



驴迹科技
LVJI TECHNOLOGY

Lvji Technology Holdings Inc.

驴迹科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1745

2023

INTERIM REPORT



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zang Weizhong (*Chairman*)
Mr. Wang Lei (*Vice Chairman*)
Mr. Liu Hui

Non-executive Director

Mr. Cheung King Him Edmund
(resigned on September 8, 2023)

INEDs

Ms. Gu Jianlu
Ms. Gao Yuanyuan
Ms. Gu Ruizhen

AUDIT COMMITTEE

Ms. Gu Jianlu (*Chairlady*)
Ms. Gao Yuanyuan
Ms. Gu Ruizhen

REMUNERATION COMMITTEE

Ms. Gu Jianlu (*Chairlady*)
Mr. Zang Weizhong
Ms. Gu Ruizhen

NOMINATION COMMITTEE

Ms. Gao Yuanyuan (*Chairlady*)
Ms. Gu Jianlu
Ms. Gu Ruizhen

JOINT COMPANY SECRETARIES

Mr. Chu Wing Tim Benedict, *ACG, HKACG*
(appointed on January 5, 2023)
Ms. Lam Yin Ling, *ACG, HKACG*
(appointed on January 5, 2023)
Ms. Lam Shi Ping, *ACG, HKACG*
(resigned on January 5, 2023)

AUTHORIZED REPRESENTATIVES

Mr. Zang Weizhong
Ms. Lam Yin Ling, *ACG, HKACG*
(appointed on January 5, 2023)
Ms. Lam Shi Ping, *ACG, HKACG*
(resigned on January 5, 2023)

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The PRC

STOCK CODE

1745

COMPANY'S WEBSITE

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KEY HIGHLIGHTS

FOR THE REPORTING PERIOD:

- Revenue increased by approximately 45.1% to RMB213.0 million from RMB146.7 million for the Corresponding Period.
- Gross profit increased by approximately 36.6% to RMB78.9 million from RMB57.7 million for the Corresponding Period, with a gross profit margin of 37.0% compared to 39.3% for the Corresponding Period.
- Profit for the period amounted to RMB51.5 million as compared to a profit of RMB26.5 million for the Corresponding Period, with an increase of 94.3%.

1. FINANCIAL SUMMARY

	For the six months ended June 30,		Year-to-year change
	2023 (RMB'000) (Unaudited)	2022 (RMB'000) (Unaudited)	
Revenue	212,982	146,742	45.1%
Gross profit	78,860	57,731	36.6%
Profit before tax	63,858	33,500	90.6%
Profit for the period	51,515	26,508	94.3%
Net profit margin	24.20%	18.1%	6.1 percentage points

2. OPERATING METRICS

	As of June 30,		Change
	2023	2022	
Online tour guides developed	50,386	39,172	11,214

BUSINESS REVIEW AND OUTLOOK

RESULTS HIGHLIGHTS

For the Reporting Period:

- Total revenue amounted to approximately RMB213.0 million, representing an increase of 45.1% as compared with the Corresponding Period. Total revenue from sales of online tour guides amounted to approximately RMB210.8 million, representing an increase of 45.3% as compared with the Corresponding Period, which was mainly attributable to the increase in sales of our online tour guides due to the strong recovery of the tourism market.
- Gross profit amounted to approximately RMB78.9 million, representing an increase of 36.6% as compared with the Corresponding Period. Gross profit margin for the first half of 2023 amounted to approximately 37.0%, as compared to gross profit margin for the Corresponding Period of approximately 39.3%. The decrease in gross profit margin was mainly attributable to an increase in amortization of intangible assets.
- Profit for the Reporting Period amounted to approximately RMB51.5 million as compared with profit for the Corresponding Period of approximately RMB26.5 million, representing a substantial increase of 94.3%, which was mainly attributable to (i) the increase in our revenue as a result of the increase in sales of our online tour guides due to the strong recovery of the tourism market and (ii) our active efforts in implementing various expenses and budget-related policies to control the selling and distribution expenses and the administrative expenses.
- Selling and distribution expenses were approximately RMB8.8 million, representing a decrease of 19.4% as compared with the Corresponding Period. Administrative expenses were approximately RMB9.6 million, representing a decrease of 33.6% as compared with the Corresponding Period, which was mainly attributable to the various initiatives adopted by us to control operating costs and reduce unnecessary expenses during the Reporting Period.
- We continue to consolidate our market leading position of online tour guides by optimizing the content of tour guide products for the purpose of improving our users' experience while capturing the demand of the tourism market amid the repeated outbreaks of the Pandemic. We have also increased the development of our online tour guides, with a total of 50,386 (as of June 30, 2022: 39,172) online tour guides developed by us as of June 30, 2023.



BUSINESS REVIEW AND OUTLOOK

BUSINESS REVIEW

We are a market leader in China's and the world's online tour guide industry. We deploy software on the cloud system to provide online tour guides with proprietary contents, which include illustrated maps of tourist attractions, editorial contents and voice-over commentaries of the points of interest in the tourist attractions, and are implemented to include functions such as real-time navigation. In addition, taking advantage of augmented reality (AR), mixed reality (MR) and artificial intelligence (AI) technologies, and relying on our more than 40,000 electronic tour maps for tourist attractions around the world, we are committed to bringing a new sensory experience in the real world and the virtual world by introducing nationally known IP virtual characters with emotional appeal, so as to provide a wonderful dream journey for users. We believe that such business strategies will generate long-term value to the Shareholders.

During the Reporting Period, China's domestic and outbound travel activities witnessed a rapid growth. Attributed to our leading market position in online tour guides, outstanding products and service experience, flexible operation strategies, etc., the Company quickly seized the opportunity for the tourism recovery and demonstrated our strong power in the face of a recovery in the industry. In particular, our revenue for the Reporting Period increased by approximately 45.1% to approximately RMB213.0 million as compared to the Corresponding Period. Also, we had made active efforts to implement various measures in controlling operating costs and reducing unnecessary expenses, which achieved effective outcomes. During the Reporting Period, the selling and distribution expenses decreased greatly by approximately 19.4% as compared to the Corresponding Period, while administrative expenses decreased by approximately 33.6% as compared to the Corresponding Period. We recorded a profit of approximately RMB51.5 million for the Reporting Period, representing a significant increase of approximately 94.3% as compared to approximately RMB26.5 million for the Corresponding Period. The Company adheres to the development strategy of continuously improving user experience for tour guides. As of June 30, 2023, we had developed a total of 50,386 online tour guides covering tourist attractions in China and overseas, which domestically covered 297 AAAAA tourist attractions, 2,734 AAAA tourist attractions, and 2,622 AAA tourist attractions.

In relation to our Software as a Service (SaaS) business for the smart and digital marketing of tourist attractions, we continuously iterated on the product named "Digital View Pass (數景通)" with smart management, smart marketing and smart service as its core, offering digital marketing solutions for tourist attractions. By constructing smart mini-programs, digital marketing system, smart tourist attractions system and private internet traffic system, the digital marketing system and delicacy operation system were constructed in tourist attractions and information-based resources were integrated to meet the digital upgrading demand of various tourist attractions and the culture and tourism bureaus, so as to achieve new business growth in tourist attractions and enhance the operational and management efficiency of tourist attractions. We have made vigorous efforts to promote the "Digital View Pass (數景通)" to various culture and tourism bureaus and successfully launched it in several tourist attractions. In order to better adapt to the national modernisation requirements for all-for-one tourism, we had independently updated several e-commerce operation functions to optimize the user experience, making "Digital View Pass (數景通)" more competitive among similar products.

BUSINESS REVIEW AND OUTLOOK

Meanwhile, with extensive cooperation with content creators (such as uploaders who provided travel contents, bloggers, and internet celebrities) on mobile internet platforms, we comprehensively enhanced the popularities and user conversion rates of Lvji online tour guide products through precise interactions with quality content creators. We also launched tailor-made and featured Lvji online tour guide suit products for such content creators. With the help of this program, we will be able to create a private internet traffic model for the long-term cultivation of the user market, thereby helping the Company move towards a good trend with simultaneous growth in two areas: OTAs and mobile internet platforms.

Results Highlights

During the Reporting Period, as the revenue of online tour guides recorded a year-on-year increase compared to 2022 due to the rapid growth of China's domestic and outbound travel activities, our total revenue increased by approximately 45.3% from approximately RMB145.0 million for the Corresponding Period to approximately RMB210.8 million for the Reporting Period; gross profit margin decreased from approximately 39.3% as at June 30, 2022 to approximately 37% as at June 30, 2023. A net profit during the Reporting Period amounted to approximately RMB51.5 million, representing an increase of approximately 94.3% as compared to a net profit for the Corresponding Period of approximately RMB26.5 million.

During the Reporting Period, we further consolidated our market leading position of online tour guides by continuously investing in research and development resources and increasing the coverage of tourist attractions. The number of online tour guides developed by us and the number of tourist attractions in China covered by our online tour guides increased. The number of our online tour guides increased from 46,917 as at December 31, 2022 to 50,386 as at June 30, 2023, while the number of tourist attractions in China covered by our online tour guides increased from 33,660 as at December 31, 2022 to 36,347 as at June 30, 2023.

Business Review

Benefiting from the rapid growth of China's domestic and outbound travel activities, we further consolidated our leading position in China's online tour guide market. During the Reporting Period, we continued to increase the number of tourist attractions covered by our guides, upgraded the contents of our maps and voice-over commentaries, and increased in-depth cooperation with local travel agencies and tourism attractions by focusing on online and offline digital twin schemes of all-rounded tourism and the digital marketing schemes of smart tourist attractions to help the recovery and development of the tourism market. At the same time, we have been using new technologies and investing in research and development resources to enhance the production capacity of online tour guides and customized content, and expand marketing channels, so as to continue to maintain our market leadership.



