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Lvji Technology Holdings Inc.
驢跡科技控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1745)

**ANNOUNCEMENT OF THE RESULTS
FOR THE SIX MONTHS ENDED JUNE 30, 2024**

The Board hereby announces the unaudited consolidated results of the Group for the Reporting Period with the comparative figures for the Corresponding Period.

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

KEY HIGHLIGHTS

For the Reporting Period:

- Revenue increased by approximately 26.1% to approximately RMB268.5 million from approximately RMB213.0 million for the Corresponding Period.
- Gross profit increased by approximately 26.4% to approximately RMB99.7 million from approximately RMB78.9 million for the Corresponding Period, with a gross profit margin of approximately 37.1% compared to approximately 37.0% for the Corresponding Period.
- Results for the period recorded a profit of approximately RMB52.3 million as compared to a profit of approximately RMB51.5 million for the Corresponding Period, with an increase of approximately 1.6%.

1. Financial summary

	For the six months ended June 30,		Year-to-year change
	2024 <i>(RMB'000)</i> (Unaudited)	2023 <i>(RMB'000)</i> (Unaudited)	
Revenue	268,501	212,982	26.1%
Gross profit	99,666	78,860	26.4%
Profit before tax	82,616	63,858	29.4%
Profit for the period	52,346	51,515	1.6%
Net profit margin	19.5%	24.2%	(4.7)%

2. Operating metrics

	As of June 30,		Change
	2024	2023	
Number of online tour guides developed	66,229	50,386	31.4%

BUSINESS REVIEW AND OUTLOOK

Results Highlights

For the Reporting Period:

- Total revenue amounted to approximately RMB268.5 million, representing an increase of approximately 26.1% as compared with the Corresponding Period. Total revenue from sale of online tour guides amounted to approximately RMB268.2 million, representing an increase of approximately 27.2% as compared with the Corresponding Period, which was mainly attributable to the increase in sale of our online tour guides due to the strong recovery of the tourism market.
- Gross profit amounted to approximately RMB99.7 million, representing an increase of approximately 26.4% as compared with the Corresponding Period. Gross profit margin for the first half of 2024 amounted to approximately 37.1%, as compared to gross profit margin for the Corresponding Period of approximately 37.0%. The increase in gross profit margin was mainly attributable to higher gross profit from sale of online tour guides through travel agencies.
- Profit for the Reporting Period amounted to approximately RMB52.3 million as compared with profit for the Corresponding Period of approximately RMB51.5 million, representing an increase of approximately 1.6%, which was mainly attributable to (i) the increase in our revenue as a result of the increase in sale 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 RMB7.9 million, representing a decrease of approximately 10.2% as compared with the Corresponding Period. Administrative expenses were approximately RMB9.1 million, representing a decrease of approximately 0.6% 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 continued to consolidate our market-leading position of online tour guides by optimizing the content of tour guide products and improving our users' experience. We have also increased the development of our online tour guides, with a total of 66,229 (as of June 30, 2023: 50,386) online tour guides developed by us as of June 30, 2024.

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, editorial content and voice-over commentaries of the tourist attractions, and are implemented to include functions such as real-time navigation. In addition, taking advantage of AR, MR and AI technologies, and relying on our more than 60,000 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 for 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. Our revenue for the Reporting Period increased by approximately 26.1% to approximately RMB268.5 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 by approximately 10.2% as compared to the Corresponding Period, while administrative expenses decreased by approximately 0.6% as compared to the Corresponding Period. We recorded a profit of approximately RMB52.3 million for the Reporting Period, representing an increase of approximately 1.6% as compared to approximately RMB51.5 million for the Corresponding Period. The Company adheres to the development strategy of continuously improving user experience for tour guides. As of June 30, 2024, we had developed a total of 66,229 online tour guides covering tourist attractions in China and overseas, which domestically covered 787 AAAAA tourist attractions, 5,602 AAAA tourist attractions, and 5,424 AAA tourist attractions.

In relation to our 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 our core, offered 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.

Meanwhile, with extensive cooperation with content creators (such as uploaders who provided travel content, bloggers, and internet celebrities) on mobile internet platforms, we comprehensively enhanced the popularity 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 from online tour guides recorded a year-on-year increase compared to 2023 due to the rapid growth of China’s domestic and outbound travel activities, our total revenue increased by approximately 27.2% from approximately RMB210.8 million for the Corresponding Period to approximately RMB268.2 million for the Reporting Period; gross profit margin increased from approximately 37.0% as of June 30, 2023 to approximately 37.1% as at June 30, 2024. A net profit during the Reporting Period amounted to approximately RMB52.3 million, representing an increase of approximately 1.6% as compared to a net profit for the Corresponding Period of approximately RMB51.5 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 50,386 as at June 30, 2023 to 66,229 as at June 30, 2024, while the number of tourist attractions in China covered by our online tour guides increased from 36,347 as at June 30, 2023 to 44,519 as at June 30, 2024.

