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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue	**105,960**	302,591
Gross profit	**28,706**	56,253
(Loss)/profit for the Period	**(16,986)**	1,233

- Revenue decreased by RMB196.6 million or 65.0% for the Period, due to the suspension of local group package tours operation, sales of "air ticketing and hotel booking" products and all outbound tours as a result of the outbreak of the coronavirus disease ("**COVID-19**").
- Gross profit decreased by RMB27.5 million or 49.0% for the Period as a result of the decrease in revenue.
- Net loss of RMB17.0 million was recorded for the Period.

The board (the "**Board**") of directors (the "**Directors**") of Feiyang International Holdings Group Limited (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2020 (the "**Period**"), together with the comparative figures for the corresponding period of 2019, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June	
		2020	2019
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	*5*	**105,960**	302,591
Cost of sales		**(77,254)**	(246,338)
Gross profit		**28,706**	56,253
Other income and gains	*5*	**3,515**	7,508
Selling and distribution expenses		**(8,381)**	(16,434)
Administrative expenses		**(16,098)**	(35,559)
Other expenses		**(22,501)**	(1,584)
Finance costs	*6*	**(6,812)**	(3,625)
(LOSS)/PROFIT BEFORE TAX	*7*	**(21,571)**	6,559
Income tax credit/(expense)	*8*	**4,585**	(5,326)
(LOSS)/PROFIT FOR THE PERIOD		**(16,986)**	1,233
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**143**	16
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**143**	16
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD		**(16,843)**	1,249

	Notes	Six months ended 30 June **2020** ***RMB'000*** **(Unaudited)**	 2019 *RMB'000* (Unaudited)
(LOSS)/PROFIT FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the parent		**(16,986)**	1,233
Non-controlling interests		**–**	–
		(16,986)	1,233
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the parent		**(16,843)**	1,249
Non-controlling interests		**–**	–
		(16,843)	1,249
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*9*		
Basic and diluted (RMB cents)		**(3.40)**	0.33

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 30 June 2020** ***RMB'000*** **(Unaudited)**	As at 31 December 2019 *RMB'000* (Unaudited)
NON-CURRENT ASSETS			
Investments in associates		**55,510**	–
Property, plant and equipment		**17,566**	19,225
Investment properties		**9,322**	9,322
Right-of-use assets		**24,584**	27,047
Intangible asset		**32**	37
Deposits		**927**	900
Pledged deposits		**7,428**	7,428
Deferred tax assets		**11,284**	2,566
Total non-current assets		**126,653**	66,525
CURRENT ASSETS			
Trade and notes receivables	*11*	**80,643**	165,914
Prepayments, deposits and other receivables		**274,416**	179,840
Due from related parties		**175**	171
Pledged deposits		**7,924**	14,604
Cash and cash equivalents		**63,084**	101,271
Total current assets		**426,242**	461,800
CURRENT LIABILITIES			
Trade payables	*12*	**30,791**	39,559
Advance from customers, other payables and accruals		**101,330**	72,290
Interest-bearing bank borrowings	*13*	**211,500**	189,725
Lease liabilities		**5,246**	4,686
Tax payable		**4,408**	4,339
Total current liabilities		**353,275**	310,599
NET CURRENT ASSETS		**72,967**	151,201
TOTAL ASSETS LESS CURRENT LIABILITIES		**199,620**	217,726
NON-CURRENT LIABILITIES			
Lease liabilities		**21,423**	22,686
Net assets		**178,197**	195,040
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*14*	**4,398**	4,398
Reserves		**173,799**	190,642
Total equity		**178,197**	195,040

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company is an exempted company which was incorporated in the Cayman Islands with limited liability on 18 October 2018. 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 Period, the Company's subsidiaries were principally involved in (i) the design, development and sales of outbound travel package tours; (ii) the design, development and sales of free independent traveller products ("**FIT Products**"); and (iii) the provision of other ancillary travel-related products and services. The ultimate controlling shareholder of the Group is Mr. He Binfeng ("**Mr. He**") and Ms. Qian Jie, the spouse of Mr. He (collectively, the "**Controlling Shareholders**").