BUSINESS REVIEW AND OUTLOOK

The Number of Tourist Attractions Covered Continued to Increase and the Content of Tour Guides was Multi-dimensionally Upgraded

During the Reporting Period, we increased the number of tourist attractions covered in China. The types of tourist attractions for which we provide online tour guides include landscapes, historical sites, cities, theme parks, zoos and botanical gardens, etc. In particular, as at June 30, 2023, our online tour guides covered 297 AAAAA tourist attractions, 2,734 AAAA tourist attractions, and 2,622 AAA tourist attractions.

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

With the introduction of nationally known IP virtual characters to tourist attractions, users can realize real-time interaction with the virtual IP characters on smartphones by virtue of AR technology, which will greatly increase user conversion rates and frequency of utilization of our tour guides. Therefore, we can establish emotional link with users, and comprehensively upgrade and iterate on the electronic tour map products for tourist attractions. By upgrading and iterating on the tour guide contents with innovative and interactive voice-over commentaries, the online electronic tour map business is expected to usher in a multi-fold growth in market capacity, thereby driving the Company to achieve revenue of over HK\$1 billion from its principal business.

BUSINESS REVIEW AND OUTLOOK

Continuous Development of SaaS Business for the Smart and Digital Marketing of Tourist Attractions

We established in-depth cooperation with the culture and tourism bureaus, travel agencies and tourist attractions across China, aiming to change the service mode of the tourism industry and consumers' way of travelling. The all-rounded tour guide system we built contains high-definition exquisite hand-painted maps, combined with "location-based service" (LBS) with precise positioning and local characteristics, which comprehensively presents information of tourist attractions, food recommendations, tourist centers, parking lots, accommodations to provide consumers with all-rounded travel assurance and makes it easy for consumers to realize smart and convenient travel. We are also working with an internet platform to create the "Future Tourist Attractions" project, aiming to satisfy the personalized service needs of consumers through digital transformation and upgrading. Consumers only need a mobile phone to enjoy the whole smart travel service of "before, during and after the tour". We have developed a smart tourist attractions management service system to assist management departments of the government in efficient management and reasonable deployment of local tourism resources in the form of the big data centers, command centers, internet portals, etc. For example, in the tourist attractions operation service, the system can perform passenger flow monitoring, heat map analysis, intelligent terminal management and AI learning, which could analyze tourists' consumption habits, provide data reference for the management of tourist attractions resulting in the digital upgrading of tourist attractions. During the Reporting Period, we successfully delivered smart tourist attractions digital management service system for several key projects.

In addition, in order to improve the digital marketing and detailed operation service of tourist attractions, we also developed the SaaS system "Lvji Travel Tool" to help tourist attractions enhance their digital operation ability, diversify the options for consumers' returning purchases, construct private internet traffic pool system in tourist attractions, provide solutions for smart tourist attractions and facilitate the digital transformation and upgrading of tourist attractions, creating an extensive application prospect for China's action plan on "Internet+ Tourism".



BUSINESS REVIEW AND OUTLOOK

Applying AI and MR Innovative Technologies to Create Long-term Value

As a technology-driven company, we always insist on the application of innovative technology to cooperative tourist attractions, using innovative technologies such as AI large model technology and MR technology combined with online tour guides to provide consumers experience of not only the sensory effect of visual impact but also seamless switching of tour guide contents perfectly. “Lvji MR” has functions such as panoramic MR, MR panoramic live broadcast, MR comic live broadcast and MR video documentary filming. We have core technology for autonomous data collection, panoramic pictures, panoramic video synthesis, MR playback and live broadcast and post-processing synthesis technology capabilities to provide static, dynamic, online comprehensive MR solution capabilities to enable us to provide higher quality services for the tourism market at the stage of strong recovery and growth in China’s tourism industry. During the Reporting Period, relying on the Company’s rich resources of global tourist attractions, we jointly created the “offline large-space immersive cultural tourism MR product under the Void Realm (虚空之境) series” with leading enterprises in China’s MR technology industry, enabling users to walk freely in the space of Lvji Void Realm to visit historic sites around the world in the same way as in real life. The product also supports multi-player teams to move forward in the same scene where they can communicate and interact with each other. The immersive exploration experience supports a large number of users to experience simultaneously and can quickly complete the rotation of entire audience in the shortest rest time. Based on the revolutionary breakthroughs in AI large model technology and our long-term research and development and application in the fields of big data, AI and XR technologies, the commercial operation of “Lvji MR” will become the second growth curve of the Company. We believe that such business strategies will generate long-term value for the Shareholders.

BUSINESS OUTLOOK AND STRATEGIES

Over the past three and a half years, there have been significant changes in the industrial structure of the domestic and outbound tourism markets in China, and the tourism industry is being developed towards smart and digital tourism. “Virtual reality”, “smart tour guide” and “data monitoring” have become the basic requirements for tourist attractions to promote the construction of smart tourism. In 2023, the Chinese government has launched certain measures to stimulate domestic consumption, resulting in the accelerated recovery of the tourism market. At the same time, the increasing demand of consumers for contactless tourism, reserved tours and peripheral tours in central cities have been promoting the continuous improvement of digital facilities in tourist attractions and thus continuously improves the tourism experience of consumers. We believe that we are well-positioned to capture the recovery of the tourism industry and the opportunity of popularization of smart tourism to resume growth within a short period of time with our core competitive advantages on continuous technological innovations and strategic cooperation with OTAs. We will continue to focus on our core strategy in combination with the enterprise positioning of “China’s leading culture and tourism industry chain service platform”, maintain our leading position in the online tour guide market, reduce costs and increase efficiency. We are confident to capture the opportunity of recovery, continue to lead the development of online tour guide industry, and strive to build a service platform for the whole industry chain of culture and tourism.

BUSINESS REVIEW AND OUTLOOK

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

We strived to build an industry chain of culture and tourism service platforms to continue to strengthen our leading market position. Specifically, we continuously optimized tour guide products, enriched the content of tour guides and upgraded 3D hand-painted maps combined with MR and AI technologies to make the interactive experience of consumers more interesting; paid close attention to the latest development of outbound tourism, and adjusted our overseas online tour guide business strategy accordingly; and applied the latest AIGC (Artificial Intelligence Generated Content) technology to produce MR digital visual contents of tourist attractions, and constructed a set of modern industrialized production processes and management methods for the digital contents of tourist attractions. The Company’s team has independently developed a platform for a set of modern industrialized creation processes and management of digital images of tourist attractions, namely the visual data production and management platform + CG production tool integration system (BPL), which accumulated a lot of high-quality digital assets, forming a mature team for creativity, production, technical research and development, and management. Building our strengths in digital and creative cultural tourism, and against the backdrop of the rapid growth of demand for technology-enabled cultural tourism projects across China, the Company is deeply engaged in expressing Chinese stories in international languages, and deeply exploring new ways of integrating online games and offline experience in cultural tourism.

We have optimized the “Lvji Mobile Tour” and built three systems of comprehensive management, comprehensive operation and comprehensive service according to the demand of digital upgrading of the tourist attractions to empower the marketing of tourist attractions and enhance the operations’ innovation ability and second sale revenue ability, and thus promote the long-term development of the tourist attractions. We will focus on the establishment of all-rounded tourism demonstration districts and counties and optimize the demonstrative all-rounded labelling system and tourist transport center system with the goal of building a national all-rounded tourism demonstration area to construct a trinity of “provinces and cities, regions and tourist attractions” all-rounded tourism big data comprehensive service platform. We will also continue to upgrade SaaS business, build a multi-terminal and multi-channel one-stop smart tourism ecological platform, connecting consumers’ “dining, accommodation, transportation, entertainment, and shopping” and other supporting consumer service facilities. Our goal is to facilitate the tourist attractions to realize their smart management, smart marketing and smart services.

MANAGEMENT DISCUSSION AND ANALYSIS

REPORTING PERIOD COMPARED TO CORRESPONDING PERIOD

	For the six months ended June 30,	
	2023 (RMB'000) (Unaudited)	2022 (RMB'000) (Unaudited)
REVENUE	212,982	146,742
Cost of sales	(134,122)	(89,011)
GROSS PROFIT	78,860	57,731
Net other income and gains	3,552	1,479
Selling and distribution expenses	(8,770)	(10,879)
Administrative expenses	(9,581)	(14,440)
Other expenses	(22)	(365)
Finance costs	(181)	(26)
PROFIT BEFORE TAX	63,858	33,500
Income tax expenses	(12,343)	(6,992)
PROFIT FOR THE PERIOD	51,515	26,508
PROFIT FOR THE PERIOD ATTRIBUTABLE TO:		
Owners of the Company	51,515	26,508

REVENUE

We generate our revenue from (i) sales of online tour guides through OTAs and through Lvji APP and (ii) sales of customised content to administrators of tourist attractions and cultural sites. The following table sets forth a breakdown of our revenue for the periods indicated:

	For the six months ended June 30,	
	2023 (RMB'000) (Unaudited)	2022 (RMB'000) (Unaudited)
Sale of online tour guides through OTAs	210,595	145,020
Sale of online tour guides through Lvji APP	164	28
Sale of customised content	2,223	1,694
Total revenue	212,982	146,742

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue increased by approximately 45.1% from RMB146.7 million for the Corresponding Period to RMB213.0 million for the Reporting Period.

