevertheless, the Group has been shifting its business focus to duty-free shop business – the Japanese-lifestyle-oriented cross-border duty-free shop business (the “**Duty-free Shop Business**”) with associated mobile phone application (the “**App**”), mini-application in WeChat and website under the brand “Direct Courier from Shop Manager” (“**店長直郵**”) since the Group’s suspension of its sales of outbound packaged tours and outbound free independent traveller products (the “**FIT Products**”) in January 2020 following the issue of notices by the General Office of the Ministry of Culture and Tourism (文化和旅遊部辦公廳) on 24 January 2020 and the Hangzhou Municipal Bureau of Culture, Radio, TV and Tourism (杭州市文化廣播電旅遊局) on 25 January 2020. The overall revenue of the Group increased by approximately 29.6% as compared to that of the corresponding period in 2021. The net loss attributable to shareholders amounted to approximately RMB3.6 million, representing a decrease of approximately 69.8%. In view of the net loss the Group made during the Period Under Review, the Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022.

BUSINESS REVIEW AND PROSPECTS

It took the Group approximately two years to build up and enhance its online Duty-free Shop Business. During these two years, the Group spent a significant amount of resources and time to (1) upgrade the IT platform to integrate customer-interactive functions like live-streaming, group purchasing, limited-time purchasing and mini-games; (2) maximise cooperations with various local Japanese businesses to increase product spectrum; and (3) develop the Group’s own products to build up its own brand name. During the Period Under Review, leveraging on the well-established platform of online Duty-free Shop Business, the Group has (1) launched the domestic trading Duty-free Shop Business, where the Group initiated domestic wholesale trading (i.e. business to business) for certain products under its own brand through capitalising on the well-established marketing channel for the Duty-free Shop Business to cater the robust demand for those own-brand products from certain domestic traders; and (2) expanded its online Duty-free Shop Business to Taiwan, China (“**Taiwan**”) market as the Group sees the potential of Japanese cosmetic products in the market of Taiwan in view of the popularity of these products in Taiwan.

The overall gross profit margin of the Group increased substantially by approximately 35.7 percentage points from approximately 20.1% for the first half of 2021 to approximately 55.8% for the first half of 2022, as (1) the Group has completed its initial high-investment stage for its online Duty-free Shop Business and certain IT costs and staff costs that were used to build up and enhance the business model of its online Duty-free Shop Business decreased substantially during the Period Under Review; (2) the Group put more focus on developing its own products and building up its own brand name; and (3) the Group resumed its operation of its Hotel Operation since May 2022 after the relaxation of COVID-19 Pandemic prevention measures imposed by the Japanese government, which to the substantial increment in gross profit contribution of the Hotel Operation to the Group’s total revenue as compared to the corresponding period in 2021.

Going forward, the Group plans to further develop online sales of domestic products by leveraging on the IT platform of its well-established online Duty-free Shop Business; focusing on increasing product spectrum in certain niche products and rolling out more own-brand products. The Company expects both the revenue from the Duty-free Shop Business and the Hotel Operation to further grow at a faster pace in the second half of 2022 after the relaxation of COVID-19 Pandemic prevention measures imposed by the Japanese government. In the meantime, the Group has implemented a number of measures for the purpose of controlling its operating costs and maintaining a stable and sustainable level of liquidity and working capital. The Group's current ratio and gearing ratio remained at a similar level as at 30 June 2022 as compared to 31 December 2021.

FINANCIAL REVIEW

Revenue and gross profit margin

The breakdown of revenue, average revenue per traveller (“ART”) and gross profit margin by business segment during the periods under review is set forth below:

	For the six months ended 30 June 2022				For the six months ended 30 June 2021			
	Revenue <i>RMB'000</i> <i>(Unaudited)</i>	ART <i>RMB</i> <i>(Unaudited)</i>	% of revenue <i>(Unaudited)</i>	Gross profit margin <i>(Unaudited)</i>	Revenue <i>RMB'000</i> <i>(Unaudited)</i>	ART <i>RMB</i> <i>(Unaudited)</i>	% of revenue <i>(Unaudited)</i>	Gross profit margin <i>(Unaudited)</i>
Sales of package tours – other than Japan	434	7,890	3.4%	4.5%	733	4,442	7.6%	4.0%
Margin income from sales of FIT Products (net basis) – other than Japan	154	61	1.2%	100%	94	1	1.1%	N/A
Hotel Operation – Japan	2,512	263	20.0%	67.7%	165	300	1.7%	(20.0%)
Online Duty-free Shop Business – Japan and Taiwan, China	8,515	N/A	67.7%	46.5%	8,707	N/A	89.5%	22.1%
Duty-free Shop Business – Domestic Trading	966	N/A	7.7%	79.5%	–	–	–	N/A
Other income from sales of ancillary travel related products and provision of services	–	–	–	N/A	9	N/A	0.1%	N/A
	12,581		100.0%	55.8%	9,708		100.0%	20.1%

