飛揚集團
— FEIYANG TRAVEL GROUP —

Feiyang International Holdings Group Limited
飛揚國際控股(集團)有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1901)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

FINANCIAL HIGHLIGHTS

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Revenue	**76,477**	77,471
Gross profit	**13,601**	7,961
Loss for the year	**(40,714)**	(137,477)

- Revenue decreased by RMB1.0 million or 1.3% year-on-year, due to the temporary suspension of certain business operations of the Group and continued suspension of all outbound tours as a result of the outbreak of COVID-19.

- Gross profit increased by RMB5.6 million or 70.8% for the Year.

- Net loss of RMB40.7 million was recorded for the Year.

The board (the "**Board**") of directors (the "**Directors**") of Feiyang International Holdings Group Limited (the "**Company**") hereby announces the consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2022 (the "**Year**"), together with the comparative figures for the year ended 31 December 2021 (the "**Previous Year**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	**2022** *RMB'000*	2021 *RMB'000*
REVENUE	*5*	**76,477**	77,471
Cost of sales		**(62,876)**	(69,510)
Gross profit		**13,601**	7,961
Other income and gains	*5*	**5,028**	3,849
Selling and distribution expenses		**(9,129)**	(13,371)
Administrative expenses		**(24,079)**	(22,240)
Impairment losses on financial assets reversed/(recognised), net		**13,021**	(96,206)
Other expenses		**(20,990)**	(3,179)
Share of losses of associates		**(1,646)**	(2,318)
Finance costs	*6*	**(8,348)**	(11,569)
LOSS BEFORE INCOME TAX	*7*	**(32,542)**	(137,073)
Income tax expenses	*8*	**(8,172)**	(404)
LOSS FOR THE YEAR		**(40,714)**	(137,477)

	Note	**2022**	2021
		RMB'000	*RMB'000*
OTHER COMPREHENSIVE INCOME/ (EXPENSES)			
Item that will not be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements		**20,624**	(105)
OTHER COMPREHENSIVE INCOME/ (EXPENSES) FOR THE YEAR		**20,624**	(105)
TOTAL COMPREHENSIVE EXPENSES FOR THE YEAR		**(20,090)**	(137,582)
LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		**(39,503)**	(137,477)
Non-controlling interests		**(1,211)**	–
		(40,714)	(137,477)
TOTAL COMPREHENSIVE EXPENSES ATTRIBUTABLE TO:			
Owners of the Company		**(19,262)**	(137,582)
Non-controlling interests		**(828)**	–
		(20,090)	(137,582)

		2022	2021
		RMB cent	*RMB cent*
			(restated)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	*9*		
Basic		**(5.20)**	(24.27)
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**44,159**	14,249
Investment properties		**6,467**	6,255
Right-of-use assets		**14,205**	16,021
Intangible asset		**8**	18
Prepayments for acquisition of property, plant and equipment		**16,954**	6,541
Investments in associates		**55,858**	57,504
Deposits	*12*	**1,898**	500
Deferred tax assets		**361**	8,532
		139,910	109,620
CURRENT ASSETS			
Inventories		**4,817**	–
Trade receivables	*11*	**18,430**	13,047
Prepayments, deposits and other receivables	*12*	**149,688**	122,296
Amounts due from related parties		**1,289**	2,073
Financial assets at fair value through profit or loss		**11,132**	13,174
Pledged deposits		**9,346**	4,079
Cash and cash equivalents		**43,795**	43,092
		238,497	197,761
CURRENT LIABILITIES			
Trade payables	*13*	**17,412**	12,136
Advance from customers, other payables and accruals		**54,059**	45,037
Interest-bearing bank and other borrowings	*14*	**198,655**	201,286
Lease liabilities		**6,703**	3,403
Tax payables		**4,422**	4,381
		281,251	266,243
NET CURRENT LIABILITIES		**(42,754)**	(68,482)
TOTAL ASSETS LESS CURRENT LIABILITIES		**97,156**	41,138
NON-CURRENT LIABILITIES			
Lease liabilities		**8,946**	14,543
Interest-bearing bank and other borrowings	*14*	**–**	2,436
		8,946	16,979
NET ASSETS		**88,210**	24,159
EQUITY			
Share capital	*15*	**6,850**	5,216
Reserves		**77,323**	18,943
Equity attributable to owners of the Company		**84,173**	24,159
Non-controlling interests		**4,037**	–
TOTAL EQUITY		**88,210**	24,159

NOTES

1. CORPORATE AND GROUP INFORMATION

The Company is an exempted company incorporated in the Cayman Islands with limited liability. The registered office address of the Company is Suite #4-210, Governors Square, 23 Lime Tree Bay Avenue, PO Box 32311, Grand Cayman, KY1-1209, Cayman Islands. The principal place of business is located at 30 Dashani Street, Haishu District, Ningbo City, Zhejiang Province, the People's Republic of China (the "**PRC**").

The Company is an investment holding company. During the year, the Company's subsidiaries were principally involved in (i) the design, development and sale of outbound travel package tours; (ii) the design, development and sale of free independent traveller ("**FIT**") products; (iii) the provision of other ancillary travel-related products and services; (iv) the provision of health products; and (v) the provision of information system development products and services. In the opinion of the directors of the Company, the ultimate controlling shareholders of the Group are Mr. He Binfeng and Ms. Qian Jie, the spouse of Mr. He (collectively, the "**Controlling Shareholders**").

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 28 June 2019.

The consolidated financial statements is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand ("**RMB'000**") except when otherwise indicated.

2. BASIS OF PRESENTATION AND PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the disclosure requirement of Hong Kong Companies Ordinance.

Going concern basis

Notwithstanding that the Group incurred net losses amounted to approximately RMB40,714,000 for the year ended 31 December 2022 and the Group's net current liabilities amounted to approximately RMB42,754,000 as at 31 December 2022, the directors of the Company considered it appropriate for the preparation of the consolidated financial statements on a going concern basis for at least twelve months after the end of the reporting period after taking into account the following circumstances and measures:

(i) The Group has been actively negotiating with banks in renewing its short-term borrowings upon their maturities and there is no indication that the banks will not renew the existing borrowings if the Group applies for the renewal; and

(ii) The Group is implementing various measures, such as optimising its overall sales network and undergoing effective cost control to improve the profit margin and operating cash flows of its business.

The directors of the Company are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due for at least twelve months after 31 December 2022. Accordingly, the consolidated financial statements have been prepared on a going concern basis. Should the Group be unable to operate as a going concern, adjustments would have to be made to reduce the carrying amounts of the Group's assets to their net realisable amounts, to provide for further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

3. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on application of Amendments to HKFRS 3 Reference to the Conceptual Framework

The Group has applied the amendments to business combinations for which the acquisition date was on or after 1 January 2022. The amendments update a reference in HKFRS 3 Business Combinations so that it refers to the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the "**Conceptual Framework**") instead of Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting 2010 issued in October 2010), add a requirement that, for transactions and events within the scope of HKAS 37 Provisions, Contingent Liabilities and Contingent Assets or HK(IFRIC)-Int 21 Levies, an acquirer applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination and add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The application of the amendments in the current year has had no impact on the Group's consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	*Insurance Contracts*[1]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[3]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)* [1]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to HKAS 8	*Definition of Accounting Estimates*[1]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

[1] Effective for annual periods beginning on or after 1 January 2023.
[2] Effective for annual periods beginning on or after a date to be determined.
[3] Effective for annual periods beginning on or 1 January 2024.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 *Making Materiality Judgements* (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

Amendments to HKAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty — that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

4. OPERATING SEGMENT INFORMATION

The Group's chief operating decision makers are the executive directors of the Company. The information reported to the Company's executive directors, for the purpose of resource allocation and assessment of performance, does not contain discrete operating segment financial information and the executive directors review the financial results of the Group as a whole.

Geographical information

The Group's operations are located on Mainland China and Hong Kong.