Sale of Online Tour Guides

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

Sale of Online Tour Guides through OTAs

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

The sale of our online tour guides through OTAs accounted for approximately 98.9% of our total revenue for the Reporting Period. We present revenue from online tour guides business received from the OTAs on a gross basis as it represents the gross amount of unit price generated from the end users for the online tour guides we sold, while the concession fees retained by the OTAs are recorded as our cost of sales. We continued to maintain sound cooperation relationships with leading OTAs. Revenue from the sale of online tour guides through OTAs increased by approximately 45.2% from RMB145.0 million for the Corresponding Period to approximately RMB210.6 million for the Reporting Period. The increase was primarily due to an increase in the number of tour guides purchased by consumers through OTAs with the recovery of tourism industry.

Sale of Online Tour Guides through our Lvji APP

Tourists may access almost all of our online tour guides directly through our Lvji APP. It is available for download and mobile users can purchase online tour guides directly through the APP. The Lvji APP is built to enable access to our full online tour guides offerings with clear and functional interfaces. We offer certain location-based features that are only available on our Lvji APP, such as weather information, push notifications of nearby attractions, businesses or places of interest when the mobile APP detects that the user is arriving at such destinations or places, real-time Chinese-to-English and English-to-Chinese translation features and enable sharing to social media platforms. Revenue from sale of online tour guides through our Lvji APP increased by approximately 485.7% from RMB28,000 for the Corresponding Period to RMB164,000 for the Reporting Period. The increase was mainly due to the increase in sales of online tour guides through our Lvji APP.



MANAGEMENT DISCUSSION AND ANALYSIS

Sale of Customised Content

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

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

Revenue from sale of customised content increased by approximately 31.2% from RMB1.7 million for the Corresponding Period to RMB2.2 million for the Reporting Period. The increase was mainly attributable to the recovery of demand for digital upgrades of tourist attractions.

COST OF SALES

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

Cost of sales increased by approximately 50.7% from RMB89.0 million for the Corresponding Period to RMB134.1 million for the Reporting Period. The increase was mainly due to (i) the increase in the OTA concession fees, which was attributable to the increase in our online tour guides sold through OTAs; and (ii) the increase in amortization of intangible assets.

GROSS PROFIT

As a result of the foregoing, our gross profit increased by approximately 36.6% from RMB57.7 million for the Corresponding Period to RMB78.9 million for the Reporting Period. Our gross profit margin decreased from approximately 39.3% for the Corresponding Period to 37.0% for the Reporting Period. The decrease was mainly due to the increase in amortization of intangible assets.

NET OTHER INCOME AND GAINS

Net other income and gains increased by approximately 140.2% from RMB1.5 million for the Corresponding Period to RMB3.6 million for the Reporting Period. The increase was mainly due to the increase in foreign currency exchange gains and interest income.

MANAGEMENT DISCUSSION AND ANALYSIS

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses decreased by approximately 19.4% from RMB10.9 million for the Corresponding Period to RMB8.8 million for the Reporting Period. The decrease was mainly due to reduction in offline travel promotion and the reduced salary and benefits expense of relevant staff of the Company.

ADMINISTRATIVE EXPENSES

Administrative expenses decreased by approximately 33.6% from RMB14.4 million for the Corresponding Period to RMB9.6 million for the Reporting Period. The decrease was mainly due to the reduced salary and benefits expense of relevant management of the Company.

INCOME TAX EXPENSES

We recorded an income tax expense of approximately RMB12.3 million for the Reporting Period as compared to an income tax expense of approximately RMB7.0 million for the Corresponding Period. The increase was due to the increase in taxable income.

RESULTS FOR THE PERIOD

We recorded a profit of approximately RMB51.5 million for the Reporting Period comparing with a profit of RMB26.5 million for the Corresponding Period. Net profit margin for the Reporting Period was 24.2% as compared to net profit margin of 18.1% for the Corresponding Period. The increase in our net profit margin was mainly due to the decrease in selling and distribution expenses and administrative expenses.

OTHER FINANCIAL INFORMATION

Trade Receivables

Trade receivables increased by approximately RMB21.7 million from RMB28.9 million for the Corresponding Period to RMB50.6 million for the Reporting Period. The increase was mainly due to the increase in revenue of the Company.

Prepayments, Deposits and Other Receivables

Prepayments, deposits and other receivables increased by approximately RMB11.4 million from RMB51.7 million for the Corresponding Period to RMB63.1 million for the Reporting Period. The increase was mainly due to the increase in prepayments for suppliers.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Capital Resources

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

As of June 30, 2023, we had cash and cash equivalents of approximately RMB305.3 million mainly denominated in RMB (as of December 31, 2022: RMB320.4 million), net current assets of approximately RMB325.6 million (as of December 31, 2022: RMB326.9 million) and total equity of approximately RMB755.7 million (as of December 31, 2022: RMB701.9 million). Our current ratio was approximately 4.4 times as of June 30, 2023 (as of December 31, 2022: 5.2 times). The decrease in our cash and cash equivalents, net current assets and current ratio were mainly due to the increase of intangible assets. We had no bank borrowings as of June 30, 2023 (as of December 31, 2022: Nil), and thus gearing ratio determined by bank borrowings divided by total equity was not applicable to us (as of December 31, 2022: not applicable).

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

	For the six months ended	
	June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash flows generated from operating activities	66,526	63,801
Net cash flows used in investing activities	(80,384)	(80,338)
Net cash flows used in financing activities	(1,426)	(1,419)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(15,284)	(17,956)
Cash and cash equivalents at the beginning of period	320,404	359,665
Effect of foreign exchange rate changes, net	204	16,957
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	305,324	358,666

Net Cash Generated from Operating Activities

Our net cash generated from operating activities for the Reporting Period was approximately RMB66.5 million. The cash inflow was a result of profit before tax of approximately RMB63.9 million mainly adjusted by (i) a positive effect of depreciation and amortization of intangible assets; (ii) a negative effect of movement in working capital, which mainly includes an increase in trade receivables and prepayments, deposits and other receivables.

MANAGEMENT DISCUSSION AND ANALYSIS

Net Cash Used in Investing Activities

Our net cash used in investing activities for the Reporting Period was approximately RMB80.4 million. The cash outflow was attributable to additions of approximately RMB83.0 million to intangible assets, partially offset by interest received RMB2.6 million.

Net Cash Used in Financing Activities

Our net cash used in financing activities for the Reporting Period was approximately RMB1.4 million. The cash outflow was mainly due to the repayment of lease liabilities.

Capital Expenditure

Capital expenditures consist of acquisition of intangible assets.

Property, plant and equipment were mainly our furniture and fixtures, leasehold improvements and construction in progress. The decrease of approximately RMB291,000, or 48.6% from December 31, 2022 to June 30, 2023 was mainly due to the depreciation of property, plant and equipment of approximately RMB291,000.

Intangible assets comprise copyrights and computer software and are amortised over their expected useful life. The increase of approximately RMB55.3 million from December 31, 2022 to June 30, 2023 was mainly due to the increase in number of online tour guides developed by the Company, partially offset by the amortization of intangible assets of RMB27.7 million.

Contingent Liabilities

The Group did not have any material contingent liabilities as of June 30, 2023 (as of December 31, 2022: nil).

Charge on Assets

As of June 30, 2023, the Group had pledged bank deposits of RMB0.5 million (as of December 31, 2022: RMB0.5 million), which were pledged to the government authorities for conducting tourist related business in the PRC.

Foreign Exchange Risk Management

Most of the Group's sales, cost of sales and operating costs are denominated in RMB. During the Reporting Period, the Group had not entered into any hedging transactions to reduce the exposure to foreign exchange risk, which the Directors consider not material to the Group's financial performance. However, the Group will continue to closely monitor all possible exchange risk arising from the Group's existing operations and new investments in the future and will implement the necessary hedging arrangement(s) to mitigate any significant foreign exchange exposure.

Treasury Management Policy

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

There were no plans for material investments and capital assets during the Reporting Period and up to the date of this interim report.

EMPLOYEE AND REMUNERATION POLICIES

As of June 30, 2023, we had a total of 64 full-time employees (as of December 31, 2022: 85). The remuneration of the employees is determined based on their performance, experience, competence and market comparable. Information regarding employees' remuneration and benefits for the six months ended June 30, 2023 is set out in note 7 to the The Interim Condensed Consolidated Financial Statements of this interim report. The remuneration and compensation package of the Directors and senior management is determined, by reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities and performance of the Directors and senior management. The Directors and senior management receive remuneration, including basic salaries, housing allowances, other allowances and benefits in kind, contributions to pension plans and discretionary bonus. The Company has adopted the Share Option Scheme as an incentive to the employees, Directors and other eligible participants. Further details of which are described in the subsection headed "Statutory and General Information – D. Other Information – 1. Share Option Scheme" in Appendix IV to the Prospectus. As of June 30, 2023, no share options had been granted or agreed to be granted by us pursuant to the Share Option Scheme. In addition, the Company has adopted the Share Award Scheme to recognise contributions by employees and provide them with incentives and retain them for the continual operation and development of the Group. Further details of the Share Award Scheme are disclosed in the Company's announcement dated January 21, 2022. As of June 30, 2023, 72,450,675 shares had been awarded to six Selected Employees pursuant to the Share Award Scheme. Further details of the grant of awarded shares are disclosed in the Company's announcement dated December 19, 2022.