Sales of package tours, sales of day tours and Margin income from sales of FIT Products (net basis)

The Group's package tours generally comprises flights, hotel accommodations, meals, transportation and sight-seeing as a bundled package and are accompanied by tour escorts from departure till return to the PRC, and they range from standardised package tours to tailor-made and customised tours for customers with specific requirements. The Group's day tour products generally consist of day tours ranging from one day to six days, which mainly target travellers who are neither package tours nor the FIT Product customers and have purchased air tickets/hotel accommodations separately, but wish to participate in local day tours in Japan. The FIT Products mainly comprise air tickets, hotel accommodation and flight-plus-hotel bundled packages.

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 Municipal Bureau of Culture, Radio, TV and Tourism (杭州市文化廣電旅遊局) dated 25 January 2020, the Group suspended all outbound package tours and outbound FIT Products.

Online Duty-free Shop Business – Japan & Taiwan, China & Duty-free Business – Domestic Trading

The revenue from the Duty-free Shop Business remained at a similar level during the Period Under Review as compared to that of the corresponding period in 2021. The Group has (1) launched the domestic trading Duty-free Shop Business, where the Group initiated domestic wholesale trading (i.e. business to business) for certain products under its own brand through capitalising on the well-established marketing channel for the Duty-free Shop Business to cater the robust demand for those own-brand products from certain domestic traders; and (2) expanded its online Duty-free Shop Business to Taiwan market as the Group sees the potential of Japanese cosmetic products in the market of Taiwan in view of the popularity of these products in Taiwan.

Selling and distribution expenses

The Group's selling and distribution expenses decreased by approximately 25.3% for the six months ended 30 June 2022 as compared to that of the corresponding period in 2021 as the Group has completed its initial high-investment stage for its online Duty-free Shop Business.

Administrative expenses

Although the Group has implemented a number of measures for the purpose of controlling its operating costs, the Group's administrative expenses increased by approximately 10.5% as compared to that of the corresponding period in 2021 to approximately RMB8.6 million in the first half of 2022, as the Group has resumed its Japan hotel operation since May 2022.

CONDENSED CONSOLIDATED STATEMENT OF FINANCE POSITION

At 30 June 2022 – unaudited

	<i>Notes</i>	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		96,547	106,015
Investment properties		17,777	17,777
Right-of-use assets		3,852	4,481
Freehold land		39,232	43,541
Goodwill		54	54
Other intangible assets		404	481
Investment in an associate		–	2,390
Equity investments designated at fair value through other comprehensive income	<i>10</i>	5,071	791
Deferred tax assets		<u>7,961</u>	<u>8,289</u>
		<u>170,898</u>	<u>183,819</u>
Current assets			
Inventories	<i>11</i>	2,422	4,218
Trade receivables	<i>12</i>	1,294	1,372
Prepayments, other receivables and other assets		10,469	5,717
Pledged short-term deposits	<i>13</i>	1,540	1,750
Cash and cash equivalents	<i>13</i>	<u>31,641</u>	<u>43,614</u>
		<u>47,366</u>	<u>56,671</u>
Current liabilities			
Trade payables	<i>14</i>	485	810
Advance from customers, other payables and accruals		12,651	15,304
Interest-bearing bank borrowings	<i>15</i>	26,858	28,573
Lease liabilities		1,089	1,347
Tax payable		<u>1,641</u>	<u>1,639</u>
		<u>42,724</u>	<u>47,673</u>
Net current assets		<u>4,642</u>	<u>8,998</u>
Total assets less current liabilities		<u>175,540</u>	<u>192,817</u>