Business Review

Benefiting from the rapid growth of China's domestic and outbound travel activities, we further consolidated our market-leading position in China's online tour guide industry. During the Reporting Period, we continued to increase the number of tourist attractions covered by tour guides, upgraded the contents of our maps and voice-over commentaries, and increased in-depth cooperation with local travel agencies and tourist 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 customised content, and expand marketing channels, so as to continue to maintain our market leadership.

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 of June 30, 2024, our online tour guides covered 787 AAAAA tourist attractions, 5,602 AAAA tourist attractions, and 5,424 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's education, patriotism education, etc., including creative radio drama, interesting 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 strengthened 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 the audio-visual module and integrated video animation with the cultural knowledge of tourist attractions to enrich the display form of tourist attractions; we enriched the 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 the AR technology, which will greatly increase user conversion rates and frequency of utilization of our tour guides. Therefore, we can establish emotional links 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.

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, which combined with LBS with precise positioning and local characteristics, comprehensively presents information on tourist attractions, food recommendations, tourist centers, parking lots and 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 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 and provide data reference for the management of tourist attractions, resulting in the digital upgrading of tourist attractions. During the Reporting Period, we successfully delivered several key projects of smart tourist attractions digital management service system.

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 upgrading of tourist attractions, creating an extensive application prospect for China's action plan on "Internet + Tourism".

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 (虛空之境) 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 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 five 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 2024, the Chinese government launched several 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 improving 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 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 market-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 the online tour guide industry, and strive to build a service platform for the whole industry chain of culture and tourism.

In the long run, we believe that tourism will continue to develop rapidly benefiting from the continuous increase in the base 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 promote 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 growth potential. 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 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 the 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, 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 our SaaS business and 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,	
	2024 (RMB'000) (Unaudited)	2023 (RMB'000) (Unaudited)
REVENUE	268,501	212,982
Cost of sales	<u>(168,835)</u>	<u>(134,122)</u>
GROSS PROFIT	99,666	78,860
Net other income and gains	668	3,552
Selling and distribution expenses	(7,875)	(8,770)
Administrative expenses	(9,092)	(9,147)
Provision for ECL allowance of trade receivables and prepayments, deposits and other receivables	(210)	(434)
Other expenses	(320)	(22)
Finance costs	<u>(221)</u>	<u>(181)</u>
PROFIT BEFORE TAX	82,616	63,858
Income tax expenses	<u>(30,270)</u>	<u>(12,343)</u>
PROFIT FOR THE PERIOD	<u>52,346</u>	<u>51,515</u>
PROFIT FOR THE PERIOD ATTRIBUTABLE TO:		
Owners of the Company	<u>52,346</u>	<u>51,515</u>

Revenue

We generate our revenue from (i) sale of online tour guides through OTAs, travel agencies and through Lvji APP and (ii) sale 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,	
	2024	2023
	(RMB'000)	(RMB'000)
	(Unaudited)	(Unaudited)
Sale of online tour guides through OTAs	235,038	210,595
Sale of online tour guides through travel agencies	33,019	–
Sale of online tour guides through Lvji APP	123	164
Sale of customised content	321	2,223
	<hr/>	<hr/>
Total revenue	<u>268,501</u>	<u>212,982</u>

Revenue increased by approximately 26.1% from approximately RMB213.0 million for the Corresponding Period to approximately RMB268.5 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 cover. 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 in order for the end users to purchase our standard online tour guides for different tourist attractions. End users can 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 87.5% 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 11.6% from approximately RMB210.6 million for the Corresponding Period to approximately RMB235.0 million for the Reporting Period. The increase was primarily due to an increase in the number of tour guides purchased by customers through OTAs with the recovery of tourism industry.

Sale of online tour guides through travel agencies

We sell online tour guides in a form of activation codes, which may be embedded in a physical card, to travel agencies, which in turn sell to the end users. The end user may input the activation code to access and use our online tour guides through our H5 pages, which can be accessed by official accounts of the travel agencies or the tourist attractions, our mini programs, or others. The number of travel agencies we sold to in 2019 and 2020 was 78 and 85, respectively. Due to the COVID-19, we suspended the sale of online tour guides through travel agencies from 2021 to 2023. During the Reporting Period, the sale of online tour guides to travel agencies has resumed and revenue of approximately RMB33.0 million was recorded.