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

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

We have founded a labor union to provide employees with a wealth of recreational and collective welfare activities. We believe that the foundation of labor union helps us to maintain a good employment relationship with our employees and we did not experience any significant labor disputes or any material difficulties in recruiting employees for our operations for the Reporting Period.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at June 30, 2023, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of the associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Interests in Shares

Name of Director	Capacity/nature of interest	Number of Shares held	Long/short position	Approximate percentage of shareholding in the Company ⁽³⁾
Mr. Zang	Beneficial owner	2,366,000	Long position	0.15%
	Interest in controlled corporation ⁽¹⁾ / Interest of a party to an agreement regarding interest in the Company ⁽²⁾	555,242,500	Long position	34.44%

Notes:

- (1) As of June 30, 2023, Lu Jia Technology directly held 407,489,400 Shares. As Lu Jia Technology is wholly and beneficially owned by Mr. Zang, Mr. Zang is deemed to be interested in the Shares held by Lu Jia Technology under the SFO.
- (2) Mr. Zang is a party to the acting in concert deed dated July 25, 2019 entered into by the Controlling Shareholders, pursuant to which, each of Mr. Zang, Lu Jia Technology, Mr. Fan, Invest Profit, Jieming Sanhao LLP, Jieming Sanhao BVI, Qifu Honglian LLP and Qifu Honglian BVI agree to act and vote in concert with each other based on consensus reached among themselves (or the instructions of Mr. Zang when no consensus can be reached) for all operational and other matters at board meetings or shareholders' meetings of each of the Group companies. Mr. Zang is therefore deemed to be interested in the 147,753,100 Shares held by Mr. Fan, Invest Profit, Qifu Honglian LLP, Qifu Honglian BVI, Jieming Sanhao LLP and Jieming Sanhao BVI under the SFO.
- (3) The percentages are calculated on the basis of 1,612,100,675 Shares in issue as of June 30, 2023.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Interests in shares of an Associated Corporation

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

Note:

- (1) As of June 30, 2023, Lu Jia Technology was interested in approximately 34.59% of the total issued share capital of the Company. Therefore, Lu Jia Technology is an associated corporation of the Company for the purpose of the SFO.

Save as disclosed above, as of June 30, 2023, none of the Directors nor the chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at June 30, 2023, the following persons and entities (other than the Directors or chief executives of the Company) have interests or short positions in the shares and underlying shares which are required to be notified to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO; or as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Name of Shareholders	Capacity/nature of interest	Number of Shares held	Long/short position	Approximate percentage of shareholding in the Company⁽³⁾
Lu Jia Technology	Beneficial owner	407,489,400	Long position	25.28%
	Interest of a party to an agreement regarding interest in the Company ⁽¹⁾	150,119,100	Long position	9.31%
Invest Profit	Beneficial owner	61,444,900	Long position	3.81%
	Interest of a party to an agreement regarding interest in the Company ⁽¹⁾	496,163,600	Long position	30.78%
Mr. Fan ⁽²⁾	Interest in controlled corporation/ Interest of a party to an agreement regarding interest in the Company ⁽¹⁾	557,608,500	Long position	34.59%
Qifu Honglian BVI	Beneficial owner	47,401,200	Long position	2.94%
	Interest of a party to an agreement regarding interest in the Company ⁽¹⁾	510,207,300	Long position	31.65%
Qifu Honglian LLP ⁽³⁾	Interest in controlled corporation/ Interest of a party to an agreement regarding interest in the Company ⁽¹⁾	557,608,500	Long position	34.59%
Qifu Private Equity Funds Management Company Limited* (啓賦私募基金管理有限公司) ⁽³⁾	Interest in controlled corporation	557,608,500	Long position	34.59%
Shanghai Qianfu Investment Management Company Limited* (上海謙賦投資管理有限公司) ⁽³⁾	Interest in controlled corporation	557,608,500	Long position	34.59%
Fu Zhekuan* (傅哲寬) ⁽³⁾	Interest in controlled corporation	557,608,500	Long position	34.59%

CORPORATE GOVERNANCE AND OTHER INFORMATION

Name of Shareholders	Capacity/nature of interest	Number of Shares held	Long/short position	Approximate percentage of shareholding in the Company ⁽⁹⁾
Jieming Sanhao BVI	Beneficial owner	38,907,000	Long position	2.41%
	Interest of a party to an agreement regarding interest in the Company ⁽¹⁾	518,701,500	Long position	32.18%
Jieming Sanhao LLP ⁽⁴⁾	Interest in controlled corporation/ Interest of a party to an agreement regarding interest in the Company ⁽¹⁾	557,608,500	Long position	34.59%
Guangzhou Shi Jieming Investment Management Limited* (廣州市捷銘投資管理有限公司) ⁽⁴⁾	Interest in controlled corporation	557,608,500	Long position	34.59%
Wang Bing* (王冰) ⁽⁴⁾	Interest in controlled corporation	557,608,500	Long position	34.59%
Yongtai BVI	Beneficial owner	87,684,600	Long position	5.44%
Yongtai LLP ⁽⁵⁾	Interest in controlled corporation	87,684,600	Long position	5.44%
Dongying Chunhua Consultancy Management Company Limited* (東營春華諮詢管理有限公司) ⁽⁵⁾	Interest in controlled corporation	87,684,600	Long position	5.44%
Dongying Linglong Jinshan Investment Management Company Limited* (東營玲瓏金山投資管理有限公司) ⁽⁵⁾	Interest in controlled corporation	87,684,600	Long position	5.44%
BOCIFP	Beneficial owner	84,615,300	Long position	5.25%
Bank of China Limited ⁽⁶⁾	Interest in controlled corporation	84,615,300	Long position	5.25%
China Investment Corporation ⁽⁶⁾	Interest in controlled corporation	84,615,300	Long position	5.25%
Lin Fangli* (林芳荔) ⁽⁷⁾	Interest of spouse	557,608,500	Long position	34.59%
Ye Hua* (葉華) ⁽⁸⁾	Interest of spouse	557,608,500	Long position	34.59%
Mithaq Capital SPC ⁽⁹⁾	Beneficial owner	295,194,000	Long position	18.31%
Mithaq Capital ⁽⁹⁾	Interest in controlled corporation	295,194,000	Long position	18.31%
Mithaq Global ⁽⁹⁾	Interest in controlled corporation	295,194,000	Long position	18.31%

* The English names of these companies or persons represent the best effort made by management of the Company to directly translate the Chinese names as they have not registered any official English names.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Notes:

- (1) It is a party to the acting in concert deed dated July 25, 2019 entered into by the Controlling Shareholders pursuant to which each of Mr. Zang, Lu Jia Technology, Mr. Fan, Invest Profit, Jieming Sanhao LLP, Jieming Sanhao BVI, Qifu Honglian LLP and Qifu Honglian BVI agree to act and vote in concert with each other based on consensus reached among themselves (or the instructions of Mr. Zang when no consensus can be reached) for all operational and other matters at board meetings or shareholders' meetings of each of the Group companies.
- (2) As of June 30, 2023, Invest Profit directly held 61,444,900 Shares. Being a party to the acting in concert deed dated July 25, 2019, Invest Profit is deemed to be interested in the Shares held by Mr. Zang, Lu Jia Technology, Qifu Honglian LLP, Qifu Honglian BVI, Jieming Sanhao LLP and Jieming Sanhao BVI. Invest Profit is wholly and beneficially owned by Mr. Fan and therefore Mr. Fan is deemed to be interested in the Shares held by Invest Profit under the SFO.
- (3) As of June 30, 2023, Qifu Honglian BVI directly held 47,401,200 Shares. Being a party to the acting in concert deed dated July 25, 2019, Qifu Honglian BVI is deemed to be interested in the Shares held by Mr. Zang, Lu Jia Technology, Mr. Fan, Invest Profit, Jieming Sanhao LLP and Jieming Sanhao BVI. Qifu Honglian BVI is wholly and beneficially owned by Qifu Honglian LLP. The general partner of Qifu Honglian LLP is Qifu Private Equity Funds Management Company Limited which in turn is owned as to approximately 31.71% by Shanghai Qianfu Investment Management Company Limited and as to approximately 17.70% by Fu Zhekuan, among others. Shanghai Qianfu Investment Management Company Limited is owned as to approximately 81.25% by Fu Zhekuan. Therefore, Qifu Honglian LLP, Qifu Private Equity Funds Management Company Limited, Shanghai Qianfu Investment Management Company Limited and Fu Zhekuan are deemed to be interested in the Shares held by Qifu Honglian BVI under the SFO.
- (4) As of June 30, 2023, Jieming Sanhao BVI directly held 38,907,000 Shares. Being a party to the acting in concert deed dated July 25, 2019, Jieming Sanhao BVI is deemed to be interested in the Shares held by Mr. Zang, Lu Jia Technology, Mr. Fan, Invest Profit, Qifu Honglian LLP and Qifu Honglian BVI. Jieming Sanhao BVI is wholly and beneficially owned by Jieming Sanhao LLP. The general partner of Jieming Sanhao LLP is Guangzhou Shi Jieming Investment Management Limited which in turn is owned as to approximately 74.5% by Wang Bing. Therefore, Jieming Sanhao LLP, Guangzhou Shi Jieming Investment Management Limited and Wang Bing are deemed to be interested in the Shares held by Jieming Sanhao BVI under the SFO.
- (5) Yongtai BVI is wholly and beneficially owned by Yongtai LLP. The general partner of Yongtai LLP is Dongying Chunhua Consultancy Management Company Limited which in turn is owned as to 99% by Dongying Linglong Jinshan Investment Management Company Limited. Therefore, Yongtai LLP, Dongying Chunhua Consultancy Management Company Limited and Dongying Linglong Jinshan Investment Management Company Limited are deemed to be interested in the Shares held by Yongtai BVI under the SFO.
- (6) BOCIFP is wholly owned by BOC International Holdings Limited, which is in turn wholly owned by Bank of China Limited. As of June 30, 2023, Central Huijin Investment Ltd. held approximately 64.02% of the total issued ordinary share capital of Bank of China Limited. Central Huijin Investment Ltd. is a state-owned investment PRC company which is wholly owned by China Investment Corporation. Therefore China Investment Corporation and Bank of China Limited are deemed to be interested in the Shares held by BOCIFP under the SFO.
- (7) Lin Fangli is the spouse of Fu Zhekuan. Therefore, Lin Fangli is deemed to be interested in the Shares in which Fu Zhekuan is interested or is deemed to be interested under the SFO.
- (8) Ye Hua is the spouse of Wang Bin. Therefore, Ye Hua is deemed to be interested in the Shares in which Wang Bin is interested or is deemed to be interested under the SFO.
- (9) As of June 30, 2023, to the best knowledge of the Directors, Mithaq Capital SPC directly held 295,194,000 Shares. Mithaq Capital SPC was owned as to 46.92% by Mithaq Capital and Mithaq Capital was wholly owned by Mithaq Global. Therefore, Mithaq Capital and Mithaq Global are deemed to be interested in the Shares held by Mithaq Capital SPC under the SFO.
- (10) The percentages are calculated on the basis of 1,612,100,675 Shares in issue as of June 30, 2023.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Save as disclosed above, as of June 30, 2023, the Company had not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SHARE SCHEMES