	<i>Notes</i>	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Non-current liabilities			
Interest-bearing bank borrowings	<i>15</i>	30,001	33,445
Lease liabilities		2,718	3,147
Deferred tax liabilities		4,516	4,606
		<u>37,235</u>	<u>41,198</u>
NET ASSETS		<u>138,305</u>	<u>151,619</u>
Equity			
Equity attributable to owners of the parent			
Share capital	<i>16</i>	8,797	8,797
Reserves		127,525	140,823
		<u>136,322</u>	<u>149,620</u>
Non-controlling interests		1,983	1,999
TOTAL EQUITY		<u>138,305</u>	<u>151,619</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022 – unaudited

	Notes	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue	4	12,581	9,708
Cost of sales and services rendered		<u>(5,566)</u>	<u>(7,752)</u>
Gross profit		7,015	1,956
Other income and gains, net	4	1,803	1,809
Selling and distribution costs		(3,345)	(4,479)
Administrative expenses		(8,626)	(7,804)
Other expenses		(54)	(4,630)
Finance costs	6	<u>(664)</u>	<u>(753)</u>
Loss before tax	5	(3,871)	(13,901)
Income tax credit	7	<u>245</u>	<u>1,870</u>
Loss for the period		<u>(3,626)</u>	<u>(12,031)</u>
Other comprehensive income/(loss), net of tax:			
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations		(9,662)	(4,226)
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:</i>			
Equity investments designated at fair value through other comprehensive income change in fair value		<u>(27)</u>	<u>4,372</u>
Other comprehensive (loss)/income for the period		<u>(9,689)</u>	<u>146</u>
Total comprehensive loss for the period		<u>(13,315)</u>	<u>(11,885)</u>

		Six months ended 30 June	
		2022	2021
<i>Notes</i>		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Loss for the period attributable to:			
	Owners of the parent	(3,609)	(11,934)
	Non-controlling interests	(17)	(97)
		<u>(3,626)</u>	<u>(12,031)</u>
Total comprehensive loss for the period attributable to:			
	Owners of the parent	(13,298)	(11,788)
	Non-controlling interests	(17)	(97)
		<u>(13,315)</u>	<u>(11,885)</u>
Loss per share attributable to ordinary equity holders of the parent			
	Basic and diluted (<i>RMB cents</i>)	8 (0.36)	(1.19)
		<u>(0.36)</u>	<u>(1.19)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022 – unaudited

		Six months ended 30 June	
		2022	2021
	Notes	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Net cash flows in respect of operating activities		(14,424)	404
Net cash flows in respect of investing activities		(3,610)	(20,908)
Net cash flows in respect of financing activities		(1,285)	(1,865)
		<hr/>	<hr/>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(19,319)	(22,369)
Effect of foreign exchange rate changes, net		7,346	(539)
Cash and cash equivalents at beginning of period	13	43,614	44,024
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF PERIOD		31,641	21,116
		<hr/> <hr/>	<hr/> <hr/>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		31,641	21,116
		<hr/> <hr/>	<hr/> <hr/>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022 – unaudited

	Attributable to owners of the parent											
	Issued capital	Share premium	Capital reserves	Statutory surplus reserves	Fair value reverse of financial assets at fair value through other comprehensive income	Retained earnings/(accumulated losses)	Revaluation reserves	Difference arising from acquisition of non-controlling interests	Foreign currency translation reserves	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022 (Audited)	8,797	91,120	88,967	6,482	(502)	(31,881)	1,579	(19)	(14,923)	149,620	1,999	151,619
Loss for the period	-	-	-	-	-	(3,609)	-	-	-	(3,609)	(16)	(3,625)
Exchange differences	-	-	-	-	(27)	-	-	-	(9,662)	(9,689)	-	(9,689)
At 30 June 2022 (Unaudited)	<u>8,797</u>	<u>91,120</u>	<u>88,967</u>	<u>6,482</u>	<u>(529)</u>	<u>(35,490)</u>	<u>1,579</u>	<u>(19)</u>	<u>(24,585)</u>	<u>136,322</u>	<u>1,983</u>	<u>138,305</u>
At 1 January 2021 (Audited)	8,797	91,120	88,967	6,482	(420)	8,709	1,579	(19)	(6,064)	199,151	2,077	201,228
Loss for the period	-	-	-	-	-	(11,934)	-	-	-	(11,934)	(97)	(12,031)
Changes in fair value of equity investments at fair value through other comprehensive loss	-	-	-	-	4,372	-	-	-	(4,226)	146	-	146
At 30 June 2021 (Unaudited)	<u>8,797</u>	<u>91,120</u>	<u>88,967</u>	<u>6,482</u>	<u>3,952</u>	<u>(3,225)</u>	<u>1,579</u>	<u>(19)</u>	<u>(10,290)</u>	<u>187,363</u>	<u>1,980</u>	<u>189,343</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 CORPORATE INFORMATION