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 from us 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 that the user may be interested in 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 decreased by approximately 25.0% from approximately RMB164,000 for the Corresponding Period to approximately RMB123,000 for the Reporting Period. The decrease was mainly due to the decrease in sale of online tour guides through our Lvji APP.

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, big-data analysis, and additional functions, 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 decreased by approximately 85.6% from approximately RMB2.2 million for the Corresponding Period to approximately RMB0.3 million for the Reporting Period. The decrease was mainly attributable to a new round of business realignment, which involved the strategies of reducing the scale of the project-based business of providing customised solutions to government and enterprise customers and prioritising public cloud.

Cost of Sales

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

Cost of sales increased by approximately 25.9% from approximately RMB134.1 million for the Corresponding Period to approximately RMB168.8 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 amortisation of intangible assets.

Gross Profit

As a result of the foregoing, our gross profit increased by approximately 26.4% from approximately RMB78.9 million for the Corresponding Period to approximately RMB99.7 million for the Reporting Period. Our gross profit margin increased from approximately 37.0% for the Corresponding Period to approximately 37.1% for the Reporting Period. The increase was mainly due to higher gross profit from sale of online tour guides through travel agencies.

Net Other Income and Gains

Net other income and gains decreased by approximately 81.2% from approximately RMB3.6 million for the Corresponding Period to approximately RMB0.7 million for the Reporting Period. The decrease was mainly due to the decrease in interest and subsidy income.

Selling and Distribution Expenses

Selling and distribution expenses decreased by approximately 10.2% from approximately RMB8.8 million for the Corresponding Period to approximately RMB7.9 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 0.6% from approximately RMB9.15 million for the Corresponding Period to approximately RMB9.09 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 RMB30.3 million for the Reporting Period as compared to an income tax expense of approximately RMB12.3 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 RMB52.3 million for the Reporting Period compared with a profit of approximately RMB51.5 million for the Corresponding Period. Net profit margin for the Reporting Period was approximately 19.5% as compared to net profit margin of approximately 24.2% for the Corresponding Period. The decrease in our net profit margin was mainly due to the increase in amortisation of intangible assets.

OTHER FINANCIAL INFORMATION

Trade Receivables

Trade receivables increased by approximately RMB8.9 million from approximately RMB54.6 million at the beginning of the Reporting Period to approximately RMB63.5 million at the end of 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 decreased by approximately RMB7.6 million from approximately RMB172.8 million at the beginning of the Reporting Period to approximately RMB165.2 million at the end of the Reporting Period. The decrease was mainly due to the decrease in prepayments to suppliers.

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 its customers. To manage liquidity risk, the Board closely monitors our liquidity position to ensure that the liquidity structure of our assets, liabilities and other commitments can meet our funding requirements from time to time.

As of June 30, 2024, we had cash and cash equivalents of approximately RMB155.3 million, mainly denominated in RMB (as of December 31, 2023: approximately RMB125.1 million), net current assets of approximately RMB46.1 million (as of December 31, 2023: approximately RMB86.9 million) and total equity of approximately RMB979.9 million (as of December 31, 2023: approximately RMB915.2 million). Our current ratio was approximately 1.2 times as of June 30, 2024 (as of December 31, 2023: approximately 1.7 times). The decrease in our net current assets and current ratio were mainly due to the increase of intangible assets. The increase in our cash and cash equivalents was mainly due to the increased cash inflow arising from the increase in sales. As of June 30, 2024, we had bank borrowings of RMB30.0 million (as of December 31, 2023: Nil), and thus gearing ratio determined by bank borrowings divided by total equity was approximately 3.1% (as of December 31, 2023: not applicable). Our cash and cash equivalents are denominated in RMB, HKD and USD.

Capital Expenditure

Capital expenditure consists 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 RMB83,000, or 68.6% from December 31, 2023 to June 30, 2024 was mainly due to the depreciation of property, plant and equipment of approximately RMB83,000.

Intangible assets comprise copyrights and computer software and are amortised over their expected useful life. The increase of approximately RMB113.5 million from December 31, 2023 to June 30, 2024 was mainly due to the increase in number of online tour guides developed by the Company, partially offset by the amortisation of intangible assets of approximately RMB50.7 million.