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

2. BASIS OF PREPARATION AND PRESENTATION

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). These interim financial statements have been prepared under the historical cost convention, except for investment properties which have been measured at fair value. These interim financial statements are presented in Renminbi ("**RMB**"), and all values are rounded to the nearest thousand ("**RMB'000**") except when otherwise indicated.

The Group's unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2019. The accounting policies adopted in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("**HKFRSs**") for the first time for the current period's financial information.

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendments to HKFRS 16	*Covid-19-Related Rent Concessions (early adopted)*
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

The nature and the impact of the revised HKFRSs are described below:

(a) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

(c) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

    During the period ended 30 June 2020, certain monthly lease payments for the leases of the Group's office buildings have been reduced or waived by the lessors as a result of the COVID-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the COVID-19 pandemic during the period ended 30 June 2020.

Accordingly, a reduction in the lease payments arising from the rent concessions of RMB723,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the period ended 30 June 2020.

(d) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could 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 clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

4. OPERATING SEGMENT INFORMATION

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

Geographical information

All external revenue of the Group during the Period was mainly attributable to customers established in the PRC, the place of domicile of the Group's operating entities.

The Group's non-current assets are all located in the PRC.

Information about a major customer

No revenue from the Group's sales to a single customer amounted to 10% or more of the Group's revenue during the Period.

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 Period.

An analysis of revenue and other income is as follows:

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	**105,960**	302,591
Other income		
Bank interest income	**151**	265
Government grants	**2,019**	4,895
Rental income on properties	**300**	150
Value-added tax and other tax refund	**–**	1,693
Others	**1,045**	505
	3,515	7,508

Note:

(a) Disaggregation of revenue from contracts with customers

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Type of products and service		
Sales of package tours		
— Domestic	**8,988**	69,172
— Outbound	**33,528**	202,874
	42,516	272,046
Margin income from sales of FIT Products	**19,703**	26,273
Gross revenue from the sales of FIT products	**43,227**	–
Sales of ancillary travel related products and services	**514**	4,272
Total	**105,960**	302,591

6. FINANCE COSTS

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank loans	**6,172**	2,935
Interest on lease liabilities	**640**	690
	6,812	3,625

7. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of services provided	**77,254**	246,338
Depreciation of property, plant and equipment	**1,669**	1,534
Depreciation of right-of-use assets	**2,923**	2,539
Impairment of trade and notes receivables, net	**9,540**	1,009
Impairment of prepayments, deposits and other receivables	**12,700**	–
Amortisation of intangible asset	**5**	5
Staff cost	**15,411**	24,651
Listing expenses	**–**	19,076

8. INCOME TAX CREDIT/(EXPENSE)

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which 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 or British Virgin Islands.

The statutory tax rate for the subsidiary in Hong Kong is 16.5%. No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the Period.

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

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

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current — PRC	**(4,133)**	(4,414)
Deferred	**8,718**	(912)
Total tax credit/(charge) for the Period	**4,585**	(5,326)

9. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic (loss)/earnings per share amount is/are based on the (loss)/profit for the Period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the Period.

The basic (loss)/earnings per share is/are calculated as follows:

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
(Loss)/profit attributable to equity holders of the Company (RMB'000)	**(16,986)**	1,233
Weighted average number of ordinary shares in issue ('000)	**500,000**	377,072
Basic (loss)/earnings per share (RMB cents)	**(3.40)**	0.33

The number of ordinary shares used to calculate the basic (loss)/earnings per share has been determined on the assumption that the capitalisation issue which took place in relation to the Listing had been effective from 1 January 2019.

Diluted (loss)/earnings per share is/are the same as the basic (loss)/earnings per share as there were no potential dilutive ordinary shares outstanding during the six months ended 30 June 2019 and 2020.