Tu Yi Holding Company Limited (the “**Company**”) is a limited liability company incorporated in the Cayman Islands on 27 February 2018. The registered address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business in Hong Kong is located at Room 02-03, 31/F, 118 Connaught Road West, Hong Kong. The principal place of business in the People’s Republic of China (the “**PRC**”) 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 PRC. The shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited on 28 June 2019.

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

In the opinion of the directors of the Company, as at 30 June 2022, the ultimate controlling shareholders of the Company and its subsidiaries (together, the “**Group**”) are Mr. Yu Dingxin, Mr. Pan Wei and Mr. Xu Jiong (collectively the “**Controlling Shareholders**”). York Yu Co., Ltd and David Xu Co., Ltd (incorporated in British Virgin Islands), is directly and wholly owned by Mr. Yu Dingxin, King Pan Co., Ltd (incorporated in British Virgin Islands), is directly and wholly owned by Mr. Pan Wei, Jeffery Xu Co., Ltd (incorporated in British Virgin Islands), is directly and wholly owned by Mr. Xu Jiong.

2 BASIS OF PREPARATION

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

The Group’s unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2021. The accounting policies adopted in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2021. The unaudited condensed consolidated interim financial statements have been prepared under the historical cost convention except for investment properties and financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand except when otherwise indicated. The Group’s unaudited condensed consolidated interim financial statements have been reviewed by the audit committee of the Company.

3 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 period is as follows:

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Revenue		
Sales of package tours and day tours	434	733
Margin income from sales of FIT products	154	94
Other income from sales of ancillary travel related products and services	–	9
Domestic trading duty-free shop business	966	–
Income from online duty-free shop business	8,515	8,707
Hotel operation income	2,512	165
	<u>12,581</u>	<u>9,708</u>

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Domestic-Mainland China*	9,117	9,543
Japan#	2,876	165
Taiwan, China [▲]	588	–
Total	<u>12,581</u>	<u>9,708</u>

* Mainly from sales of package tours, domestic trading business, travel related products and services, FIT products and online duty-free shop business.

Mainly from hotel operation and duty-free shop business.

[▲] Mainly from online duty-free shop business.

The revenue information is based on the locations of the customers. No revenue from the Group's sales to a single customers amounted to 10% or more of the Group's revenue during the six months ended 30 June 2022 and 2021.

(b) Non-current assets

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Domestic-Mainland China	22,429	45,081
Japan	<u>135,437</u>	<u>129,658</u>
Total	<u>157,866</u>	<u>174,739</u>

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

4 REVENUE, OTHER INCOME AND GAINS, NET

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue from contracts with customers within the scope of HKFRS 15	12,581	9,708
Other income		
Bank interest income	2	4
Government grants	257	895
Gain on early termination of lease	28	–
Other interest income from financial assets at fair value through profit or loss	95	78
Other interest income from loans to third parties	657	715
Others	<u>797</u>	<u>117</u>
	<u>1,836</u>	<u>1,809</u>
Gains, net		
Foreign exchange loss	(33)	–
	<u>1,803</u>	<u>1,809</u>

5 LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Cost of services provided	810	772
Cost of inventories sold	4,756	6,980
Depreciation of property, plant and equipment	1,901	2,073
Depreciation of right-of-use assets	545	751
Amortisation of other intangible assets	29	45
	<u>810</u>	<u>772</u>

6 FINANCE COSTS

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest on bank borrowings	641	691
Interest on lease liabilities	23	62
	<u>664</u>	<u>753</u>

7 INCOME TAX 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% (2021: 33.6%).

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the Period Under Review, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime 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 Period Under Review (2021: Nil).

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

The income tax credit of the Group is analysed as follows:

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Deferred	<u>(245)</u>	<u>(1,870)</u>
	<u>(245)</u>	<u>(1,870)</u>

8 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 period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,000,000,000 (six months ended 30 June 2021: 1,000,000,000) in issue during the Period Under Review.