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

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

Future Plans for Material Investments and Capital Assets

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

Employee and Remuneration Policies

As of June 30, 2024, we had a total of 54 full-time employees (as of December 31, 2023: 54). The remuneration of the employees is determined based on their performance, experience, competence and market comparable. The remuneration and compensation package of the Directors and senior management is determined, by reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities and performance of the Directors and senior management. The Directors and senior management receive remuneration, including basic salaries, housing allowances, other allowances and benefits in kind, contributions to pension plans and discretionary bonus. The Company has adopted 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, 2024, 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, 2024, 72,450,675 shares had been awarded to six Selected Employees pursuant to the Share Award Scheme. For further details of the grant of awarded shares, please refer to the Company’s announcement dated December 19, 2022. The Board has resolved on June 26, 2024 that only the existing Shares of the Company will be involved for the Company to grant Awarded Shares under the Share Award Scheme commencing on that date while the issuing of any new Shares will not be involved.

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 are 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 the labor union helps us to maintain a good working 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.

Contingent Liabilities

Except the bank borrowings as described in note 18 to the financial statements on page 31 of this announcement, the Group did not have any material contingent liabilities as of June 30, 2024 (as of December 31, 2023: Nil).

Charge on Assets

As of June 30, 2024, the Group had pledged bank deposits of RMB0.2 million (as of December 31, 2023: RMB0.2 million), which were mainly pledged to the government authorities for conducting tourist related business in the PRC.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended June 30, 2024

		For the six months ended June 30,	
		2024	2023
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	4	268,501	212,982
Cost of sales		<u>(168,835)</u>	<u>(134,122)</u>
Gross profit		99,666	78,860
Net other income and gains	5	668	3,552
Selling and distribution expenses		(7,875)	(8,770)
Administrative expenses		(9,092)	(9,147)
Provision for expected credit loss (“ECL”) allowance of trade receivables and prepayments, deposits and other receivables		(210)	(434)
Other expenses		(320)	(22)
Finance costs	6	<u>(221)</u>	<u>(181)</u>
Profit before tax	7	82,616	63,858
Income tax expenses	8	<u>(30,270)</u>	<u>(12,343)</u>
Profit for the period		<u>52,346</u>	<u>51,515</u>
Profit for the period attributable to:			
Owners of the Company	10	<u>52,346</u>	<u>51,515</u>
Earnings per share attributable to owners of the Company			
Basic and diluted (RMB)	10	<u>3.20 cents</u>	<u>3.35 cents</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the six months ended June 30, 2024

	For the six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period	<u>52,346</u>	<u>51,515</u>
Other comprehensive (expense)/income		
<i>Item that will be reclassified subsequently to profit or loss</i>		
Exchange differences on translation of financial statements	<u>(133)</u>	<u>204</u>
Other comprehensive (expense)/income for the period, net of tax	<u>(133)</u>	<u>204</u>
Total comprehensive income for the period	<u>52,213</u>	<u>51,719</u>
Total comprehensive income attributable to:		
Owners of the Company	<u>52,213</u>	<u>51,719</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2024

	<i>Notes</i>	June 30, 2024 RMB'000 (Unaudited)	December 31, 2023 RMB'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	<i>11</i>	38	121
Intangible assets	<i>12</i>	791,433	677,961
Right-of-use assets		3,905	5,076
Prepayments, deposits and other receivables	<i>14</i>	<u>148,200</u>	<u>148,200</u>
		943,576	831,358
Current assets			
Trade receivables	<i>13</i>	63,496	54,623
Prepayments, deposits and other receivables	<i>14</i>	17,016	24,625
Amounts due from related parties	<i>22(b)</i>	2,538	2,395
Pledged bank deposits		200	200
Cash and cash equivalents		<u>155,296</u>	<u>125,117</u>
		238,546	206,960
Current liabilities			
Trade payables	<i>15</i>	14,904	1,530
Other payables and accruals	<i>16</i>	38,327	31,114
Bank borrowings	<i>18</i>	22,000	–
Contract liabilities	<i>17</i>	699	1,368
Amounts due to related parties	<i>22(b)</i>	1,373	1,364
Lease liabilities		2,432	2,288
Tax payables		<u>112,680</u>	<u>82,410</u>
		192,415	120,074
Net current assets		<u>46,131</u>	<u>86,886</u>
Total assets less current liabilities		<u>989,707</u>	<u>918,244</u>
Non-current liabilities			
Bank borrowings	<i>18</i>	8,000	–
Lease liabilities		<u>1,769</u>	<u>3,029</u>
Net assets		<u>979,938</u>	<u>915,215</u>
Equity			
Share capital	<i>19</i>	113,675	111,145
Reserves		<u>866,263</u>	<u>804,070</u>
Total equity		<u>979,938</u>	<u>915,215</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2024

1. CORPORATE INFORMATION

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

The shares of the Company were listed on the Main Board of the Stock Exchange 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 of the Company, 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, 2023.