Share Option Scheme

We have adopted the Share Option Scheme on December 20, 2019. The principal terms of the Share Option Scheme are set out as follows:

(i) Purpose

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

(ii) Eligible participants

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

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

(iii) Acceptance and payment on acceptance of option offer

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

(iv) Maximum number of Shares to be issued

The total number of Shares in respect of which options may be granted under the Share Option Scheme shall not in aggregate exceed 141,030,000 Shares, being 8.75% of the total number of Shares in issue as at the date of this interim report.

(v) Maximum entitlement of each participant

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

(vi) Basis of determining the exercise price

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

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

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

(viii) Life of the Share Option Scheme

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

Since the date of adoption of the Share Option Scheme, and during the Reporting Period, no share options had been granted or agreed to be granted by us pursuant to the Share Option Scheme. As at the date of this interim report, the remaining life of the Share Option Scheme is approximately six years and three months.

As at January 1, 2023 and June 30, 2023, 141,030,000 and 141,030,000 share options were available for grant under the scheme mandate and the service provider sublimit (if applicable) respectively.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Share Award Scheme

We have adopted the Share Award Scheme on January 21, 2022. The principal terms of the Share Award Scheme are set out as follows:

(i) Objectives

The specific objectives of the Share Award Scheme are: (i) to recognise the contributions by certain Employees and to provide them with incentives in order to retain them for the continual operation and development of the Company; and (ii) to attract suitable personnel for further development of the Company.

(ii) Award of Awarded Shares

Subject to the rules of the Share Award Scheme, the Board may, from time to time, at its absolute discretion select any Employee (other than any Excluded Employee) for participation in the Share Award Scheme as a Selected Employee, and grant such number of Awarded Shares to any Selected Employee at no consideration and in such number and on and subject to such terms and conditions as it may in its absolute discretion determine.

(iii) Vesting of Awarded Shares

Subject to the terms and condition of the Share Award Scheme and the fulfillment of all relevant vesting conditions, the respective Awarded Shares held by a trustee on behalf of the Selected Employee pursuant to the provision of the rules of the Share Award Scheme shall vest in such Selected Employee in accordance with the relevant vesting schedule (if any), and the trustee shall cause the Awarded Shares to be transferred to such Selected Employee on the Vesting Date. A Selected Employee shall not have any interest or rights, including the right to receive dividends, in the Awarded Shares prior to the Vesting Date.

(iv) Maximum number of Shares to be issued

The Board shall not make any further award of Awarded Shares which will result in the aggregate number of the Shares awarded by the Board under the Share Award Scheme exceeding 5% of the total number of the issued Shares from time to time, representing 5% of the issued Shares as at the date of this interim report.

(v) Maximum entitlement of each participant

The maximum number of shares which may be awarded to a Selected Employee under the Share Award Scheme shall not exceed 1% of the total number of the issued Shares in any 12-month period.

CORPORATE GOVERNANCE AND OTHER INFORMATION

(vi) Alteration and Termination

The Share Award Scheme may be amended in any respect by a resolution of the Board provided that no such amendment shall operate to affect materially and adversely any subsisting rights of any Selected Employee under the Share Award Scheme.

The Share Award Scheme shall terminate on the earlier of:

- (a) the 10th anniversary date of the Adoption Date; and
- (b) such date of early termination as determined by the Board by a resolution of the Board,

provided that such termination shall not affect any subsisting rights of any Selected Employee under the Share Award Scheme.

Details of the Awarded Shares granted pursuant to the Share Award Scheme to the grantees are set out below:

Category of Participant	Date of Award	Number of Awarded Shares	Purchase Price (HKD)	Vesting Date	Unvested as at January 1, 2023	Number of Awarded Shares				Unvested as at June 30, 2023
						Granted during Reporting Period	Vested during Reporting Period	Lapsed during Reporting Period	Cancelled during Reporting Period	
Employees	December 19, 2022	72,450,675	Nil	December 19, 2022	Nil	Nil	Nil	Nil	Nil	Nil

As at January 1, 2023 and June 30, 2023, 731,825 and 731,825 share awards were available for grant under the scheme mandate and the service provider sublimit (if applicable) respectively.

CORPORATE GOVERNANCE AND OTHER INFORMATION

As of June 30, 2023 and the date of this interim report, no Awarded Shares have been granted to (i) any Directors, chief executive, substantial Shareholders, or their respective associates, (ii) any participant with awards granted and to be granted in excess of the 1% individual limit (as defined under chapter 17 of the Listing Rules), and (iii) any related entity participant or service provider with awards granted and to be granted in excess of 0.1% of the Company's issued Shares over any 12-month period.

The remaining life of the Share Award Scheme is approximately eight years and four months as at the date of this interim report.

Please refer to the Company's announcement dated January 21, 2022 for details of the Share Award Scheme.

As of June 30, 2023, 72,450,675 shares had been awarded to six Selected Employees pursuant to the Share Award Scheme. Further details of the grant of awarded shares are disclosed in the Company's announcement dated December 19, 2022.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Compliance with the Corporate Governance Code

The Company has adopted and applied the principles and code provisions as set out in the Corporate Governance Code. During the Reporting Period, the Company had complied with mandatory disclosure requirements and all applicable code provisions of the Corporate Governance Code.

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

Compliance with the Model Code

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Specific enquiries have been made to all the Directors and the Directors have confirmed that they had complied with the Model Code during the Reporting Period.

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

Audit Committee

The Audit Committee consists of three INEDs, namely Ms. Gu Jianlu, Ms. Gao Yuanyuan and Ms. Gu Ruizhen, with terms of reference in compliance with the Listing Rules. The chairlady of the Audit Committee is Ms. Gu Jianlu.

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

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the Reporting Period to the Shareholders (Corresponding Period: Nil).

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Shares were successfully listed on the Stock Exchange on the Listing Date. The net proceeds from the Listing were approximately HK\$580.0 million (after deducting the underwriting commissions and other related listing expense payable by the Company in connection with the Global Offering). For the Reporting Period, the Group has used approximately HK\$95.7 million (equivalent to approximately RMB88.2 million).

In order to improve the utilization efficiency of the net proceeds and reduce financing cost, and based on the actual situation and operational development needs of the Company, on December 16, 2022, the Board considered and approved the resolution in relation to the proposed change in the use of the unutilized net proceeds. As such, portions of the net proceeds originally allocated for the use of (i) upgrade of existing products' contents; (ii) expansion of content production team; (iii) upgrade of existing hardware and software; (iv) procurement of servers; and (v) strategic investment will be reallocated for (i) data collection and content production of the tourist attractions for online tour guide development; and (ii) working capital and general corporate purposes. Further details are disclosed in the Company's announcement dated December 16, 2022. Save as disclosed above, as of June 30, 2023, there was no material change in the use of the net proceeds.

CORPORATE GOVERNANCE AND OTHER INFORMATION

The table below sets out the planned applications and usage of the net proceeds:

	Intended use of proceeds (HK\$ million)	Revised allocation of proceeds (HK\$ million)	Proportion after revised allocation (%)	Remaining balance as at December 31, 2022 (HK\$ million)	Amount utilized for the Reporting Period (HK\$ million)	Remaining balance as at June 30, 2023 (HK\$ million)	Expected timeline to use the remaining net proceeds
Upgrade of existing products' contents	58.0	28.0	4.8	7.7	2.8	4.9	31/12/2024
Data collection and content production of the tourist attractions for online tour guide development	174.0	278.4	48	104.4	83.0	21.4	31/12/2024
Expansion of content production team	58.0	11.0	1.9	-	-	-	N/A
Upgrade of existing hardware and software	20.3	10.3	1.8	2.8	0.9	1.9	31/12/2024
Recruitment of more R&D talents	20.3	20.3	3.5	-	-	-	N/A
Procurement of servers	17.4	-	-	-	-	-	N/A
Industry exhibitions and conferences, on-site promotion at tourist attractions and marketing activities	34.8	34.8	6	-	-	-	N/A
New products launches and marketing	23.2	23.2	4	-	-	-	N/A
Strategic investment	116.0	96.0	16.6	81.0	-	81.0	31/12/2024
Working capital and general corporate purposes	58.0	78.0	13.4	20.0	9.0	11.0	31/12/2024
Total	580.0	580.0	100	215.9	95.7	120.2	

N/A: Not applicable

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

PROCEEDS FROM THE PLACINGS OF NEW SHARES UNDER GENERAL MANDATE

Placing in 2020

On October 28, 2020, the Company issued and allotted 53,350,000 fully paid ordinary shares, representing approximately 3.64% of the issued share capital of the Company as enlarged by the allotment and issue of the placing Shares, at the subscription price of HK\$0.90 per Share to three places. The aggregate nominal value of the placing Shares is US\$533,500. The closing market price was HK\$0.91 per Share on the date on which the terms of the issue were fixed (i.e. October 12, 2020). The gross proceeds from the placing were approximately HK\$48.0 million, and the net proceeds after deducting all relevant expenses were approximately HK\$47.9 million, with the net proceeds per placing Share of approximately HK\$0.90.