10. INTERIM DIVIDEND

The Board did not declare the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

11. TRADE AND NOTES RECEIVABLES

	As at 30 June 2020 *RMB'000* **(Unaudited)**	As at 31 December 2019 *RMB'000* (Audited)
Trade receivables	**96,494**	172,557
Notes receivables	**332**	–
Less: Allowance for impairment	**(16,183)**	(6,643)
	80,643	165,914

The credit terms granted by the Group generally range 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, which 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 gross trade receivables as at the end of each of the period, based on the transaction date, is as follows:

	As at 30 June 2020 *RMB'000* **(Unaudited)**	As at 31 December 2019 *RMB'000* (Unaudited)
1 to 60 days	**9,986**	138,187
61 to 180 days	**34,612**	17,925
181 to 360 days	**37,562**	12,834
1 to 2 years	**12,249**	2,489
Over 2 years	**2,085**	1,122
	96,494	172,557

As at 30 June 2020, none (31 December 2019: RMB15,330,000) of the Group's trade receivables were pledged to secure bank loans facilities granted to the Group's (note 13(a)(ii)).

12. TRADE PAYABLES

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

	As at 30 June 2020 *RMB'000* **(Unaudited)**	As at 31 December 2019 *RMB'000* (Unaudited)
1 to 60 days	**15,028**	35,941
61 to 180 days	**12,372**	2,084
181 to 360 days	**2,717**	811
Over 1 year	**674**	723
	30,791	39,559

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

13. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate *(%)*	**Maturity**	**As at 30 June 2020** *RMB'000* **(Unaudited)**	As at 31 December 2019 *RMB'000* (Unaudited)
Current				
Bank loans — secured	0.00–5.76	2020	**130,500**	151,725
Bank loans — secured	5.20–5.66	2021	**39,000**	–
Bank loans — unsecured	4.05–5.655	2020	**32,000**	38,000
Bank loans — unsecured	5.22	2021	**10,000**	–
			211,500	189,725

	As at 30 June 2020 *RMB'000* **(Unaudited)**	As at 31 December 2019 *RMB'000* (Unaudited)
Analysed into:		
Bank loans repayable		
— within one year or on demand	**211,500**	189,725

Notes:

(a) The Group's bank borrowings are secured by:

(i) mortgages over the Group's investment properties situated in the PRC, which had an aggregate net carrying value of RMB9,322,000 as at 31 December 2019 and 30 June 2020, respectively; and

(ii) the pledge of certain of the Group's trade receivables amounting to RMB15,330,000 and nil as at 31 December 2019 and 30 June 2020, respectively.

(b) Mr. He, Ms. Qian Jie, Mr. Zhang Dayi, and Ms. Zhang Xiaoshan, have jointly guaranteed certain of the Group's bank loans of up to RMB99,950,000 as at 30 June 2020 (as at 31 December 2019: nil). The guarantees are conducted on normal commercial terms and are not secured by the Group's assets.

(c) All borrowings are denominated in RMB.

14. SHARE CAPITAL

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Authorised:		
10,000,000,000 (As at 31 December 2019: 10,000,000,000) ordinary shares of HK$0.01 each	**HK$100,000,000**	HK$100,000,000
Issued and fully paid:		
500,000,000 (As at 31 December 2019: 500,000,000) ordinary shares of HK$0.01 each	**RMB4,398,000**	RMB4,398,000

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 FIT Products which mainly include provision of air tickets and/or hotel accommodation; and (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.

In the first half of 2020, the unexpected outbreak of the COVID-19 brought unprecedented impact to the world economy. The Group's business operations have been heavily disrupted by the travel restrictions imposed by nations of its own and across the world. As disclosed in the announcement dated 3 February 2020, pursuant to the notices issued by the General Office of the Ministry of Culture and Tourism (文化和旅遊部辦公廳) dated 24 January 2020 and the Ningbo City Culture, Radio, Television and Tourism Bureau (寧波市文化廣電旅遊局) dated 26 January 2020, the Group suspended its local group packaged tours operation and suspended the sales of "air ticketing and hotel booking" products within the PRC as at 24 January 2020 and all outbound tours as at 26 January 2020. As a result, the Group's revenue decreased by RMB196.6 million from RMB302.6 million for the six months ended 30 June 2019 to RMB106.0 million for the Period and the Group recorded a loss of RMB17.0 million for the Period.