2.2 APPLICATION OF NEW AND 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, 2023, except for the adoption of the following new and amended HKFRSs effective as of January 1, 2024. The Group has not early adopted any other standards, interpretation or amendment that has been issued but is not yet effective.

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The adoption of the new and 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.

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 of the Company, who are the chief operating decision makers, for the purpose of resource allocation and assessment of performance, does not contain discrete operating segment financial information and the Directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

Geographical information

During the 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.

Revenue from the sale of online tour guide to travel agencies

Revenue from the sale of online tour guide to travel agencies is recognized at the point in time when the right to use of the online tour guide is transferred to travel agencies, that is when the right to use the tour guide is granted to the customers.

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,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Sale of online tour guide through OTAs	235,038	210,595
Sale of online tour guide to Travel Agent	33,019	–
Sale of online tour guide through Lvji APP	123	164
Sale of customised content	321	2,223
	<u>268,501</u>	<u>212,982</u>

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

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

	For the six months ended June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Types of goods or services		
Sale of online tour guide	268,180	210,759
Sale of customised content	321	2,223
	<u>268,501</u>	<u>212,982</u>
Timing of revenue recognition		
Goods transferred at a point in time	<u>268,501</u>	<u>212,982</u>

5. NET OTHER INCOME AND GAINS

	For the six months ended June 30,	
	2024 <i>RMB'000</i> (Unaudited)	2023 <i>RMB'000</i> (Unaudited)
Interest income	229	2,593
Consultancy fee	643	–
Government grants (<i>Note</i>)	44	321
Foreign exchange (losses)/gains, net	(311)	240
Franchise income	–	150
Ticket agency service	–	95
Others	63	153
	<u>668</u>	<u>3,552</u>

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,	
	2024 <i>RMB'000</i> (Unaudited)	2023 <i>RMB'000</i> (Unaudited)
Finance charges on lease liabilities	114	181
Finance charges on bank borrowings	107	–
	<u>221</u>	<u>181</u>

7. PROFIT BEFORE TAX

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

	For the six months ended June 30,	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Concession fee	117,519	105,953
Depreciation of property, plant and equipment	83	291
Amortisation of intangible assets	50,734	26,620
Depreciation of right-of-use assets	1,171	1,087
Research and development costs	2,119	1,003
Foreign exchange losses/(gains), net	311	(240)
Provision for ECL allowance of trade receivables	210	434
Government grants	(44)	(321)
Interest income	(229)	(2,593)
Wages, salaries and bonuses (including Directors' remuneration wages and salaries)	4,029	3,484
Pension costs – defined contribution plans	510	447
	<u>4,539</u>	<u>3,931</u>

8. INCOME TAX EXPENSE

	For the six months ended June 30,	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
PRC Enterprise Income Tax		
Current income tax	31,871	14,241
Overprovision in prior years	(1,601)	(1,898)
Total income tax expense	<u>30,270</u>	<u>12,343</u>

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 1 January 2008.

Lvji Technology Group was qualified as a “High-and-New Technology Enterprise” (“HNTTE”) under the PRC Corporate Income Tax Law in December 2016. Lvji Technology Group was entitled to a preferential income tax rate of 15% for three years starting from December 2016, if the criteria for HNTTE were met each year. After reapplication of HNTTE in December 2019, Lvji Technology Group is entitled to a preferential income tax rate of 15% from December 2019 to December 2022, if the criteria for HNTTE are met each year. After reapplication of HNTTE in December 2023, Lvji Technology Group is entitled to a preferential income tax rate of 15% from December 2023 to December 2026, if the criteria for HNTTE are met each year.

Guangxi Lvji meets the criteria for small low-profit enterprise in 2024. According to the provisions of Announcement [2023] 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 25% as taxable income, and subject to corporate income tax rate at 20% (the execution period is from January 1, 2023 to December 31, 2024).

Huoer Guosi Yuantai was incorporated in Khorghos, Xinjiang, the PRC on 6 November 2022. According to the applicable regulations, Huoer Guosi Yuantai 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.

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,	
	2024	2023
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation (RMB'000)	<u>52,346</u>	<u>51,515</u>
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculations	<u>1,635,953,000</u>	<u>1,536,310,000</u>

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 and disposed of assets of nil (Corresponding Period: nil).