Revenue from external customers are allocated based on the geographical areas in which the customers are located.

An analysis of the Group's revenue from external customers and non-current assets (excluding deferred tax assets and financial assets) by geographical location are as follows:

	Revenue from external customers Year ended		**Non-current Assets As at**	
	31/12/2022	31/12/2021	**31/12/2022**	31/12/2021
	RMB'000	*RMB'000*	**RMB'000**	*RMB'000*
Mainland China	**61,448**	77,471	**81,421**	100,588
Hong Kong	**15,029**	–	**56,230**	–
	76,477	77,471	**137,651**	100,588

Information about major customer

No revenue from the Group's sales to a single customer amounted to 10% or more of the Group's revenue for both years ended 31 December 2022 and 2021.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the consideration to which the Group expects to be entitled in exchange for products and services sold net of value added tax and government surcharges during the year.

An analysis of revenue, other income and gains is as follows:

	2022	2021
	RMB'000	*RMB'000*
Revenue from contracts with customers ***(note (1))***	**76,477**	77,471
Other income		
Bank interest income	**115**	491
Government grants *(note (2))*	**560**	1,749
Rental income on properties	**388**	194
Other interest income	**215**	–
Sundry income	**2,234**	481
	3,512	2,915
Gains		
Changes in fair value of investment properties	**212**	–
Fair value gains on listed equity securities	**–**	924
Gain on termination of leases	**1,304**	10
	1,516	934
Total other income and gains	**5,028**	3,849

Notes:

(1) Disaggregation of revenue from contracts with customers

	2022	2021
	RMB'000	*RMB'000*
Types of products and services		
Sales of package tours		
— Domestic	**51,098**	70,285
Margin income from sales of FIT products	**930**	4,690
Information system development services	**6,752**	1,316
Sales of ancillary travel-related products and services	**1,265**	1,180
Sales of digital assets products	**2,686**	–
Sales of wines	**3,258**	–
Sales of health products	**4,971**	–
Sales of information technology products	**5,517**	–
	25,379	7,186
	76,477	77,471

The Group derives revenue from the transfer of products and services over time and at a point in time in the following major product lines:

	2022	2021
	RMB'000	*RMB'000*
Timing of revenue recognition		
Over time:		
— Sales of package tours	**51,098**	70,285
At a point in time:		
— Margin income from the sales of FIT products	**930**	4,690
— Information system development services	**6,752**	1,316
— Sales of ancillary travel-related products and services	**1,265**	1,180
— Sales of digital assets products	**2,686**	–
— Sales of wines	**3,258**	–
— Sales of health products	**4,971**	–
— Sales of information technology products	**5,517**	–
	25,379	7,186
	76,477	77,471

(2) The conditions for government grants have been fulfilled by the Group up to the end of the reporting periods.

6. FINANCE COSTS

	2022	2021
	RMB'000	*RMB'000*
Interest on bank loans and other loans	**7,442**	10,432
Interest on lease liabilities	**906**	1,066
Interest on loan from an employee	**–**	71
Total interest expenses on financial liabilities not at fair value through profit or loss	**8,348**	11,569

7. LOSS BEFORE INCOME TAX

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

	2022	2021
	RMB'000	*RMB'000*
Cost of services provided	**47,779**	61,306
Depreciation of property, plant and equipment	**7,409**	2,813
Depreciation of right-of-use assets	**4,918**	4,192
Amortisation of an intangible asset	**10**	10
Lease payments not included in the measurement of lease liabilities	**1,616**	588
Auditor's remuneration		
— audit service	**1,130**	1,974
— non-audit service	**194**	–
Foreign exchange loss, net *(note (1))*	**2,681**	658
Loss on disposal of property, plant and equipment *(note (1))*	**2,806**	77
Impairment of trade receivables (reversed)/recognised	**(7,440)**	16,710
Impairment of financial assets included in prepayments, deposits and other receivables (reversed)/recognised	**(5,581)**	79,496
Fair value loss/(gain) on listed equity securities *(note (1))*	**6,323**	(924)
Realised loss on listed equity securities *(note (1))*	**3,725**	–
Changes in fair value of investment properties *(note (1))*	**(212)**	2,230
Covid-19-related rent concessions from lessors	**(596)**	(66)
Write off of other receivables *(note (1))*	**5,095**	–
Employee benefit expense (excluding directors' and the chief executive's remuneration):		
Wages and salaries	**12,365**	15,049
Pension scheme contributions *(note (2))*	**2,449**	4,791
Staff welfare expenses	**32**	526
	14,846	20,366

Notes:

(1) The above expenses are included in other expenses presented in the consolidated statement of profit or loss and other comprehensive income excluding gains on fair value changes on investment properties and listed equity securities presented in other income and gains.

(2) As at 31 December 2022, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2021: Nil).

8. INCOME TAX EXPENSES

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

	2022	2021
	RMB'000	*RMB'000*
Provided for the year		
— Hong Kong	**–**	–
— Mainland China	**1**	–
Deferred tax charged	**8,171**	404
	8,172	404

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

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and British Virgin Islands.

Pursuant to the relevant tax law of the Hong Kong Special Administrative Region, Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. No provision for income tax has been made as the Group did not generate any assessable profits in Hong Kong during the year (2021: Nil).

During the year, except for one subsidiary of the Group which was entitled to a preferential income tax rate of 20% (2021: 20%) for small and micro enterprises with the first RMB1.0 million of annual taxable income eligible for 75% reduction and the income between RMB1.0 million and RMB3.0 million eligible for 50% reduction, the provision for Mainland China current income tax is based on the statutory rate of 25% (2021: 25%) of the assessable profits of the subsidiaries of Mainland China as determined in accordance with the Corporate Income Tax Law.

9. LOSS PER SHARE

(a) Basic loss per share

The calculation of the basic loss per share attributable to owners of the Company is based on following data:

	2022	2021 (restated)
Loss for the purpose of basic loss per share		
Loss for the year attributable to owners of the Company (in RMB'000)	**(39,503)**	(137,477)
Number of shares for the purpose of basic loss per share		
Weighted average number of ordinary shares in issue during the year ('000) *(Note)*	**760,216**	566,511
Basic loss per share (in RMB cent) *(Note)*	**(5.20)**	(24.27)

Note:

The weighted average number of ordinary shares for the prior year ended 31 December 2021 has been adjusted for the rights issue of shares implemented during the year ended 31 December 2022. The basic loss per share for the year ended 31 December 2021 has been restated accordingly.

(b) Diluted loss per share

No diluted loss per share for both of the years ended 31 December 2022 and 2021 is presented as there were no potential ordinary shares in issue for both of the years.

10. DIVIDENDS

The directors of the Company do not recommend payment of a dividend in respect of the year ended 31 December 2022 (2021: Nil).

11. TRADE RECEIVABLES

	2022 *RMB'000*	2021 *RMB'000*
Trade receivables, gross amount	**80,807**	82,864
Less: impairment losses recognised	**(62,377)**	(69,817)
	18,430	13,047

The credit terms granted by the Group are generally up to two months, extending up to one year for certain customers. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancement over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables, gross amount as at the end of the reporting period, based on the invoice date, is as follows:

	2022	2021
	RMB'000	*RMB'000*
1 to 60 days	**16,908**	6,312
61 to 180 days	**1,202**	1,502
181 to 365 days	**348**	7,052
1 to 2 years	**3,058**	22,779
Over 2 years	**59,291**	45,219
	80,807	82,864

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Non-current:		
Rental deposits	**1,898**	500
Current:		
Prepayments	**40,275**	11,910
Deposits and other receivables	**187,164**	203,978
Prepaid expenses	**115**	344
Interest receivables	**–**	5
	227,554	216,237
Less: impairment losses recognised	**(77,866)**	(93,941)
	149,688	122,296
	151,586	122,796

13. TRADE PAYABLES

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

	2022	2021
	RMB'000	*RMB'000*
1 to 60 days	**11,497**	4,197
61 to 180 days	**2,152**	3,770
181 to 365 days	**714**	281
Over 1 year	**3,049**	3,888
	17,412	12,136

Trade payables are non-interest-bearing and are normally settled on 60-day terms.