On 14 July 2020, the General Office of the Ministry of Culture and Tourism (文化和旅遊部辦公廳) issued the Notice on Matters Relating to the Promotion of Expanding the Resumption of Business Operations of Tourism Enterprises (關於推進旅遊企業擴大復工復業有關事項的通知), pursuant to which certain operations of tourism enterprises, including cross-provincial package tours and sales of "air ticketing and hotel booking" in the PRC (except for high- and medium-risk areas), are allowed to be carried out, whilst all outbound tours continue to be suspended. As a result, the Group has partially resumed its local package tours operation and sales of "air ticketing and hotel booking" products.

As disclosed in the announcement of the Company dated 11 August 2020, the Group has adjusted its business strategies and adopted cost-saving measures to mitigate the financial impact of COVID-19, including but not limited to (i) streamlining work flows and eliminating non-value added positions or activities; (ii) reducing advertising and promotion expenses; and (iii) actively managing its working capital to ensure that it remains in a healthy liquidity position. In addition, the Group has encouraged employees to take no-pay leave, obtained rent concession on certain office premises from landlords and applied for tax allowances and government grants in relation to COVID-19.

PROSPECTS

The development of the COVID-19 pandemic remains uncertain as and when it could be controlled. The Board expects that the tourism industry as well as the Group's financial performance in the second half of 2020 will continue to be adversely affected by the pandemic. Facing this challenging and tough period ahead, the Group will continue to adopt cost-saving measures and diversify its income stream.

The Group has been taking initiatives to diversify the business of the Group with an objective to broaden its income stream. The Board believes the demand for domestic travel remains one of the key drivers for the tourism industry as supported by the government's effort to boost domestic travel. In June 2020, the Group and Ningbo Zhongcheng Business Management Co., Ltd.* (寧波中程商業管理有限公司) and Ningbo Tiantuo Material Co., Ltd* (寧波天拓物資有限公司) (the "**JV Partners**") set up Ningbo Yinjiang Feiyang Cultural Tourism Development Co., Ltd.* (寧波鄞江飛揚文旅開發有限公司) (the "**JV Company**"), which is principally engaged in the management and development of tourist attractions in the PRC. The Board believes that the establishment of the JV Company will provide more business opportunities to the Group by generating stable income from tourist attractions in the PRC.

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 periods indicated:

	Six months ended 30 June			
	2020		2019	
	Revenue *RMB'000* **(Unaudited)**	**Percentage of revenue** *%*	Revenue *RMB'000* (Unaudited)	Percentage of revenue *%*
Sales of air tickets and hotel accommodations	**43,227**	**40.8**	–	–
Sales of package tours	**42,516**	**40.1**	272,046	89.9
Margin income from sales of FIT Products	**19,703**	**18.6**	26,273	8.7
Sales of ancillary travel-related products and services	**514**	**0.5**	4,272	1.4
Total	**105,960**	**100.0**	302,591	100.0

The Group generated revenue from: (i) sales of air tickets and hotel accommodation; (ii) sales of package tours; (iii) margin income from sales of FIT Products; and (iv) sales of ancillary travel-related products and services. The Group's customers primarily comprised retail customers, and corporate and institutional customers. The revenue of the Group decreased by RMB196.6 million from RMB302.6 million for the six months ended 30 June 2019 to RMB106.0 million for the Period, which was mainly due to the temporary suspension of the Group's operations as a result of the outbreak of COVID-19.

Sales of air tickets and hotel accommodations

Sales of air tickets and hotel accommodations represented the sales of air tickets and hotel accommodations to customers which were recorded on a gross basis. Gross sales of air tickets and hotel accommodations amounted to RMB43.2 million for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

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. The decrease in sales of package tours was mainly due to the suspension of the Group's operation on package tours as a result of the outbreak of COVID-19.