12. INTANGIBLE ASSETS

During the Reporting Period, the Group acquired intangible assets with a cost of RMB164,206,000 (Corresponding Period: RMB82,977,000).

13. 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, 2024 and December 31, 2023, based on the invoice date and net of ECL allowance, was as follows:

	June 30, 2024 RMB'000 (Unaudited)	December 31, 2023 RMB'000 (Audited)
0 to 3 months	63,162	53,989
3 to 6 months	203	579
6 months to 1 year	131	55
	<u>63,496</u>	<u>54,623</u>

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	June 30, 2024	December 31, 2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Prepayments to suppliers	6,772	14,080
Contract cost (<i>note i</i>)	1,075	1,208
Deposit	4,703	4,827
Prepaid taxes and other tax recoverable	11,398	10,978
Refundable investment deposits (<i>note ii and note 25</i>)	148,200	148,200
Other receivables	845	1,309
	<u>172,993</u>	<u>180,602</u>
Less: ECL allowance	<u>(7,777)</u>	<u>(7,777)</u>
	<u>165,216</u>	<u>172,825</u>
Analysed into:		
Non-current	148,200	148,200
Current	<u>17,016</u>	<u>24,625</u>
	<u>165,216</u>	<u>172,825</u>

Notes:

- (i) Contract cost consists of the costs incurred in our sale of customised content business, for which we already signed contracts with the customers and incurred cost but not yet completed nor delivered to the customers.
- (ii) The balance represents an investment deposit paid to Guangzhou Asset Management Company Limited (“**Guangzhou Asset Management**”) for the acquisition of the Huangtengxia series loan claims through the public listing and bidding services of the Guangdong Financial Assets Exchange Center. For further details, please refer to the announcement dated December 27, 2023 of the Company and note 25.

As at June 30, 2024 and December 31, 2023, included in prepayments, deposits and other receivables represents receivables amounting to RMB7,777,000 from debtors who have delayed their settlement for over 2 years. Having considered the economic environment in which the debtors operate (which is in PRC) and the liquidity condition of the debtors, the Group considered that there is significant increase in credit risk of the receivables since initial recognition and, therefore, an ECL allowance of RMB7,777,000 was recognised.

15. 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, 2024 and December 31, 2023, based on the invoice date, is as follows:

	June 30, 2024 RMB'000 (Unaudited)	December 31, 2023 RMB'000 (Audited)
0 to 3 months	14,204	837
3 to 12 months	42	29
1 to 2 years	323	402
Over 2 years	335	262
	<u>14,904</u>	<u>1,530</u>

16. OTHER PAYABLES AND ACCRUALS

	June 30, 2024 RMB'000 (Unaudited)	December 31, 2023 RMB'000 (Audited)
Other payables	4,281	5,450
Payroll and welfare payables	1,603	1,878
Other tax payable	32,443	23,786
	<u>38,327</u>	<u>31,114</u>

The amounts due are unsecured, interest free and repayable on demand. The carrying amounts of the amounts due are considered reasonable approximation of their fair values.

17. CONTRACT LIABILITIES

	June 30, 2024	December 31, 2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Contract liabilities arising from receiving deposits from contracts of customised content	<u>699</u>	<u>1,368</u>

Contract liabilities include unsatisfied performance obligations resulting from contracts of customised content for which the Group has received consideration as at June 30, 2024 and December 31, 2023. 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 RMB1,368,000 (2023: RMB2,650,000) have been recognised as revenue during the Reporting Period and Corresponding Period.

18. BANK BORROWINGS

	June 30, 2024	December 31, 2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Non-current		
Bank loan	8,000	–
Current		
Revolving loan	10,000	–
Bank loan	<u>12,000</u>	–
	<u>30,000</u>	–

Bank borrowings were guaranteed by Mr. Zang, a related company and the subsidiaries of the Company.

19. SHARE CAPITAL

	June 30, 2024		December 31, 2023	
	Number of shares	RMB'000 (Unaudited)	Number of shares	RMB'000 (Audited)
Authorised:				
Ordinary shares of US\$0.01 each	<u>10,000,000,000</u>	<u>1,451,842</u>	<u>10,000,000,000</u>	<u>1,451,842</u>
Issued but not fully paid:				
As at January 1	-	-	-	-
Issue of shares under general mandate (Note)	<u>40,000,000</u>	<u>2,884</u>	-	-
As at June 30	<u>40,000,000</u>	<u>2,884</u>	-	-
Issued and fully paid:				
As at January 1	1,612,100,675	111,145	1,536,100,675	105,699
Issue of shares under general mandate (Note)	<u>35,100,000</u>	<u>2,530</u>	<u>76,000,000</u>	<u>5,446</u>
As at June 30	<u>1,647,200,675</u>	<u>113,675</u>	<u>1,612,100,675</u>	<u>111,145</u>

Note:

On February 29, 2024, 11 Subscribers subscribed 75,100,000 Shares at subscription price of HK\$0.45 per share. As at June 30, 2024, 35,100,000 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.