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate	**Maturity**	**2022**	2021
	(%)		***RMB'000***	*RMB'000*
Current				
Bank loans — secured	4.1667–5.655	2023–2024/ on demand	**196,373**	–
Bank loan — unsecured	4.80	2023	**1,800**	–
Bank loans — secured	3.85–5.655	2022	**–**	181,204
Bank loans — unsecured	5.655	2022	**–**	18,028
Loan from an employee	5.60	2022	**–**	2,054
Loan from a financial institution — secured	19.25	on demand	**482**	–
			198,655	201,286
Non-current				
Loan from an employee	5.60	2023–2024	**–**	2,436
			198,655	203,722

15. SHARE CAPITAL

Shares

	2022	2021
	RMB'000	*RMB'000*
Issued and fully paid:		
800,000,000 (2021: 600,000,000) ordinary shares of HKD0.01 each	**6,850**	5,216

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

	Number of shares in issue	**Issued capital**	**Share premium**
		RMB'000	*RMB'000*
Issued and fully paid:			
At 1 January 2021	500,000,000	4,398	97,470
Placing of shares on 2 December 2021 *(note (a))*	100,000,000	818	54,848
At 31 December 2021 and 1 January 2022	600,000,000	5,216	152,318
Issue of shares on rights issue *(note (b))*	200,000,000	1,634	77,642
At 31 December 2022	800,000,000	6,850	229,960

Notes:

(a) On 2 December 2021, pursuant to the general mandate granted to the directors by the shareholders at the annual general meeting of the Company held on 9 June 2021, an aggregate of 100,000,000 shares were placed to ten placees at the price of HK$0.70 per share.

(b) On 22 April 2022, a rights issue of one rights share for every three existing shares held by members on the register of members on 25 March 2022 was made, at an issue price of HK$0.50 per rights share, resulting in the issue of 200,000,000 shares for a total cash consideration, before expenses, of approximately HK$100 million.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a well-established travel service provider based in Ningbo, Zhejiang Province of the PRC and offers diversified products that cater for different travellers' needs. The Group is principally engaged in (i) the design, development and sales of package tours which consist of traditional package tours and tailor-made tours; (ii) the sales of free independent traveller products (the "**FIT Products**") which mainly include provision of air tickets and/or hotel accommodation; (iii) the provision of ancillary travel-related products and services, including but not limited to visa application processing, admission tickets to tourist attractions, conferencing services and arranging purchase of travel insurance for the customers; (iv) sales of health products; and (v) provision of information system development products and services.

The Group has experienced three challenging years due to the COVID-19 pandemic, with 2022 being a year of two halves. The emergence of the Omicron variant in 2022 led to increasingly stringent travel restrictions such as provincial border closures and suspensions of train and bus services, which made domestic travel difficult during the first few months of 2022. The Group's financial performance was materially and adversely affected, and incremental costs and expenses were incurred to facilitate customers' cancelations and refund requests.

In December 2022, to ensure quicker and more precise measures to balance epidemic control and economic development, the government optimised its epidemic control and prevention measures and lossened the stringent cross-provincial travel restriction. As a result, there is a recovery in people's willingness to travel. After a sluggish year with unsatisfactory financial performance, the Group was elated by a surge in orders when the government loosened its cross-provincial travel restrictions.

Apart from striving to restore its existing travel services and air ticketing agency businesses, the Group has been actively exploring the development and operation of cultural and tourist attractions leveraging its expertise and operational experience in the tourism market.

In November 2022, the Group acquired 60% equity interest in Zhejiang Feijiada Aviation Service Co., Ltd.* (浙江飛加達航空服務有限公司) ("**Zhejiang Feijiada**"), which is a holding company of Hainan Zhenlv International Travel Agency Co., Ltd.* (海南真旅國際旅行社有限公司) ("**Hainan Zhenlv**"). Hainan Zhenlv is principally engaged in the provision of travel consulting services, travel agencies and related services. Hainan Zhenlv entered into certain cooperation agreements with a state-owned travel agency in Sanya, Hainan for underwriting projects with a PRC airline operator, pursuant to which Hainan Zhenlv was appointed as the operator and sales agent of the air tickets issued by the PRC airline operator. The acquisition has strengthened the Group's ability to procure upstream resources which it did not have access to and has expanded the Group's business scale with additional revenue stream.

During the Year, the Group has been taking initiatives to diversify its business with an objective to broaden its income stream and expand into targeting segments. The Group constantly strives to develop new businesses through fully utilising new technologies. During the Year, the Group identified and explored industrial paths and innovative forms for sales of wine together with digital assets products (i.e. wine non-fungible token ("**NFT**")) through a combination of "digital + physical" models, which bridge the gap between real-world assets and digital-world assets. The Group also provided information system development services during the Year, including cloud storage services, web hosting services, enterprise mailbox and website development.

To further diversify the income stream, during the Year, the Group commenced distribution and sales of information technology products such as computer processors, motherboards and hard drives.

To address the growing awareness among consumers of the importance of wellbeing and prevention, as well as the progressive aging of the world population and consequent growth of specific health needs, the Group started to sell nutraceutical products, including NMN longevity supplements, liver detoxification supplements and related products during the Year. It is expected that the growing awareness of the benefits of nutraceutical products among consumers will have a positive impact on the supplements market in the coming years.

The Group recorded a net loss of RMB40.7 million and RMB137.5 million for the Year and the Previous Year, respectively. The significant decrease in net loss was mainly due to (i) the reversal of impairment loss on trade receivables and prepayments, deposits and other receivables in the amount of RMB13.0 million; (ii) gross profit of RMB3.9 million (Previous Year: gross loss of RMB1.8 million) generated from information system development services as the business has become more established during the Year; and (iii) gross profit generated from the new businesses launched by the Group during the Year, including sales of information technology products, health products, wines and digital assets products.

PROSPECTS

In the beginning of 2020, as the world faced the unprecedented challenges of COVID-19 pandemic, the travel and tourism industry quickly became one of the most affected economic sectors. With the weakening of the pathogenicity of the Omicron variants, the high vaccination rates, and accumulated experience in preventing and controlling the pandemic, China has been able to adjust its response policies, and the tourism industry has gradually begun to recover as a result.

The relaxation of COVID-19 restrictions on cross-provincial travel and quarantine requirements in December 2022 has been the main force driving the Group's recovery in 2023, and domestic travel in the PRC is now bouncing back strongly.

The China Tourism Academy ("**CTA**") has forecasted that the volume of China's domestic travel may surpass 4.55 billion person times in 2023, a year-on-year increase of 73% and back to 76% of the level in 2019, indicating a fast recovery in the sector after the nation downgraded its COVID-19 response measures. The income of the domestic travel sector is expected to reach about RMB4 trillion in 2023, a year-on-year increase of about 95%, and recover to about 71% of 2019 levels. The CTA expected that the China's tourism might fully recover during the summer of 2023 after a steady start to the year.

In 2019, Chinese travelers commanded the world's largest share of outbound tourists and contributed more than USD250 billion to the global economy. The National Health Commission of the People's Republic of China announced in December 2022 that outbound travel would return in an orderly manner in 2023. The CTA predicted that the annual outbound passenger volume may surpass 90 million in 2023, a twofold increase year-on-year and back to 31.5% of the pre-pandemic level.

It is expected that the international and domestic tourism will make a strong return in the second quarter of 2023, and the summer vacation is expected to usher in a full recovery. Although international travel may not return immediately to pre-pandemic levels, companies, industries and countries that rely on Chinese tourists will get a boost in 2023.

Facing this challenging and tough period, the Group has been taking initiatives to diversify its income stream.