The original expected timeline to use the net proceeds from placing was to mature on December 31, 2022. After careful consideration, the Board considered and approved the extension of the expected timeline to use the net proceeds from placing to December 31, 2024. Further details are disclosed in the Company's announcement dated December 16, 2022. As of June 30, 2023, there was no material change in the use of the net proceeds from placing.

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

	Intended use of Proceeds from placing (HK\$ million)	Proportion (%)	Remaining balance as at December 31, 2022 (HK\$ million)	Amount utilized for the Reporting Period (HK\$ million)	Remaining balance as at June 30, 2023 (HK\$ million)	Expected timeline to use the remaining net proceeds
Operating expenses, such as hiring additional employees and procuring advanced hardware and software equipment	4.8	10	-	-	-	N/A
Equity acquisition and investment of high-quality enterprises associated with the Company's business	43.1	90	43.1	-	43.1	31/12/2024
Total	47.9	100	43.1	-	43.1	

N/A: Not applicable



CORPORATE GOVERNANCE AND OTHER INFORMATION

Placing in 2023

On June 15, 2023, the Company issued and allotted 76,000,000 ordinary Shares, representing approximately 4.71% of the issued share capital of the Company as enlarged by the allotment and issue of the placing Shares, at the subscription price of HK\$1.00 per Share to two subscribers, namely Ms. Zhang Huan (張歡) and Mr. Qi Shaobin (齊韶斌). The aggregate nominal value of the placing Shares is US\$760,000. The closing market price was HK\$0.72 per Share on the date on which the terms of the issue were fixed (i.e. June 2, 2023). The gross proceeds from the placing were approximately HK\$76 million, and the net proceeds after deducting all relevant expenses were approximately HK\$75.50 million, with the net proceeds per placing Share of approximately HK\$0.993. The net proceeds are intended to be used for operating expenses, such as the production of domestic and overseas tour guides. Details of the placing of new shares were disclosed in the Company's announcements dated June 2 and 15, 2023. As at June 30, 2023, 2,357,011 ordinary shares were fully paid. None of the net proceeds were utilized for the Reporting Period and the Company is expected to use the net proceeds by December 31, 2024.

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

CORPORATE GOVERNANCE EVENTS AFTER JUNE 30, 2023

With effect from September 8, 2023, Mr. Cheung King Him Edmund resigned as a non-executive Director due to his other work commitments. For details, please refer to the Company's announcement dated September 11, 2023.

Save as disclosed above, the Directors are not aware of any significant corporate governance event requiring disclosure that has taken place subsequent to June 30, 2023 and up to the date of this interim report.

CORPORATE GOVERNANCE AND OTHER INFORMATION

EVENT AFTER THE REPORTING PERIOD

According to the “Events After the Reporting Period” in note 25 to the Interim Condensed Consolidated Financial Statements, there is no significant event after the end of the Reporting Period. The Directors are not aware of any significant event requiring disclosure that has taken place subsequent to June 30, 2023 and up to the date of this interim report.

NO MATERIAL CHANGES

Save as disclosed in this interim report, from the Listing Date to June 30, 2023, there were no material changes affecting the Company’s performance that needs to be disclosed under paragraphs 32 and 40(2) of Appendix 16 to the Listing Rules.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended June 30, 2023

	Notes	For the six months ended June 30,	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue	4	212,982	146,742
Cost of sales		(134,122)	(89,011)
Gross profit		78,860	57,731
Net other income and gains	5	3,552	1,479
Selling and distribution expenses		(8,770)	(10,879)
Administrative expenses		(9,581)	(14,440)
Other expenses		(22)	(365)
Finance costs	6	(181)	(26)
Profit before tax	7	63,858	33,500
Income tax expenses	8	(12,343)	(6,992)
Profit for the period		51,515	26,508
Profit for the period attributable to:			
Owners of the Company	10	51,515	26,508
Earnings per share attributable to owners of the Company			
Basic and diluted (RMB)	10	3.35 cents	1.81 cents

The notes on pages 40 to 55 are an integral part of this interim financial report.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2023

	For the six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Profit for the period	51,515	26,508
Other comprehensive income		
<i>Item that will be reclassified subsequently to profit or loss</i>		
Exchange differences on translation of financial statements	204	16,957
Other comprehensive income for the period, net of tax	204	16,957
Total comprehensive income for the period	51,719	43,465
Total comprehensive income attributable to:		
Owners of the Company	51,719	43,465

The notes on pages 40 to 55 are an integral part of this interim financial report.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2023

	Notes	June 30, 2023 RMB'000 (Unaudited)	December 31, 2022 RMB'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	308	599
Intangible assets	12	427,494	372,209
Right-of-use assets		6,098	7,446
Investments in associates	13	–	–
		433,900	380,254
Current assets			
Trade receivables	14	50,573	28,910
Prepayments, deposits and other receivables	15	63,109	51,708
Amounts due from related parties	22(b)	2,401	2,374
Pledged bank deposits		500	500
Cash and cash equivalents		305,324	320,404
		421,907	403,896
Current liabilities			
Trade payables	16	1,718	5,306
Other payables and accruals	17	16,526	19,770
Contract liabilities	18	1,962	2,650
Amount due to a related party	22(b)	15,166	1,045
Lease liabilities		2,406	2,081
Tax payable		58,534	46,095
		96,312	76,947
Net current assets		325,595	326,949
Total assets less current liabilities		759,495	707,203
Non-current liabilities			
Lease liabilities		3,781	5,351
Net assets		755,714	701,852
Equity			
Share capital	19	105,868	105,699
Reserves		649,846	596,153
Total equity		755,714	701,852

The notes on pages 40 to 55 are an integral part of this interim financial report.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2023

	Share capital RMB'000 (Note 19)	Share premium* RMB'000	Merger reserve* RMB'000	Statutory reserve* RMB'000	Retained profits* RMB'000	Exchange fluctuation reserve* RMB'000	Total RMB'000
At January 1, 2022 (audited)	100,648	498,698	374,376	33,201	(394,321)	(29,357)	583,245
Profit and total comprehensive income for the period	-	-	-	-	26,508	16,957	43,465
At June 30, 2022 (unaudited)	100,648	498,698	374,376	33,201	(367,813)	(12,400)	626,710
At January 1, 2023 (audited)	105,699	545,485	374,376	36,523	(360,106)	(125)	701,852
Profit and total comprehensive income for the period	-	-	-	-	51,515	204	51,719
Issue of shares under general mandate	169	1,974	-	-	-	-	2,143
At June 30, 2023 (unaudited)	105,868	547,459	374,376	36,523	(308,591)	79	755,714

* These reserve accounts comprise the consolidated reserves of RMB649,846,000 (six months ended June 30, 2022: RMB526,062,000) in the interim condensed consolidated statements of financial position.

The notes on pages 40 to 55 are an integral part of this interim financial report.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2023

	For the six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Cash flows from operating activities		
Profit before tax	63,858	33,500
Adjustments for:		
Finance costs	181	26
Interest income	(2,593)	(1,161)
Provision for expected credit losses ("ECL") allowance of trade receivables	434	384
Depreciation of property, plant and equipment	291	535
Depreciation of right-of-use assets	1,348	691
Amortisation of intangible assets	27,692	14,740
Loss on disposal of property, plant and equipment	-	8
Issue of shares under general mandate	2,143	-
Operating cash flows before working capital changes	93,354	48,723
(Increase)/Decrease in trade receivables	(22,097)	5,479
(Increase)/Decrease in prepayments, deposits and other receivables	(11,401)	6,509
Increase in amounts due from related parties	(27)	(1,345)
Decrease in amount due to a related party	14,121	(1,056)
Decrease in trade payables	(3,588)	(9,498)
(Decrease)/Increase in other payables and accruals	(3,244)	17,045
Decrease in contract liabilities	(688)	(1,101)
Decrease in deferred income	-	(828)
Cash generated from operations	66,430	63,928
Tax paid/(refunded)	96	(127)
Net cash generated from operating activities	66,526	63,801
Cash flows from investing activities		
Purchases of property, plant and equipment	-	(675)
Proceeds from disposal of property, plant and equipment	-	8
Proceeds from disposal of financial assets at fair value through profit or loss	-	25,046
Additions to intangible assets	(82,977)	(78,878)
Investment in an associate	-	(27,000)
Interest received	2,593	1,161
Net cash flows used in investing activities	(80,384)	(80,338)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

For the six months ended June 30, 2023

	For the six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Cash flows from financing activities		
Payment of lease liabilities	(1,426)	(1,419)
Net cash flows used in financing activities	(1,426)	(1,419)
Net decrease in cash and cash equivalents	(15,284)	(17,956)
Cash and cash equivalents at beginning of period	320,404	359,665
Effect of foreign exchange rate changes, net	204	16,957
Cash and cash equivalents at end of period	305,324	358,666

The notes on pages 40 to 55 are an integral part of this interim financial report.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2023

1. CORPORATE INFORMATION

Lvji Technology Holdings Inc. (the “Company”) is a limited liability company incorporated in the Cayman Islands on November 7, 2018. The address of registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The shares of the Company were listed on the Main Board of the Stock Exchange on January 17, 2020.