22. RELATED PARTY TRANSACTIONS AND BALANCES

The Directors of the Company 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	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, 2024 RMB'000 (Unaudited)	December 31, 2023 RMB'000 (Audited)
Amounts due from related parties:		
Mr. Zang	2,456	2,314
Mr. Wang	<u>82</u>	<u>81</u>
	<u>2,538</u>	<u>2,395</u>
Amount due to related parties:		
Lu Jia Technology Holdings Limited	304	302
Mr. Fan	<u>1,069</u>	<u>1,062</u>
	<u>1,373</u>	<u>1,364</u>

The maximum amounts due from related parties outstanding during the Reporting Period and the year ended December 31, 2023 are set out below:

	June 30, 2024 RMB'000 (Unaudited)	December 31, 2023 RMB'000 (Audited)
Maximum amounts due from related parties outstanding:		
Mr. Zang	2,456	2,314
Mr. Wang	<u>82</u>	<u>81</u>
	<u>2,538</u>	<u>2,395</u>

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,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short-term employee benefits	779	700
Contributions to the pension scheme	171	113
	950	813

23. FINANCIAL INSTRUMENTS BY CATEGORIES

The carrying amounts of each of the categories of financial instruments as at June 30, 2024 and December 31, 2023 are as follows:

	June 30, 2024	December 31, 2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Financial assets		
<i>Financial assets at amortised cost</i>		
Trade receivables	63,496	54,623
Deposits and other receivables	153,748	154,336
Amounts due from related parties	2,538	2,395
Pledged bank deposits	200	200
Cash and cash equivalents	155,296	125,117
	375,278	336,671
Financial liabilities		
<i>Financial liabilities at amortised cost</i>		
Trade payables	14,904	1,530
Other payables and accruals	5,884	7,328
Bank borrowings	30,000	–
Amount due to related parties	1,373	1,364
Lease liabilities	4,201	5,317
	56,362	15,539

24. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

As at June 30, 2024, 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, bank borrowings and amounts due to related parties 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

Progress of major transaction in relation to debt acquisition

On December 25, 2023, the Company entered into an agreement (the “**Agreement**”) with Guangzhou Asset Management for the Acquisition by Guangzhou Asset Management of the Huangtengxia series loan claims through the public listing and bidding services of the Guangdong Financial Assets Exchange Center (the “**Acquisition**”). Accordingly, the Company agreed to contribute no less than 70% of the actual transaction price of the Huangtengxia series loan claims, while Guangzhou Asset Management would contribute no more than 30% of the actual transaction price of the Huangtengxia series loan claims and not exceeding RMB111.00 million.

On July 9, 2024, the Company announced its intention to and was in the process of negotiating with Guangzhou Asset Management to adjust the above transaction proposal, so as to lower the contribution ratio of the Company. Considering such, the Company intended to cease from proceeding with the Acquisition, and re-negotiated with Guangzhou Asset Management and/or any other potential third parties regarding transaction proposals in relation to the Acquisition. As of the date of this announcement, the Company and Guangzhou Asset Management are still finalising the cease of proceeding with the Acquisition and the transaction proposal after adjustments, and have not entered into any final agreements.

For further details, please refer to the announcements dated December 27, 2023, February 15, 2024, March 8, 2024, April 5, 2024, May 6, 2024, June 7, 2024 and July 9, 2024 of the Company.

26. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on August 27, 2024.

USE OF PROCEEDS FROM THE GLOBAL OFFERING AND PLACINGS

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 respect of the Global Offering) (the “**Global Offering Proceeds**”). In addition, the Company completed three allotments and issuances of Shares under the general mandate on October 28, 2020, June 15, 2023 and February 29, 2024, respectively (collectively, the “**Placings**”), and the total net proceeds raised from such Placings (after deducting all relevant expenses) amounted to approximately HK\$156.7 million (the “**Placing Proceeds**”). At the beginning of the Reporting Period, all net proceeds from the placing on October 28, 2020 have been utilized as planned. During the Reporting Period, the Group (i) had used the Global Offering Proceeds of approximately HK\$1.3 million (equivalent to approximately RMB1.2 million), in accordance with the use as stated in the paragraph headed “Future Plans and Use of Proceeds” in the Prospectus or the use after the change on December 16, 2022; (ii) had used the Placing Proceeds of approximately HK\$75.5 million (equivalent to approximately RMB68.9 million), in accordance with the use as stated in the Company’s announcement dated June 2, 2023; and (iii) had not used the Placing Proceeds in accordance with the use as stated in the Company’s announcement dated February 7, 2024.