Package tours by type

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

	Six months ended 30 June			
	2020		2019	
	Revenue	**Percentage of revenue**	Revenue	Percentage of revenue
	RMB'000	***%***	*RMB'000*	*%*
	(Unaudited)		(Unaudited)	
Traditional package tours	**33,663**	**79.2**	204,279	75.1
Tailor-made tours	**8,853**	**20.8**	67,767	24.9
Total	**42,516**	**100.0**	272,046	100.0

The sales of traditional package tours and tailor-made tours contributed 79.2% and 20.8% (six months ended 30 June 2019: 75.1% and 24.9%) of our total sales of package tours for the Period, respectively. Our sales of package tours decreased by RMB229.5 million or 84.4% from RMB272.0 million for the six months ended 30 June 2019 to RMB42.5 million for the Period, which was mainly due to the suspension of the Group's operation on package tours as a result of the outbreak of COVID-19.

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

Our 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 periods indicated:

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Air tickets		
Gross sales proceeds	**205,231**	1,756,560
Cost of air tickets	**(187,773)**	(1,747,481)
Revenue from sales of air tickets	**17,458**	9,079
Incentive commission	**2,008**	16,043
Margin income from sales of air tickets	**19,466**	25,122
Others		
Margin income from sales of other FIT Products	**237**	1,151
Total	**19,703**	26,273

The Group's total margin income from sales of FIT Products decreased by RMB6.6 million or 25.1% from RMB26.3 million for the six months ended 30 June 2019 to RMB19.7 million for the Period, which was mainly due to the decrease in number of air tickets sold and the incentive commission received from airline operators, GDS service providers and ticketing agents as the sales of FIT Products were temporarily suspended as a result of the outbreak of COVID-19. Our gross sales proceeds from sales of air tickets decreased significantly by RMB1,551.4 million or 88.3%, from RMB1,756.6 million for the six months ended 30 June 2019 to RMB205.2 million for the Period.

Sales of ancillary travel-related products and services

The Group also offered other ancillary travel-related products and services to the customers. The sales of ancillary travel-related products and services decreased by RMB3.8 million or 88.3% from RMB4.3 million for the six months ended 30 June 2019 to RMB0.5 million for the Period as a result of the suspension of business due to the outbreak of COVID-19.

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 RMB169.0 million or 68.6% from RMB246.3 million for the six months ended 30 June 2019 to RMB77.3 million for the Period. Such decrease was in line with the decrease in the Group's total revenue.

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 periods indicated:

	Six months ended 30 June			
	2020		2019	
	Gross profit *RMB'000* **(Unaudited)**	**Gross profit margin** *%*	Gross profit *RMB'000* (Unaudited)	Gross profit margin *%*
Sales of air tickets and hotel accommodations	**8,076**	**18.7**	–	–
Package tours				
— Traditional	**3,401**	**10.1**	24,923	12.2
— Tailor-made	**467**	**5.3**	7,830	11.6
	3,868	**9.1**	32,753	12.0
FIT Products	**16,276**	**82.6**	20,349	77.5
Ancillary travel-related products and services	**486**	**94.6**	3,151	73.8
Total	**28,706**	**27.1**	56,253	18.6

The Group recorded gross profit of RMB56.3 million and RMB28.7 million, representing gross profit margin of 18.6% and 27.1% for the six months ended 30 June 2019 and 2020, respectively. The decrease in the overall gross profit was in line with the decrease in revenue.

The Group's gross profit margin increased from 18.6% for the six months ended 30 June 2019 to 27.1% for the Period, which was due to the increase in the proportion of overall revenue generated from FIT Products from 8.7% for the six months ended 30 June 2019 to 18.6% for the Period as revenue for FIT Products are recognised on a net basis.

Other income and gains

Other income and gains mainly represented government grants and tax refund. The amount decreased from RMB7.5 million for the six months ended 30 June 2019 to RMB3.5 million for the Period as there was no tax refund received by the Group during the Period (six months ended 30 June 2019: RMB1.7 million) and there was a decrease in government grants received by RMB2.9 million as government grants were subject to the discretion of the government. The government grants are non-recurring, with no unfulfilled conditions of contingencies.