The number of ordinary shares used to calculate the basic loss per share for the six months ended 30 June 2022 and 2021 were based on the 1,000,000,000 and 1,000,000,000 ordinary shares, respectively, representing the number of shares of the Company immediately after the capitalisation issue, as if the shares had been in issue throughout the six months ended 30 June 2022 and 2021.

There were no dilutive potential ordinary shares for the six months ended 30 June 2022 and 2021; therefore, diluted earnings per share are equivalent to basic earnings per share.

9 INTERIM DIVIDENDS

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

10 EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June	31 December
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Equity investments designated at fair value through other comprehensive income		
listed equity investments, at fair value		
Meituan	2,810	774
Tesla, Inc.	2,250	–
Raily Aesthetic Medicine International Holdings Limited	<u>11</u>	<u>17</u>
	<u>5,071</u>	<u>791</u>

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

11 INVENTORIES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Merchandise for sales	2,422	4,205
Hotel supplies	—	13
	<u>2,422</u>	<u>4,218</u>

12 TRADE RECEIVABLES

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:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
1 to 30 days	155	750
31 to 90 days	88	44
91 to 180 days	752	9
181 to 360 days	299	569
	<u>1,294</u>	<u>1,372</u>

13 CASH AND CASH EQUIVALENTS AND PLEDGED SHORT-TERM DEPOSITS

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Cash and bank balances	31,641	43,614
Time deposits	1,540	1,750
	<u>33,181</u>	<u>45,364</u>
Less: Pledged time deposits – Pledged for service quality		
* Guarantee deposits for the Group's tourism operation as required by the PRC government	<u>(1,540)</u>	<u>(1,750)</u>
	<u>31,641</u>	<u>43,614</u>

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 are approximate to their fair values.

14 TRADE PAYABLES

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
1 to 30 days	207	494
31 to 90 days	–	–
91 to 180 days	–	–
181 to 360 days	–	20
1 to 2 years	278	296
	<u>485</u>	<u>810</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	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Bank loans – secured	4.00	2022	10,000	10,000
JPY241,812,000 current portion of long-term secured bank loans*	1.88	2022	13,492	14,872
JPY7,128,000 current portion of long-term secured bank loans*	1.88	2022	800	840
JPY51,624,000 current portion of long-term secured bank loans*	1.88	2022	2,566	2,861
			<u>26,858</u>	<u>28,573</u>

Non-current	Effective interest rate (%)	Maturity	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
JPY18,424,000 secured bank loans	1.88	2024	916	1,021
JPY585,121,000 secured bank loans	1.88	2032	29,085	32,424
			<u>30,001</u>	<u>33,445</u>

30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
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Analysed into:

Bank loans repayable		
– Within one year or on demand	26,858	28,573
– In the second year to fifth year	30,001	33,445
	56,859	62,018

- * The current portion of long-term bank loan of approximately RMB16,858,000, which was supposed to be repaid fully during 2021, was granted extension of repayment 1 January 2013 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 (31 December 2021: RMB10,903,000); and mortgages over the Group's leasehold land and buildings situated in Mainland China, which had an aggregate net carrying amount of RMB5,890,000 (31 December 2021: RMB5,998,000);
 - (ii) mortgages over the Group's investment properties situated in Mainland China, which had an aggregate net carrying amount of RMB9,423,000 (31 December 2021: RMB9,423,000); and
 - (iii) mortgages over the Group's freehold land situated in Japan, which had an aggregate carrying amount of RMB39,232,000 (31 December 2021: RMB43,541,000).
- (b) Except for the 4.00% secured bank loan which is denominated in RMB, all the secured bank loans amounting to RMB46,859,000 (31 December 2021: RMB52,018,000) were denominated in JPY.

16 SHARE CAPITAL

	30 June 2022 <i>RMB'000</i> (Unaudited)	31 December 2021 <i>RMB'000</i> (Audited)
Authorised: 1,500,000,000 ordinary shares of HK\$0.01 each	15,000	15,000
	30 June 2022 <i>RMB'000</i> (Unaudited)	31 December 2021 <i>RMB'000</i> (Audited)
Issued and fully paid: 1,000,000,000 ordinary shares of HK\$0.01 each	8,797	8,797

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 Group for the year ended 31 December 2021 published by the Company on 27 April 2022 (the “**2021 Annual Report**”), the interim results announcement of the Company for the six months ended 30 June 2021 dated 31 August 2021 and the announcement of the Company dated 17 November 2020 in relation to the change of use of proceeds of the Company. Unless otherwise defined, terms used herein shall have the same meaning as defined in the 2021 Annual Report.