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 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 C3 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.

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

None of the Company or any of its subsidiaries has purchased, sold (including sale of treasury shares, if any) or redeemed any of the Company's listed securities during the Reporting Period.

As at June 30, 2024, the Company did not hold any treasury shares.

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. 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.

Events after June 30, 2024

The Group made an announcement on July 9, 2024 in relation to the progress of the Acquisition, announcing that the Company intended to adjust the Agreement dated December 25, 2023 with Guangzhou Asset Management for the Acquisition. Considering such, the Company intended to cease from proceeding with the Acquisition, and re-negotiate with Guangzhou Asset Management and/or any other potential third party(ies) regarding transaction proposals in relation to the Acquisition. Considering the possible cease of proceeding with the Acquisition, the Company will not publish the circular seeking for the approval of the Acquisition and despatch the same to the Shareholders for the time being, and also will not convene and hold the extraordinary general meeting. For details, please refer to the announcements of the Company dated December 27, 2023, February 15, 2024, March 8, 2024, April 5, 2024, May 6, 2024, June 7, 2024 and July 9, 2024, respectively.

Save as disclosed above, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to June 30, 2024 and up to the date of this announcement.

Interim Dividend

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

Publication of Interim Results Announcement and Interim Report

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

The interim report for the Reporting Period containing all the information required by Appendix D2 to the Listing Rules will be despatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

DEFINITION

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

“3D”	three dimensional
“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
“Board”	the board of directors of the Company
“China” or “PRC”	the People’s Republic of China, except where the context requires otherwise and only for the purposes of this announcement, excluding the Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“Company” or “Lvji”	Lvji Technology Holdings Inc. (驢跡科技控股有限公司), an exempted company with limited liability incorporated on November 7, 2018 in the Cayman Islands
“Controlling Shareholders”	has the meaning ascribed thereto in the Listing Rules

“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 C1 to the Listing Rules
“Corresponding Period”	the six months ended June 30, 2023
“COVID-19”	2019 novel coronavirus disease
“Director(s)”	the director(s) of the Company
“ECL”	expected credit loss
“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
“HKFRS”	Hong Kong Financial Reporting Standard(s) (including HKASs and Interpretation) issued by the Hong Kong Institute of Certified Public Accountants
“HKD” or “HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IP”	intellectual property
“INEDs”	the independent non-executive Directors
“LBS”	location-based service
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange, which occurred on the Listing Date

“Listing Date”	January 17, 2020, the date on which the Shares were listed on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules
“MR”	mixed reality
“Mr. Fan”	Mr. Fan Baoguo, a PRC resident, our Controlling Shareholder
“Mr. Zang”	Mr. Zang Weizhong, a PRC resident and an executive Director, chairman of the Board and our Controlling Shareholder
“OTAs”	online travel agencies
“Prospectus”	the prospectus dated December 31, 2019 issued by the Company
“R&D”	research and development
“Reporting Period”	the six months ended June 30, 2024
“RMB”	Renminbi, the lawful currency of China
“SaaS”	software as a service, a cloud-based software licensing and delivery model in which software and associated data are centrally hosted
“Share(s)”	ordinary share(s) in the share capital of the Company, currently of nominal value US\$0.01 each
“Share Award Scheme”	a share award scheme adopted by the Company on January 21, 2022

“Share Option Scheme”	a share option scheme adopted by the Company on December 19, 2019
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed thereto in the Listing Rules
“treasury shares”	has the meaning ascribed thereto in the Listing Rules
“USD” or “US\$”	United States dollars, the lawful currency of the United States of America
“XR”	extended reality, a combined term for augmented reality, virtual reality and mixed reality

APPRECIATION

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

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

Guangzhou, the PRC, August 27, 2024

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Zang Weizhong, Mr. Wang Lei and Mr. Liu Hui; and three independent non-executive Directors, namely Ms. Gu Jianlu, Ms. Gao Yuanyuan and Ms. Gu Ruizhen.