Following the Metaverse strategic arrangement initiated by the Group in the second half of 2021, the Group has continued to strengthen its investment and business development in the underlying Metaverse technologies such as blockchain infrastructure platform and cloud storage services on blockchain computing machines. In this connection, the Group has emphasized on the unique competitive combining advantages of "digitalisation and physicalisation" of cultural and creative collectibles, which fully identify and explore industrial paths and innovative forms of "digitalisation + physicalisation" of cultural and creative collectibles to empower the real economy and original industries. The Group has been developing new businesses through fully utilising new technologies such as blockchain and Metaverse and new scenarios, as well as taking advantage of the existing large customer base and brand influence of the Group, so as to create more business opportunities and increase profit potential for the Group.

The evolving pandemic will remain the biggest uncertainty the tourism industry will face in the future, and it is necessary to prepare for any related risks and problems that may appear. The Group will closely monitor the development of the COVID-19 pandemic and measures implemented by relevant government authorities and adopt necessary measures and strategies.

FINANCIAL REVIEW

Revenue

The following table sets forth the breakdown of the Group's revenue by business segment for the years indicated:

	Year ended 31 December			
	2022		2021	
	Revenue	**Percentage of revenue**	Revenue	Percentage of revenue
	RMB'000	***%***	*RMB'000*	*%*
Travel-related products and services				
(i) Sales of package tours	**51,098**	**66.9**	70,285	90.7
(ii) Margin income from sales of FIT Products	**930**	**1.2**	4,690	6.1
(iii) Sales of ancillary travel-related products and services	**1,265**	**1.6**	1,180	1.5
	53,293	**69.7**	76,155	98.3
Information system development services	**6,752**	**8.8**	1,316	1.7
Sales of information technology products	**5,517**	**7.2**	–	–
Sales of health products	**4,971**	**6.5**	–	–
Sales of wines	**3,258**	**4.3**	–	–
Sales of digital assets products	**2,686**	**3.5**	–	–
Total	**76,477**	**100.0**	77,471	100.0

The Group generated revenue from: (i) provision of travel-related products and services, including sales of package tours, margin income from sales of FIT Products and sales of ancillary travel-related products and services; (ii) provision of information system development services; (iii) sales of information technology products; (iv) sales of health products; (v) sales of wines; and (vi) sales of digital assets products. The Group's customers primarily comprised retail customers, and corporate and institutional customers. The Group's total revenue slightly decreased by RMB1.0 million or 1.3%, from RMB77.5 million for the Previous Year to RMB76.5 million for the Year, which was mainly due to decrease in revenue generated from package tours as a result of the temporary suspension of certain business operations of the Group and the continued suspension of all outbound tours as a result of the outbreak of COVID-19, which was partially offset by the increase in revenue from the new businesses launched during the Year.

Travel-related products and services

(i) Sales of package tours

The sales of package tours mainly represented the fees received from customers for the package tours. The Group's package tours can be classified into (i) traditional package tours, which are group tours with standardised itineraries; and (ii) tailor-made tours, which are group tours with non-standardised itineraries and provide freedom for customers to select their preferred mode of transportations, hotels and tourist attractions.

Package tours by type

The following table sets forth the breakdown of the revenue from sales of package tours by type for the years indicated:

	Year ended 31 December			
	2022		2021	
	Revenue	**Percentage of revenue**	Revenue	Percentage of revenue
	RMB'000	***%***	*RMB'000*	*%*
Traditional package tours	**32,625**	**63.8**	22,088	31.4
Tailor-made tours	**18,473**	**36.2**	48,197	68.6
Total	**51,098**	**100.0**	70,285	100.0

The sales of traditional package tours and tailor-made tours contributed 63.8% and 36.2% (Previous Year: 31.4% and 68.6%) of the Group's total sales of package tours for the Year, respectively. The Group's sales of package tours decreased by RMB19.2 million or 27.3% from RMB70.3 million for the Previous Year to RMB51.1 million for the Year.

The increase in sales from traditional package tours from RMB22.1 million for the Previous Year to RMB32.6 million for the Year was mainly due to several provincial and municipal government authorities in China adjusted the domestic and cross-border travel restrictions and removed the asterisk marks on digital travel history codes across the country in June 2022 to boost inter-regional travel and make travel easier. The decrease in sales from tailor-made tours from RMB48.2 million for Previous Year to RMB18.5 million for the Year mainly contributed by decreasing corporate customers' demand for flexible tours.

(ii) Margin income from sales of FIT Products

FIT Products mainly include air tickets, hotel accommodation and a combination of both. The Group's margin income from sales of FIT Products is recognised on a net basis, being the sales invoice amount of the FIT Products netted off against the associated direct costs, as the Group render services as an agent, whereby the Group is only responsible for arranging the booking of FIT Products with no control obtained over the services performed by airline operators, hotel operators and other travel agencies.

FIT Products by type

The Group's margin income from sales of FIT Products included (i) margin income from sales of air tickets; and (ii) margin income from sales of other FIT Products. The following table sets forth the breakdown of revenue from FIT Products by type for the years indicated:

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Margin income from sales of air tickets	**901**	3,290
Margin income from sales of other FIT Products	**29**	1,400
Total	**930**	4,690

The Group's total margin income from sales of FIT Products significantly decreased by RMB3.8 million or 80.2% from RMB4.7 million for the Previous Year to RMB0.9 million for the Year.

During the Year, the Group's margin income from sales of air tickets decreased significantly by RMB2.4 million or 72.6%, from RMB3.3 million for the Previous Year to RMB0.9 million for the Year. Margin income from sales of air tickets decreased which was mainly due to the decrease in number of air tickets sold and the incentive commission received from airline operators, global distribution system ("**GDS**") service providers and ticketing agents as the sales of FIT Products were temporarily suspended as a result of the outbreak of COVID-19.

The Group's margin income from sales of other FIT Products significantly decreased from RMB1.4 million for the Previous Year to RMB29,000 for the Year mainly due to temporary suspension of business due to the outbreak of COVID-19.

(iii) Sales of ancillary travel-related products and services

The Group also offered ancillary travel-related products and services to customers. The sales of ancillary travel-related products and services remained relatively stable from RMB1.1 million for the Previous Year to RMB1.3 million for the Year.

Information system development services

Information system development services mainly represented the provision of cloud storage services, web hosting services, enterprise mailbox and website development. Revenue from information system development services amounted to RMB6.8 million for the Year (Previous Year: RMB1.3 million) as the business has become more established.

Sales of information technology products

During the Year, the Group launched its new business segment for sales of computer components and storage, such as processors, motherboards, hard drives and server components. The revenue generated from sales of information technology products amounted to RMB5.5 million during the Year (Previous Year: nil).

Sales of health products

During the Year, the Group ventured into new business opportunities into nutraceutical market through sales of health products, including NMN longevity supplements, liver detoxification supplements and related products to address the increasing attention to health and prevention by the consumers. Revenue generated from sales of health products amounted to RMB5.0 million for the Year (Previous Year: nil).

Sales of wines

During the Year, the Group broadened its income stream and expanded to the distribution and sales of digital assets products and merchandise through a combination of "digital + physical" models. The Group sold wines together with wine NFT. The wine NFT linked to a physical bottle or barrel of wine, which the winemaking information from planting to bottling can be specified on the NFT. Once the wine is consumed or released from storage, the wine NFT will be expunged. Revenue from sales of wines amounted to RMB3.3 million for the Year (Previous Year: nil).

Sales of digital assets products

During the Year, the Group launched the "Feiyang Metaverse" Digital Cultural and Creative Collectibles Platform, which focuses on the distribution and sales of cultural and creative collectibles (with blockchain contract uniqueness authentication). The first original IP collectible, "A Rabbit Traveling Across the World" (穿越世界的旅行兔) was launched in May 2022. Revenue from sales of digital assets products amounted to RMB2.7 million for the Year (Previous Year: nil).