The Company is an investment holding company and its subsidiaries are principally engaged in the business of providing online tour guides in the PRC.

In the opinion of the Directors, the ultimate controlling shareholder and the chairman of the Group is Mr. Zang Weizhong (“Mr. Zang”).

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the Reporting Period have been prepared in accordance with Hong Kong Accounting Standards (“HKAS”) 34 Interim Financial Reporting. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended December 31, 2022.

2.2 APPLICATION OF AMENDMENTS TO HKFRSS

The interim condensed consolidated financial statements for the Reporting Period have been prepared in accordance with the accounting policies adopted in the Group’s annual financial statements for the year ended December 31, 2022, except for the adoption of the following amended HKFRSS effective as of January 1, 2023. The Group has not early adopted any other standards, interpretation or amendment that has been issued but is not yet effective.

HKFRS 17	Insurance Contracts and related amendments
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The adoption of the amended HKFRSS had no material impact on how the results and financial position of the Group for the current and prior periods have been prepared and presented.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the six months ended June 30, 2023

3. OPERATING SEGMENT INFORMATION

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

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

Geographical information

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

Information about major customers

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

4. REVENUE

Performance obligations

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the six months ended June 30, 2023

4. REVENUE (Cont'd)

Performance obligations (Cont'd)

Revenue from the sale of customised content

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

An analysis of revenue is as follows:

	For the six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue from contracts with customers		
Sale of online tour guide through OTAs	210,595	145,020
Sale of online tour guide through Lvji APP	164	28
Sale of customised content	2,223	1,694
	212,982	146,742

Disaggregation of revenue from contracts with customers with the scope of HKFRS 15

The Group derives revenue from sales of online tour guides and customised content at a point in time in the following major products:

	For the six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Types of goods or services		
Sale of online tour guide	210,759	145,048
Sale of customised content	2,223	1,694
	212,982	146,742
Timing of revenue recognition		
Goods transferred at a point in time	212,982	146,742

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the six months ended June 30, 2023

5. NET OTHER INCOME AND GAINS

	For the six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Government grants (Note)	321	450
Franchise income	150	873
Interest income	2,593	1,161
Foreign exchange gains/(losses), net	240	(3,438)
Ticket agency service	95	390
Others	153	2,043
	3,552	1,479

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

6. FINANCE COSTS

	For the six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Finance charges on lease liabilities	181	26

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the six months ended June 30, 2023

7. PROFIT BEFORE TAX

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

	For the six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Concession fee	105,953	72,494
Depreciation of property, plant and equipment	291	535
Amortisation of intangible assets	26,620	14,740
Depreciation of right-of-use assets	1,087	691
Research and development costs	1,003	3,150
Foreign exchange (gains)/losses, net	(240)	3,438
Provision for ECL allowance of trade receivables	434	384
Government grants	(321)	(450)
Interest income	(2,593)	(1,161)
Wages, salaries and bonuses (including Directors' remuneration wages and salaries)	3,484	11,900
Pension costs – defined contribution plans	447	1,119
	3,931	13,019

8. INCOME TAX EXPENSE

	For the six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
PRC Enterprise Income Tax		
Current income tax	14,241	7,903
Overprovision in prior years	(1,898)	(911)
Total income tax expense	12,343	6,992

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the six months ended June 30, 2023

8. INCOME TAX EXPENSE (Cont'd)

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

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

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

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

Guangxi Lvji meets the criteria for small low-profit enterprise in 2023. According to the provisions of Announcement 2022 No. 13 published by the State Administration of Taxation, the portion of annual taxable income of a small low-profit enterprise which does not exceed RMB1 million shall be computed at a reduced rate of 25% as taxable income, and subject to corporate income tax rate at 20%; the portion of annual taxable income which exceeds RMB1 million but does not exceed RMB3 million shall be computed at a reduced rate of 50% as taxable income, and subject to corporate income tax rate at 20% (the execution period is from January 1, 2022 to December 31, 2024).

Huoer Guosi Lvji was incorporated in Khorgos, Xinjiang, the PRC on May 31, 2017. According to the applicable regulations, Huoer Guosi Lvji is exempted from corporate income tax for five years from the first year of operation which was 2017. Huoer Guosi Lvji was deregistered on September 20, 2022.

Huoer Guosi Yuntai was incorporated in Khorgos, Xinjiang, the PRC on November 6, 2021. According to the applicable regulations, Huoer Guosi Yuntai is exempted from corporate income tax for five years from the first year of operation which was 2021.

9. DIVIDENDS

No dividend has been declared and paid by the Company and its subsidiaries during the Reporting Period and Corresponding Period.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the six months ended June 30, 2023

10. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic and diluted earnings per share is based on the profit for the year attributable to owners of the Company, and on the weighted average number of ordinary shares in issue during the Reporting Period and Corresponding Period.

The calculation of basic earnings per share is based on:

	For the six months ended June 30,	
	2023 (Unaudited)	2022 (Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation (RMB'000)	51,515	26,508
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculations	1,536,310,000	1,463,650,000

The diluted earnings per share for the Reporting Period and Corresponding Period were the same as the basic earnings per share as there were no dilutive potential ordinary shares in existence for both periods.

11. PROPERTY, PLANT AND EQUIPMENT

During the Reporting Period, the Group acquired assets with a cost of nil (Corresponding Period: RMB675,000).

During the Reporting Period, the Group disposed of assets of nil (Corresponding Period: RMB16,000).

12. INTANGIBLE ASSETS

During the Reporting Period, the Group acquired intangible assets with a cost of RMB82,977,000 (Corresponding Period: RMB78,878,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the six months ended June 30, 2023

13. INTERESTS IN ASSOCIATES

In 2022, the Group decided to withdraw its capital contributions before commencement of business, of which was fully received in February 2023.

14. TRADE RECEIVABLES

The Group's trading terms with OTAs are mainly on credit. The credit period for OTAs is generally 45 days. Each OTA has a maximum credit limit. The credit period for other customers is generally 30 days. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aging analysis of the trade receivables as at June 30, 2023 and December 31, 2022, based on the invoice date and net of ECL allowance, was as follows:

	June 30, 2023	December 31, 2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
0 to 3 months	47,245	24,382
3 to 6 months	324	1,389
6 months to 1 year	1,640	2,772
Over 1 year	1,364	367
	50,573	28,910

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the six months ended June 30, 2023

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	June 30, 2023 RMB'000 (Unaudited)	December 31, 2022 RMB'000 (Audited)
Prepayments to suppliers	44,154	7,841
Contract cost	2,377	2,153
Deposit	4,717	4,513
Prepaid taxes and other tax recoverable	11,136	11,412
Refundable investment cost in an associate	-	25,000
Other receivables	725	789
	63,109	51,708

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

The majority of the above balances were settled within 12 months and had no historical default. During the Reporting Period and Corresponding Period, the Group estimated that the expected loss rate for the above receivables was insignificant.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the six months ended June 30, 2023

16. TRADE PAYABLES

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

An aging analysis of the trade payables as at June 30, 2023 and December 31, 2022, based on the invoice date, is as follows:

	June 30, 2023 RMB'000 (Unaudited)	December 31, 2022 RMB'000 (Audited)
0 to 3 months	1,344	4,927
3 to 12 months	40	117
1 to 2 years	179	136
Over 2 years	155	126
	1,718	5,306

17. OTHER PAYABLES AND ACCRUALS

	June 30, 2023 RMB'000 (Unaudited)	December 31, 2022 RMB'000 (Audited)
Other payables	3,079	5,053
Payroll and welfare payables	1,822	2,336
Other tax payable	11,625	12,381
	16,526	19,770

Other payables are unsecured, interest free and repayable on demand.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the six months ended June 30, 2023

18. CONTRACT LIABILITIES

	June 30, 2023 RMB'000 (Unaudited)	December 31, 2022 RMB'000 (Audited)
Contract liabilities arising from receiving deposits from contracts of customised content	1,962	2,650

Contract liabilities include unsatisfied performance obligations resulting from contracts of customised content for which the Group has received consideration as at June 30, 2023 and December 31, 2022. The Group typically receives a 50% deposit on signature of contracts. Contract liabilities are recognised as revenue upon the Group satisfying its performance obligations under the relevant contracts.

All deposits received are expected to be settled within one year.

Contract liabilities outstanding at the beginning of the period amounted to RMB2,650,000 (2022: RMB2,960,000) have been recognised as revenue during the Reporting Period and Corresponding Period.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the six months ended June 30, 2023

19. SHARE CAPITAL

	2023		2022	
	Number of shares	RMB'000 (Unaudited)	Number of shares	RMB'000 (Audited)
Authorised:				
Ordinary shares of US\$0.01 each	10,000,000,000	1,451,842	10,000,000,000	1,451,842
Issued but not fully paid:				
As at January 1	-	-	-	-
Issue of shares under general mandate (Note)	73,642,989	5,277	-	-
As at June 30	73,642,989	5,277	-	-
Issued and fully paid:				
As at January 1	1,536,100,675	105,699	1,463,650,000	100,648
Issue of shares under general mandate (Note)	2,357,011	169	-	-
As at June 30	1,538,457,686	105,868	1,463,650,000	100,648

Note:

On June 15, 2023, Ms. Zhang Huan and Mr. Qi Shao Bin subscribed 38,000,000 ordinary shares and 38,000,000 ordinary shares of the Company at subscription price of HK\$1.00 per share, respectively. As at June 30, 2023, 2,357,011 ordinary shares were fully paid.