The information of use of Net Proceeds was disclosed as follows:

Description of use of Net Proceeds	Intended use of Net Proceeds as disclosed in the 2021 Annual Report <i>HKD'000</i>	Utilised Net Proceeds during the period from Listing Date to 30 June 2022 <i>HKD'000</i>	Unutilised Net Proceeds as at 30 June 2022 <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	On or before 31 December 2023*
(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>	

* Due to various lockdown and prevention measures imposed by various governments for COVID-19 Pandemic, it was delayed as the management of the Group was not able to travel for investment assessment purpose.

During the Period Under Review, the Net Proceeds were used and expected to be used according to the intentions as disclosed above. Unutilised proceeds were deposited in licensed banks in Hong Kong.

EVENTS AFTER THE REPORTING PERIOD

There was no material events affecting the Group occurred subsequent to 30 June 2022 and up to the date of this announcement.

CONTINGENT LIABILITIES

As at 30 June 2022 and 31 December 2021, the Group did not have any significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2022, the Group employed a total of 77 full time employees. The Group's employee benefits included salary and discretionary bonuses based on the Group's results and individual performance, medical and retirement benefits schemes. The remuneration committee of the Company (the "**Remuneration Committee**") reviews such packages annually, or when the occasion requires. The executive Directors, who are also employees of the Company, receive remuneration in the form of salaries, bonuses and other allowances.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's gearing, expressed as a percentage of total interest-bearing borrowings to total equity remained at a similar level during the Period Under Review (30 June 2022: 23.0%; 31 December 2021: 20.0%). 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 and Hong Kong dollars. The Group's liquidity and financing requirements are reviewed regularly.

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

The trade receivables turnover days increased during the Period Under Review as the Group resumed the Hotel Operation during the Period Under Review, which typically has longer turnover days (30 June 2022: 39 days; 31 December 2021: 28 days).

The trade payables turnover days increased during the Period Under Review as the Group resumed the Hotel Operation during the Period Under Review, which typically has longer turnover days (30 June 2022: 42 days; 31 December 2021: 16 days).

INTERIM DIVIDEND

The Board did not declare the payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

PLEDGE OF ASSETS

As at 30 June 2022, the Group's short-term deposits of approximately RMB1,540 million (31 December 2021: approximately RMB1,750 million) were pledged to banks as a guarantee deposit for the Group's tourism operation as required by the PRC government.

SIGNIFICANT INVESTMENT HELD, ACQUISITION AND DISPOSAL

Save as disclosed in note 10 to the condensed consolidated financial statements, as at 30 June 2022, there were no significant investments held by the Group or future plans for material investments or capital assets.

The Company did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures for the six months ended 30 June 2022.

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. During the Period Under Review, except for code provision C.2.1 of the Corporate Governance Code, the Company has complied with all the applicable code provisions as set out in the Corporate Governance Code (the “**Corporate Governance Code**”) in Appendix 14 to the the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

Pursuant to code provision C.2.1 of the Corporate Governance Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. We do not have a separate chairman and chief executive officer and Mr. Yu Dingxin currently performs these two roles concurrently. The Board believes that vesting the roles of both the chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group for more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority within the Group will not be impaired by the present arrangement and the current structure will enable the Company to make and implement decisions more promptly and effectively. The Board will from time to time review and consider splitting the roles of chairman of the Board and the chief executive officer of the Company to ensure appropriate and timely arrangements are in place to meet changing circumstances.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code for securities transactions by Directors and senior management. Having made specific enquiries, all the Directors confirmed that they have complied with the Model Code throughout the six months ended 30 June 2022.

AUDIT COMMITTEE

As at the date of this announcement, the audit committee of the Company (the “**Audit Committee**”) has three members, namely Mr. Ying Luming, Mr. Zhao Jianbo and Ms. Zhou Li, 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 interim results of the Group for the six months ended 30 June 2022, including the accounting principles and practices adopted by the Group, and the Group's internal control functions.

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

During the Period Under Review, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

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

This interim result 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 interim report for the six months ended 30 June 2022 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 People’s Republic of China, 31 August 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.