Cost of sales

The Group's cost of sales mainly represented the direct costs incurred for the sales of package tours including land and cruise operation, air ticket and local transportation, hotel accommodation and others. Cost of sales decreased by RMB6.6 million from RMB69.5 million for the Previous Year to RMB62.9 million for the Year.

Gross profit and gross profit margin

The following table sets forth the breakdown of the Group's gross profit and gross profit margin by business segment for the years indicated:

	Year ended 31 December			
	2022		2021	
	Gross profit	**Gross profit margin**	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*
Travel-related products and services				
(i) Package tours				
— Traditional	**4,284**	**13.1**	3,396	15.4
— Tailor-made	**1,780**	**9.6**	4,697	9.7
	6,064	**11.9**	8,093	11.5
(ii) Margin income from sales of FIT Products	**(1,811)**	**–**	732	15.6
(iii) Ancillary travel-related products and services	**1,159**	**91.6**	949	80.4
	5,412	**10.2**	9,774	12.8
Information system development services	**3,895**	**57.7**	(1,813)	–
Sales of information technology products	**670**	**12.1**	–	–
Sales of health products	**642**	**12.9**	–	–
Sales of wines	**296**	**9.1**	–	–
Sales of digital assets products	**2,686**	**100.0**	–	–
Total	**13,601**	**17.8**	7,961	10.3

The Group recorded gross profit of RMB13.6 million and RMB8.0 million, representing gross profit margin of 17.8% and 10.3% for the Year and the Previous Year, respectively. The increase in the overall gross profit was mainly due to (i) gross profit generated from information system development services of RMB3.9 million during the Year (Previous Year: gross loss of RMB1.8 million) which was newly launched in 2021 and has become more established during the Year; and (ii) gross profit generated from the new businesses launched by the Group during the Year, including sales of digital assets products, wines, health products and information technology products.

The overall gross profit margin increased by 7.5 percentage points from 10.3% for the Previous Year to 17.8% for the Year, which was mainly attributable by the overall revenue generated from information system development services and sales of digital assets products with relatively higher profit margin compared to other business segments.

The overall gross profit margin of package tours remained relatively stable at 11.5% for the Previous Year to 11.9% for the Year. The Group recorded gross loss from FIT Products during the Year (Previous Year: gross profit margin of 15.6%) due to temporary suspension of inbound travelling as a result of the outbreak of COVID-19.

Other income and gains

Other income and gains mainly consisted of (i) government grants (ii) gain on termination of leases; and (iii) fair value gain on financial assets at fair value through profit or loss and investment properties. Other income and gains increased by RMB1.2 million from RMB3.8 million for the Previous Year to RMB5.0 million for the Year mainly due to recognition of gain on termination of leases of RMB1.3 million during the Year due to termination of certain tenancy agreement for office premises which are non-recurring in nature.

Selling and distribution expenses

Selling and distribution expenses mainly consisted of (i) staff costs from sales department; (ii) advertising and marketing expenses to promote the Group's products and services through various channels such as social networks, magazines and marketing events; (iii) depreciation; and (iv) office and utility expenses for the tourism square, retail branches and sales office.

The Group's selling and distribution expenses decreased by RMB4.2 million or 31.7% from RMB13.4 million for the Previous Year to RMB9.1 million for the Year mainly attributable to (i) the decrease in depreciation of right-of-use assets by RMB2.1 million in relation to certain office premises as a result of termination of certain tenancy agreement during the Year; (ii) the decrease in staff costs by RMB1.4 million as a result of headcount reduction due to temporary suspension of certain business operations of the Group; and (iii) the decrease in advertising and marketing expenses by RMB0.3 million as travelling activities were suspended during the Year.

Administrative expenses

The Group's administrative expenses mainly consisted of (i) staff costs of administrative departments; (ii) office and utility expenses for the Group's offices; (iii) depreciation; (iv) transaction fee representing processing fee paid to payment platforms for transactions; (v) legal and professional fee; and (vi) other administrative expenses.

Administrative expenses increased by RMB1.8 million or 8.3% from RMB22.2 million for the Previous Year to RMB24.1 million for the Year, which was mainly due to increase in staff costs by RMB1.8 million as a result of headcount increment for research and development and administration department due to new businesses launched during the Year.

Impairment losses on financial assets, net

During the Year, the Group recorded reversal of impairment loss on trade receivables and prepayments, deposits and other receivables of RMB7.4 million and RMB5.6 million, respectively (Previous Year: provision for impairment of RMB16.7 million and RMB79.5 million, respectively). The reversal of impairment loss on trade receivables was mainly due to decrease in gross amount of trade receivables and composition of ageing analysis on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The reversal of impairment on prepayment, deposits and other receivables was mainly due to the decrease in credit risk after taking into consideration that the Group had received subsequent settlements from certain debtors during the Year.

The trade receivables mainly represented the amount due from customers for procurement of the Group's products and services. The majority of the trade receivables as at 31 December 2022 had been over three years. The prepayments, deposits and other receivables primarily incurred prior to the outbreak of COVID-19 and mainly represented deposit and advance payment to suppliers including airline operators, GDS service providers and ticketing agents for future procurement of air tickets, package tours, cruise holiday packages and other travel-related products.

Since the outbreak of COVID-19, the travel restrictions and quarantine requirements in place around the world have brought an unprecedented disruption of the aviation and tourism industry. Some of the Group's customers failed to make payment on time, and the Group failed to obtain refund from some of its suppliers for the deposit and advance payment made by the Group prior to the outbreak of COVID-19, which were only allowed to be utilised for future procurement. In the industry seen to be most susceptible to coronavirus disruptions, the government's COVID-19 policies are largely driving the sector's recovery path. The continued delay in the settlement of trade receivables and prepayments mainly caused by the COVID-19 pandemic indicated a significant increase in credit risk, which could not be anticipated by the Company prior to the outbreak of COVID-19. Despite that the Group has taken measures to settle the trade receivables and prepayments, the Company applied a prudent estimation to provide for impairment on trade receivables and prepayments, deposits and other receivables.

Receivables relating to trade and other debtors with known financial difficulties, dispute or significant doubt on collection of receivables are assessed individually for provision for impairment allowance. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

The Group uses a provision matrix to calculate expected credit losses ("**ECL**") for trade receivables. To measure the provision rates, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The Group calibrates the matrix to adjust the current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The ECL of refund from suppliers, deposits and other receivables are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. During the Year, the Group received settlements from certain debtors after taking legal actions against them and obtaining court judgement in favour of the Group, which reduced the loss rate due to an increase in the likelihood of receiving payments from the debtors. After consideration of decrease in credit risk inherent in the outstanding balance of deposits and other receivables, a reversal of impairment loss of RMB7.4 million was therefore provided during the Year.

The Directors are of the view that (i) the above method used in determining the amount of the impairments comply with the requirements of Hong Kong Financial Reporting Standards ("**HKFRSs**"); (ii) the basis used reasonably reflected past events, current conditions and forecasts of future economic development; and (iii) the amount of impairments has been fairly estimated with reference to the risks and uncertainties faced by the Group as a result of the COVID-19 pandemic.

In order to recover the impaired balances, the Group has taken relevant measures including commencing litigation against certain debtors and has applied to court for seizure of assets from the debtors for cases where judgment was obtained in favour of the Group.

Other expenses

The Group's other expenses mainly consisted of (i) fair value loss on investment properties; (ii) fair value loss and realised loss on investment in listed equity securities; (iii) foreign exchange loss; and (iv) loss on disposal of property, plant and equipment.

Other expense significantly increased by RMB17.8 million from RMB3.2 million for Previous Year to RMB21.0 million for the Year mainly due to (i) increase fair value loss and realised loss on investment in listed equity securities by RMB6.3 million and RMB3.7 million respectively; (ii) loss on settlement of other receivables of RMB5.1 million incurred during the Year which is non-recurring in nature; and (iii) increase in loss on disposal of properties, plant and equipment of RMB2.7 million.