20. COMMITMENTS

At the end of the Reporting Period, the Group did not have any significant commitments.

21. CONTINGENT LIABILITIES

At the end of the Reporting Period, the Group did not have any significant contingent liabilities.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the six months ended June 30, 2023

22. RELATED PARTY TRANSACTIONS AND BALANCES

The Directors are of the view that the following parties are related parties that had transactions or balances with the Group during the Reporting Period and Corresponding Period.

(a) Names and relationships

Name of related parties	Relationships with the Group and the Company
Mr. Zang	A substantial shareholder and Director
Mr. Fan Baoguo ("Mr. Fan")	A substantial shareholder
Lu Jia Technology Holdings Limited ("Lu Jia Technology")	A substantial shareholder

(b) Outstanding balances with related parties

The Group had the following balances with related parties:

	June 30, 2023 RMB'000 (Unaudited)	December 31, 2022 RMB'000 (Audited)
Amounts due from related parties:		
Mr. Zang	2,320	2,293
Mr. Wang	81	81
	2,401	2,374
Amount due to related parties:		
Lu Jia Technology	14,037	-
Mr. Fan	1,084	1,045
Mr. Zang	45	-
	15,166	1,045

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the six months ended June 30, 2023

22. RELATED PARTY TRANSACTIONS AND BALANCES (Cont'd)**(b) Outstanding balances with related parties (Cont'd)**

The maximum amounts due from related parties outstanding during the Reporting Period and the year ended December 31, 2022 are set out below:

	June 30, 2023 RMB'000 (Unaudited)	December 31, 2022 RMB'000 (Audited)
Maximum amounts due from related parties outstanding:		
Mr. Zang	2,320	2,293
Mr. Wang	81	81
	2,401	2,374

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

(c) Key management personnel remuneration

Key management personnel are those persons including Directors having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. The remuneration of key management personnel during the Reporting Period and Corresponding Period is as follows:

	For the six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Short-term employee benefits	700	657
Contributions to the pension scheme	113	20
	813	677

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the six months ended June 30, 2023

23. FINANCIAL INSTRUMENTS BY CATEGORIES

The carrying amounts of each of the categories of financial instruments as at June 30, 2023 and December 31, 2022 are as follows:

	June 30, 2023	December 31, 2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Financial assets		
<i>Financial assets at amortised cost</i>		
Trade receivables	50,573	28,910
Deposits and other receivables	5,442	30,302
Amounts due from related parties	2,401	2,374
Amounts due from subscribers	66,936	–
Pledged bank deposits	500	500
Cash and cash equivalents	305,324	320,404
	431,176	382,490
Financial liabilities		
<i>Financial liabilities at amortised cost</i>		
Trade payables	1,718	5,306
Other payables and accruals	4,901	7,389
Amount due to a related party	15,166	1,045
Lease liabilities	6,187	7,432
	27,972	21,172

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the six months ended June 30, 2023

24. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

As at June 30, 2023, the fair values of the Group's financial assets or liabilities approximated to their respective carrying amounts.

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

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

25. EVENTS AFTER THE REPORTING PERIOD

There are no significant events after the end of the Reporting Period.

26. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on August 23, 2023.

DEFINITION

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

“Adoption Date”	January 21, 2022, being the date on which the Share Award Scheme is adopted by the Company
“AI”	artificial intelligence
“API”	application programming interface, a set of clearly defined methods of communication between various software components
“APP”	application software designed to run on smartphones and other mobile devices
“AR”	augmented reality
“Audit Committee”	the audit committee of the Board
“Awarded Shares”	in respect of a Selected Employee, such number of Shares as awarded by the Board
“Board”	the board of directors of the Company
“BOCIFP”	BOCI Financial Products Limited (中銀國際金融產品有限公司) (formerly known as Binten Inc.), a company incorporated in the BVI with limited liability on June 15, 2000 and a Pre-IPO investor defined in the Prospectus
“BVI”	the British Virgin Islands
“China” or “PRC”	the People’s Republic of China, except where the context requires otherwise and only for the purposes of this interim report, excluding Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“Company” or “Lvji”	Lvji Technology Holdings Inc. (驢跡科技控股有限公司), an exempted company with limited liability incorporated in the Cayman Islands
“Controlling Shareholders”	has the meaning ascribed thereto in the Listing Rules and unless the context otherwise requires, refers to Mr. Zang, Lu Jia Technology, Mr. Fan, Invest Profit, Qifu Honglian LLP, Qifu Honglian BVI, Jieming Sanhao LLP and Jieming Sanhao BVI

DEFINITION

“Corporate Governance Code”	the section headed “Part 2 – Principles of good corporate governance, code provisions and recommended best practices” of the Corporate Governance Code set out in Appendix 14 to the Listing Rules
“Corresponding Period”	the six months ended June 30, 2022
“COVID-19” or “Pandemic”	Novel Coronavirus 2019 Pandemic
“Director(s)”	the director(s) of the Company
“Employee(s)”	any employee (including without limitation any executive director) of any member of the Company and its subsidiaries from time to time
“Excluded Employee(s)”	any Employee who is resident in a place where the award of the Awarded Shares and/or the vesting and transfer of the Awarded Shares pursuant to the terms of the Share Award Scheme is not permitted under the laws or regulations of such place or where in the view of the Board or the trustee (as the case may be), compliance with applicable laws or regulations in such place makes it necessary or expedient to exclude such Employee
“GAAP”	generally accepted accounting principles
“Global Offering”	the offering of the Company’s Shares as described in the Prospectus
“Group”, “we”, “us” or “our”	the Company and its subsidiaries
“H5”	a mark-up language used for structuring and presenting content on the World Wide Web, the fifth and current major version of the HTML standard
“HKAS”	Hong Kong Accounting Standard
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standard(s) (including HKASs and Interpretation) issued by the Hong Kong Institute of Certified Public Accountants

DEFINITION

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“INEDs”	the independent non-executive Directors
“Invest Profit”	Invest Profit Technology Holdings Limited, a company incorporated in the BVI with limited liability on November 6, 2018 which is wholly owned by Mr. Fan and our Controlling Shareholder
“Jieming Sanhao BVI”	Jieming Culture & Travel Investment Ltd. (捷銘文旅投資有限公司), a company incorporated in the BVI with limited liability on January 2, 2019 which is wholly owned by Jieming Sanhao LLP and our Controlling Shareholder
“Jieming Sanhao LLP”	廣州市捷銘參號投資企業(有限合夥) (Guangzhou Jieming No. 3 Investment Enterprise (Limited Partnership)*), a limited partnership established in the PRC on May 26, 2016, a Pre-IPO Investor defined in the Prospectus and our Controlling Shareholder
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange, which occurred on the Listing Date
“Listing Date”	January 17, 2020, the date on which the Shares are listed on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Lu Jia Technology”	Lu Jia Technology Holdings Limited, a company incorporated in the BVI with limited liability on November 6, 2018 which is wholly owned by Mr. Zang and our Controlling Shareholder
“Lvji Technology”	驢跡科技集團有限公司 (Lvji Technology Group Co. LTD*) (formerly known as 廣州市驢跡科技有限責任公司), a company established in the PRC with limited liability on December 14, 2013 and an indirect wholly-owned subsidiary of our Company

DEFINITION

“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“MR”	mixed reality
“Mr. Fan”	樊保國 (Fan Baoguo*), a PRC resident, a non-executive Director, a Pre-IPO Investor defined in the Prospectus and our Controlling Shareholder
“Mr. Zang”	臧偉仲 (Zang Weizhong*), a PRC resident and an executive Director, chairman of the Board and our Controlling Shareholder
“OTA”	online travel agency
“Prospectus”	the prospectus dated December 31, 2019 issued by the Company
“Qifu Honglian BVI”	QF HL LJ Limited, a company incorporated in the BVI with limited liability on November 13, 2018 which is wholly owned by Qifu Honglian LLP and our Controlling Shareholder
“Qifu Honglian LLP”	長興啓賦宏聯股權投資合夥企業(有限合夥) (Changxing Qifu Honglian Equity Investment (Limited Partnership)*) (formerly known as 長興啓賦宏聯投資管理合夥企業(有限合夥)), a limited partnership established in the PRC on June 29, 2016, a Pre-IPO Investor defined in the Prospectus and our Controlling Shareholder
“R&D”	research and development
“Reporting Period”	the six months ended June 30, 2023
“RMB”	Renminbi, the lawful currency of China
“SaaS”	software as a service, a cloud-based software licensing and delivery model in which software and associated data are centrally hosted
“Selected Employee(s)”	Employee(s) selected by the Board for participation in the Share Award Scheme

DEFINITION

“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) in the share capital of the Company, currently of nominal value US\$0.01 each
“Share Award Scheme”	the share award scheme of the Company adopted on January 21, 2022
“Share Option Scheme”	the share option scheme of the Company adopted on December 20, 2019
“Shareholder(s)”	holder(s) of the Share(s)
“substantial shareholder(s)”	has the meaning ascribed to it in the Listing Rules
“Vesting Date”	in respect of a Selected Employee, the date on which his entitlement to the Awarded Shares is vested in such Selected Employee in accordance with the Share Award Scheme
“XR”	extended reality
“Yongtai BVI”	Sunrise Boulevard Investments Limited, a company incorporated in the BVI with limited liability on June 12, 2019 which is wholly owned by Yongtai LLP
“Yongtai LLP”	深圳前海春華永泰企業管理諮詢合夥企業(有限合夥) (Shenzhen Qianhai Sunrise Boulevard Enterprise Management Consultancy Limited Partnership*), a limited partnership established in the PRC with limited liability on May 24, 2019 and a Pre-IPO investor defined in the Prospectus

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