Finance costs

The Group's finance costs mainly represented interest expenses on bank and other borrowings and lease liabilities. The decrease in finance costs of RMB3.2 million from RMB11.6 million for the Previous Year to RMB8.3 million for the Year was mainly due to the decrease in average borrowings during the Year.

Income tax expense

Income tax expenses amounted to RMB8.2 million and RMB0.4 million for the Year and the Previous Year respectively. The income tax expenses was mainly attributed by the recognition of deferred tax assets/(liabilities) in relation to lease liabilities and right-of-use assets.

Loss for the year attributable to the owners of the Company

As a result of the foregoing, loss for the Year attributable to the owners of the Company was RMB39.5 million (Previous Year: RMB137.5 million).

Prepayments, deposits and other receivables, net

The following table sets forth the breakdown of the prepayments, deposits and other receivables after impairment allowance:

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Non-current:		
Rental deposits	**1,898**	500
Current:		
Deposit and other receivables, net	**78,667**	65,918
Prepayments	**35,235**	11,910
Refund from suppliers	**30,631**	44,119
Deposit for investment	**5,040**	–
Prepaid expenses	**115**	344
Interest receivables	**–**	5
	149,688	122,296
Total	**151,586**	122,796

The prepayments, deposits and other receivables increased by RMB28.8 million from RMB122.8 million as at 31 December 2021 to RMB151.6 million as at 31 December 2022, which was primarily attributable to (i) the reversal of provision for impairment of trade receivables and other receivables; and (ii) the increase in prepayments for package tours, FIT Products and related expenses as a result of the relaxation of travel restrictions in December 2022.

Deposits and other receivables, net

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Deposits — procurement of air tickets	**69,743**	63,691
Deposits — others	**229**	1,516
Other receivables	**8,695**	711
	78,667	65,918

The Group's deposits and other receivables, net mainly represented deposits for procurement of air tickets which were paid to airline operators, GDS service providers and ticketing agents. The Group's other receivables mainly represented petty cash for the tour escorts and staff.

The increase in deposits and other receivables, net by RMB12.7 million from RMB65.9 million as at 31 December 2021 to RMB78.7 million as at 31 December 2022 was primarily due to increase in deposit for procurement of air tickets as a result of relaxation of cross-provincial travel restrictions during the Year.

Prepayments

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Travel-related products and services		
– Air tickets	**17,082**	6,050
– Hotel accommodation, meal and tour guide	**3,449**	72
– Land and cruise operators	**3,110**	3,701
Health products and wine	**6,368**	–
Research and development expenses	**1,608**	–
Rental expenses for equipment	**715**	–
Others	**2,903**	2,087
	35,235	11,910

The Group's prepayments mainly represented prepayments for (i) procurement of air tickets for both of package tours and FIT Products which were required by the Group's air ticket suppliers; (ii) package tours to land operators, cruise holiday packages to cruise operators, hotel reservation, meal and other related expense for package tours and FIT Products that which had not departed as at the end of reporting period and; (iv) procurement for health products and wine.

The increase in prepayments by RMB23.3 million from RMB11.9 million as at 31 December 2021 to RMB35.2 million as at 31 December 2022 was mainly due to increase in (i) procurement of air tickets and package tours related expense by RMB14.4 million as a result of relaxation of travel restrictions in December 2022 which lead to resumption of cross-provincial travel; (ii) procurement of merchandise for health products and wine of RMB6.4 million, including NMN longevity supplements, red wine and related products for new businesses, which prepayments is requested by the suppliers at the early stage of business relationship; (iii) rental expenses by RMB0.7 million for computing power machines and hardware equipment for virtual reality technology in relation to development in Metaverse technologies during the Year; and (iv) research and development expense for Metaverse games by RMB1.6 million.

Refund from suppliers

Refund from suppliers mainly represented prepayments and deposits made which were reclassified to refund from suppliers as such amount would not be used for future procurement from respective air ticket suppliers, land and cruise operators and other suppliers due to the travel restrictions and refundable to the Group. Under the travel restrictions imposed by the government as a result of the outbreak of COVID-19, the Group temporarily suspended its certain business operations. The Group recorded refund from air ticket suppliers, land and cruise operators and other suppliers of RMB30.6 million (2021: RMB44.1 million) as at 31 December 2022. The decrease was mainly due to the settlement by certain air ticket suppliers during the Year.

Deposit for investment

The deposit for investment of RMB5.0 million as at 31 December 2022 (2021: nil) represented the deposit paid for acquisition of Zhejiang Feijiada. Please refer "Acquisition" section in this announcement for further details.

Impairment assessment

The Group performed recoverability assessment on prepayment, deposits and other receivables, including but not limited to information about the strength of the suppliers to make the refund or honour the settlement obligations, under the expected credit loss model upon application of HKFRS 9, reversal of impairment loss of RMB5.6 million (Previous Year: impairment loss of RMB79.5 million) was recognised for the Year as there and is decrease in credit risk inherent in the Group's outstanding balance of deposits and other receivables. The Directors will regularly review the recoverability of these deposits and receivables and take follow-up actions as and when appropriate to recover amounts overdue.

LIQUIDITY AND FINANCIAL REVIEW

As at 31 December 2022, the Group's current assets and current liabilities were RMB238.5 million and RMB281.3 million (as at 31 December 2021: RMB197.8 million and RMB266.2 million), respectively, of which the Group maintained cash and bank balances of RMB43.8 million (as at 31 December 2021: RMB43.1 million) and pledged short-term deposits of RMB9.3 million (as at 31 December 2021: RMB4.1 million). As at 31 December 2022, the Group's current ratio was 0.8 times (as at 31 December 2021: 0.7 times).

As at 31 December 2022, all bank and other borrowings of the Group bore fixed interest rates, the maturity and currency profile are set out as follows:

	Within 1 year *RMB'000*
RMB	**198,655**

The Group's gearing ratio as at 31 December 2022, which was calculated on the basis of total borrowings as a percentage of equity attributable to equity holders of the Company, was 236.0% (as at 31 December 2021: 843.3%). The decrease in gearing ratio was mainly attributable to the increase in total equity of the Group as a result of rights issue completed by the Company during the Year.

The average turnover days of trade receivables were 75.1 days and 103.7 days for the Year and the Previous Year, respectively. The decrease in average turnover days of trade receivables during the Year was mainly due to quicker settlement by the debtors. The average turnover days of trade payables for the Year increased to 85.8 days (Previous Year: 66.3 days) as the Group settled the trade payables balance more slowly.

The Group adopts conservative treasury policies in cash and financial management. Cash is generally placed in deposits mostly denominated in RMB and Hong Kong dollars ("**HKD**"). The Group's liquidity and financing requirements are reviewed regularly.

During the Year, the Group's primary source of funding included share placing, cash generated from operation and the credit facilities granted by banks in the PRC. The Directors believe that the Group's current cash and bank balances, together with the banking facilities available, fund raising activities and the expected cash flow from operations, will be sufficient to satisfy its current operational and working capital requirements.

CAPITAL STRUCTURE

Save for the rights issue as disclosed in the section headed "Fund Raising Activities", there is no material change in the capital structure of the Company during the Year. The capital of the Company comprises only ordinary shares.

FOREIGN EXCHANGE RISK MANAGEMENT

Most of the Group's sales, procurements and operating costs are denominated in RMB, except for certain air tickets from international airline operators which were mainly denominated and settled in HKD and such foreign currency transactions and exposure were not material to the Group's total cost of air tickets as a whole. During the Year, the Group has 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.

CHARGE ON ASSETS

As at 31 December 2022 and 2021, the Group's bank loans are secured by:

(i) mortgages over the Group's investment properties situated in the PRC, which had an aggregate net carrying value of RMB6.5 million and RMB6.3 million as at 31 December 2022 and 2021, respectively; and

(ii) the pledge of certain of the Group's trade receivables amounting to RMB nil and RMB0.8 million as at 31 December 2022 and 2021, respectively.

During the Year, the Controlling Shareholders had jointly guaranteed certain of the Group's banking facilities of up to RMB240.5 million (2021: RMB236.0 million).

Mr. Zhang Dayi, and Ms. Zhang Xiaoshan, the spouse of Mr. Zhang Dayi, had jointly guaranteed certain of the Group's banking facilities of up to RMB46.0 million as at 31 December 2022 (31 December 2021: RMB46.0 million).

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2022, the total number of employees of the Group was 189 (31 December 2021: 189). Staff costs (including Directors' emoluments) amounted to RMB16.1 million for the Year (Previous Year: RMB22.1 million). Remuneration of the employees includes salary and discretionary bonuses based on the Group's results and individual performance and the Group conducts regular performance reviews to assess the performance of the employees.

Retirement benefits schemes and in-house training programmes are made available to all levels of personnel. The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of payroll costs to the central pension scheme.

DIVIDEND

The Board did not recommend the payment of any final dividend for the Year (Previous Year: Nil).

INVESTMENT PROPERTIES

The Group's investment properties contain offices in Mainland China and are leased to third parties under operating leases for rental income. As at 31 December 2022 the Group's investment properties amounted to RMB6.5 million (2021: RMB6.3 million) and were revalued based on valuations performed by an independent professionally qualified valuer.

INVESTMENT IN ASSOCIATES

The Group's investments in associates are primarily represented by its interest in Ningbo Yinjiang Feiyang Cultural Tourism Development Co., Ltd.* (寧波鄞江飛揚文旅開發有限公司) and Zhejiang Ninglv Feiyang Cultural Tourism Development Co., Ltd.* (浙江寧旅飛揚文旅發展有限公司), which principally engaged in the management and development of tourist attractions. During the Year, the Group recorded share of losses of associates of RMB1.6 million (Previous Year: RMB2.3 million).

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR ADDITIONS OF CAPITAL ASSETS

On 10 February 2022, the Company entered into a non-legally binding strategic investment cooperation framework agreement with Xiamen Shiyi Technology Co., Ltd.* (廈門視奕科技有限公司) as disclosed in the announcement of the Company dated 10 February 2022. As at the date of this announcement, the agreement has lapsed and ceased to have any effect after 180 days from the date of the framework agreement and no formal agreement has been entered into by the parties.

In May 2022, the Company and Don Rich Industries Limited entered into a non-legally binding memorandum of understanding for setting up a joint venture company, which proposed to engage in provision of Metaverse platforms and investing in the Liuzhou Feiyang Metaverse Technology Centre* (柳州飛揚元宇宙科技城) and Weifang Feiyang Metaverse Technology Centre* (濰坊飛揚元宇宙科技城) projects in the PRC. The Company and Don Rich Industries Limited will own 51% and 49% of the equity interest of the joint venture company. The total capital contribution to be made by the parties shall not exceed RMB148 million. Up to the date of this announcement, no formal agreement has been entered into in relation to the formal of the joint venture company as the parties are still under negotiations. For further details, please refer to the announcement of the Company dated 13 May 2022.

In August 2022, the Company and Tinian Real Estate Development, LLC entered into a non-legally binding memorandum of understanding for setting up a joint venture company, which proposed to engage in the development and operation of tourism real estate, hotels, amusement parks and other projects in Tinian Island, the United States. The Company and Tinian Real Estate Development, LLC will own 51% and 49% of the equity interest of the joint venture company. The total capital contribution to be made by the parties shall not exceed USD15 million. Up to the date of this announcement, no formal agreement has been entered into in relation to the formal of the joint venture company as the parties are still under negotiations. For further details, please refer to the announcement of the Company dated 5 August 2022.

Save as disclosed in this announcement, as at 31 December 2022, the Group did not hold any significant investment that accounted for more than 5% of the Group's total assets as at 31 December 2022, and there were no other significant investments, material acquisitions and disposals by the Company during the Year, nor there was any other future plans for material investments or additions of capital assets at the date of this announcement.

ACQUISITION

In October 2022, Zhejiang Feiyang International Travel Group Co., Ltd.* (浙江飛揚國際旅遊集團股份有限公司) ("**Zhejiang Feiyang**"), an indirectly wholly-owned subsidiary of the Company, Ningbo Zhenhang Business Service Co., Ltd.* (寧波真航商務服務有限公司) (the "**Vendor**"), Zhejiang Feijiada, Hainan Zhenlv and the guarantors entered into an equity transfer agreement, pursuant to which Zhejiang Feiyang purchased from the Vendor, and the Vendor sold to the Purchaser, 60% equity interest in Zhejiang Feijiada at the consideration of RMB90.7 million, subject to the profit guarantee and undertaking by the Vendor, Zhejiang Feijiada and Hainan Zhenlv (the "**Acquisition**").

The business scope of Hainan Zhenlv includes the provision of travel consulting services, travel agencies and related services, ticketing agency services, air passenger ticketing agency services, information technology consulting services, hotel management, business information consulting, marketing and sales planning and wholesale of electronic and art crafts products.

Hainan Zhenlv has obtained resources of air tickets through a cooperation agreement with a state-owned travel agency in Sanya, Hainan for an underwriting project with a PRC airline operator, pursuant to which Hainan Zhenlv has been appointed the exclusive operator and sales agent of the air tickets issued by the PRC airline operator. In November 2022, Hainan Zhenlv entered into another cooperation agreement with the state-owned travel agency and other parties, pursuant to which Hainan Zhenlv has been appointed as the operator and agent for the sales of additional amount of air tickets issued by the same PRC airline operator. It is also expected that Hainan Zhenlv will continue to obtain additional air ticket supplies and airline charter resources from such project and other airline operators in the future and thus strengthen the Group's ability to procure upstream resources.

Having considered that the COVID-19 pandemic will eventually subside and the tourism industry is set to bounce back strongly and the potential enhancement of the Group's profitability and ability to procure upstream resources, the Directors consider that the Acquisition provides an excellent opportunity for the Group to expand its business scale with additional revenue stream.

For further details on the Acquisition, please refer to the announcements of the Company dated 10 October 2022 and 6 January 2023.

CONTINGENT LIABILITIES

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

SUBSEQUENT EVENTS

There is no significant event occurred after the end of the reporting period.

FUND RAISING ACTIVITIES

Rights Issue

On 2 March 2022, the Company proposed to implement a rights issue on the basis of one rights share for every three existing shares held on 25 March 2022 at a subscription price of HK$0.50 per rights share by issuing up to 200,000,000 ordinary shares (the "**Rights Issue**") to the qualifying shareholders, which were the shareholders of the Company, other than the excluded shareholders, whose name appear on the register of members of the Company as at the close of business on 25 March 2022. On the same date, the Company entered into an underwriting agreement (the "**Underwriting Agreement**") with Silverbricks Securities Company Limited (the "**Underwriter**"), pursuant to which the Underwriter agreed to underwrite, on a best effort basis, the subscription for up to 200,000,000 rights shares. The subscription price of HK$0.50 per rights share represents a discount of approximately 56.52% to the closing price of HK$1.15 per Share as quoted on the Stock Exchange on the date of the Underwriting Agreement.

As at 4:00 p.m. on Tuesday, 12 April 2022, being the latest time for acceptance of and payment for the rights shares and application and payment for excess rights shares, a total of eight valid acceptances and applications had been received for a total of 38,335,947 rights shares. Based on the result of acceptances and applications and pursuant to the terms of the Underwriting Agreement, the Underwriter procured subscribers (who, to the best of the Directors' knowledge, information and belief, are independent third parties) to subscribe for 161,664,053 rights shares. On 22 April 2022, the Company allotted and issued 200,000,000 rights shares, with an aggregate nominal value of HK$2,000,000, pursuant to the Rights Issue. The gross proceeds from the Rights Issue were approximately HK$100 million and the net proceeds from the Rights Issue (after deducting the relevant expenses) were approximately HK$95.9 million, and the net price per rights share was approximately HK$0.48.

The reasons for the Rights Issue were to enlarge the shareholder base and the capital base of the Company and to raise capital for the Group for (i) diversification into tourism-related businesses with growth potential; and (ii) continued reduction of debts and replenishment of working capital.

The planned use of proceeds as stated in the prospectus of the Company dated 28 March 2022, the actual use of proceeds during the Year and the unutilised amount as at 31 December 2022 are set out as below:

Intended use of proceeds stated in the prospectus	Planned use of proceeds as statedin the prospectus *HK$'000*	Percentage of net proceeds *HK$'000*	Actual use of proceeds during the Year *HK$'000*	Unutilised amount as at 31 December 2022 *HK$'000*	Expected timeline for utilising the unutilised proceeds
Repayment of trade payables and bank borrowings	48,000	50%	48,000	–	Fully utilised
Development of tourism-related businesses	38,400	40%	38,400	–	Fully utilised
General corporate and working capital	9,500	10%	9,500	–	Fully utilised
	95,900	100%	95,900	–	

For further details of the Rights Issue, please refer to the prospectus of the Company dated 28 March 2022 and the announcements of the Company dated 2 March 2022 and 21 April 2022.

USE OF PROCEEDS

The plan of use of proceeds from the global offering of the Company has been set out in the prospectus of the Company dated 18 June 2019 (the "**Prospectus**") and the announcement of the Company dated 29 March 2021. The analysis of the unutilised amount, the actual use of proceeds and the expected timeline for utilising the unutilised proceeds are set out as below:

Business objective	Planned use of proceeds as stated in the Prospectus *HK$'000*	Percentage of net proceeds *HK$'000*	Change of allocation of the unutilised net proceeds *HK$'000*	Unutilised amount as at 31 December 2021 *HK$'000*	Actual use of proceeds for the Year *HK$'000*	Unutilised amount as at 31 December 2022 *HK$'000*	Expected timeline utilising the for unutilised proceeds
Set up new retail branches and points sales and refurbish existing of retail branches	16,380	20%	(15,176)	**–**	**–**	**–**	Fully utilised
Increase deposits and prepayments to air ticket suppliers	28,665	35%	–	**–**	**–**	**–**	Fully utilised
Upgrade the information technology system	8,190	10%	–	**–**	**–**	**–**	Fully utilised
Increase marketing effort in traditional media	8,190	10%	–	**–**	**–**	**–**	Fully utilised
Repay part of the bank borrowings	12,285	15%	–	**–**	**–**	**–**	Fully utilised
Use as general working capital	8,190	10%	–	**–**	**–**	**–**	Fully utilised
Invest in the management and development of tourist attractions in the PRC	–	–	15,176	**13,223**	**10,384**	**2,839**	By 31 December 2023
	81,900	100%	–	**13,223**	**10,384**	**2,839**	

The unutilised proceeds as at 31 December 2022 have been deposited in licensed banks in Hong Kong and the PRC.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Group are committed to maintaining a high standard of corporate governance which is reviewed and strengthened from time to time. The Company's corporate governance practices are based on principles and code provisions as set out in the Corporate Governance Code (the "**CG Code**") and Corporate Governance Report contained in Appendix 14 to the Listing Rules. Except for the deviation from provision C.2.1 of the CG Code, the Company's corporate governance practices have complied with the CG Code for the year ended 31 December 2022.

Provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Mr. He is the chairman and the chief executive officer of the Company. Since Mr. He has been operating and managing Feiyang International, the main operating subsidiary of the Company since its establishment and due to his familiarity with the operations of the Group, the Board is of the view that it is in the best interest of the Group to have Mr. He taking up both roles for effective management and business development of the Group following the Listing and Mr. He will provide a strong and consistent leadership to the Group. This arrangement ensures a more effective and efficient overall strategic planning of the Group as this structure enables the Company to make and implement decisions promptly and effectively. Further, the Company has put in place an appropriate check-and-balance mechanism through the Board and three independent non-executive Directors. The independent non-executive Directors are able to retain independence of character and judgment and are able to express their views without any constraint. In addition, the Board also consists of five other executive Directors who are familiar with the day-to-day business of the Company. The Company will consult the Board for any major decisions. Therefore, the Board considers that the balance of power and authority of the present arrangement with the Board and the independent non-executive Directors will not be impaired because such arrangement would not result in excessive concentration of power in one individual which could adversely affect the interest of minority Shareholders. As such, the deviation from provision C.2.1 of the CG Code is appropriate in such circumstance. The Board will continue to review and consider splitting the roles of the chairman of the Board and the chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its own code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code for the year ended 31 December 2022.

AUDIT COMMITTEE

As at the date of this announcement, the Audit Committee has three members comprising three independent non-executive Directors, namely Ms. Zhao Caihong (Chairlady), Mr. Li Huamin and Mr. Yi Ling. None of them are members of the former or existing auditors of the Company. The Board considers that the Audit Committee has extensive commercial experience in business, financial and legal matters. The primary duties of the Audit Committee include, among other matters, to review and monitor financial reporting and the judgment contained therein; to review financial and internal controls, accounting policies and practices with management and external auditors; and to review the Company's compliance with the CG Code.

The Audit Committee has reviewed and discussed with the management the accounting principles and practices adopted by the Group and auditing, internal controls and financial reporting matters, and the Company's policies and practices on corporate governance. The Audit Committee has also reviewed and discussed with the management the audited consolidated financial statements of the Group for the year ended 31 December 2022.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

For the year ended 31 December 2022, neither the Company nor any of its subsidiaries or operating entities has purchased, sold or redeemed any of the Company's listed securities.

ANNUAL GENERAL MEETING

A notice convening the annual general meeting will be published and dispatched in the manner as required by the Listing Rules in due course. Information regarding the record date and book close date to determine the entitlement of the shareholders to attend and vote at the annual general meeting will be announced in due course.

SCOPE OF WORK OF CCTH CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Group's auditors, CCTH CPA Limited, to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 December 2022. The work performed by CCTH CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by CCTH CPA Limited on the preliminary announcement.

EXTRACT OF THE AUDITORS' REPORT

The following is an extract of the independent auditor's report on the Group's annual report for the year ended 31 December 2022:

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 3.1 to the consolidated financial statements that, the Group incurred net losses amounted to approximately RMB40,714,000 for the year ended 31 December 2022 and the Group's net current liabilities amounted to approximately RMB42,754,000 as at 31 December 2022. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. In light of all the measures and arrangements detailed in note 3.1 to the consolidated financial statements, the Directors are of the opinion that the Group will be able to finance its future working capital and financial requirements. Our opinion is not modified in respect of this matter.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the Company's website at www.iflying.com and the website of the Stock Exchange at www.hkexnews.hk. The annual report of the Company for the Year containing all the information required under the Listing Rules will be published on the aforesaid websites of the Company and the Stock Exchange and will be despatched to the Company's shareholders in due course.

APPRECIATION

The Group's continued success depends on all its staff's commitment, dedication and professionalism. The Board would like to thank every member of staff for their diligence and dedication and to express its sincere appreciation to the Group's shareholders, clients and suppliers for their continuous and valuable support.

By Order of the Board
Feiyang International Holdings Group Limited
He Binfeng
Chairman, executive director and chief executive officer

Ningbo, the PRC, 30 March 2023

* *For identification purpose only and should not be regarded as the official English translation of the Chinese names. In the event of any inconsistency, the Chinese name prevails.*

As at the date of this announcement, the Board comprises Mr. He Binfeng, Mr. Huang Yu, Mr. Wu Bin, Mr. Xiong Di and Ms. Chen Huiling as executive Directors; Mr. Shen Yang as non-executive Director; and Mr. Li Huamin, Mr. Yi Ling and Ms. Zhao Caihong as independent non-executive Directors.

Website: http://www.iflying.com