Selling and distribution expenses

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

The Group's selling and distribution expenses decreased by RMB8.0 million or 48.8% from RMB16.4 million for the six months ended 30 June 2019 to RMB8.4 million for the Period mainly attributable to (i) the decrease in staff costs by RMB6.8 million as a result of the headcount reduction due to the temporary suspension of business operations; and (ii) the decrease in advertising and marketing expenses by RMB0.7 million as travelling activities were suspended during the Period.

Administrative expenses

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

Administrative expenses decreased by RMB19.5 million or 54.7% during the Period as no listing expenses were incurred during the Period (six months ended 30 June 2019: RMB19.1 million).

Other expenses

The Group's other expenses increased by RMB20.9 million from RMB1.6 million for the six months ended 30 June 2019 to RMB22.5 million for the Period, which was mainly due to the provisions made for impairment of trade and notes receivables and prepayments, deposits and other receivables.

Finance costs

The Group's finance costs represented interest expenses on bank borrowings and lease liabilities. The increase in interest expenses was mainly due to the increase in bank borrowings during the Period.

Income tax credit/(expense)

Income tax expenses amounted to RMB5.3 million for the six months ended 30 June 2019, and income tax credit amounted to RMB4.6 million for the Period. The income tax credit for the Period was mainly due to the recognition of deferred tax assets in relation to the tax loss.

(Loss)/profit for the Period attributable to the owners of the Company

As a result of the foregoing, profit for the period attributable to the owners of the Company was RMB1.2 million for the six months ended 30 June 2019 and the loss for the period attributable to the owners of the Company was RMB17.0 million for the Period.

LIQUIDITY AND FINANCIAL REVIEW

As at 30 June 2020, the Group's current assets and current liabilities were RMB426.2 million and RMB353.3 million (as at 31 December 2019: RMB461.8 million and RMB310.6 million), respectively, of which the Group maintained cash and bank balances of RMB63.1 million (as at 31 December 2019: RMB101.3 million) and pledged short-term deposits of RMB7.9 million (as at 31 December 2019: RMB14.6 million). The Group's outstanding borrowings as at 30 June 2020 represented interest-bearing bank borrowings of RMB211.5 million (as at 31 December 2019: RMB189.7 million). Accordingly, the Group's gearing ratio as at 30 June 2020, which was calculated on the basis of outstanding borrowings as a percentage of equity attributable to equity holders of the Company, was 118.7% (as at 31 December 2019: 97.3%). The increase in gearing ratio was mainly attributable to the loss for the Period.

The average turnover days of trade receivables were 73.7 days and 210.6 days for the six months ended 30 June 2019 and 2020, respectively. The increase in average turnover days of trade receivables during the Period was mainly due to the temporary suspensions of certain of our customers' business operations in relation to the COVID-19 outbreak and the delay in settlement of the receivable balance.

As at 30 June 2020, the Company had 500,000,000 Shares in issue. The Group adopts conservative treasury policies in cash and financial management. Cash is generally placed in current deposits mostly denominated in RMB and Hong Kong dollars. The Group's liquidity and financing requirements are reviewed regularly.

During the Period, the Group's primary source of funding included its own working capital, the net proceeds from the Listing and the banking facilities provided by the Group's banks in the PRC. The Directors believe that the Group's current cash and bank balances, together with the banking facilities available and the expected cash flow from operations, will be sufficient to satisfy its current operational and working capital requirements.

CAPITAL STRUCTURE

The Shares have been listed on the Main Board of the Stock Exchange since 28 June 2019. There is no material change in the capital structure of the Company during the Period. 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 our total cost of air tickets as a whole. During the Period, the Group had not entered into any hedging transactions to reduce the exposure to foreign exchange risk, which the Directors consider not material to our 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 30 June 2020 and 31 December 2019, the Group's bank loan facilities were secured by:

(i) mortgages over the Group's investment properties situated in the PRC, which had an aggregate net carrying value of RMB9.3 million as at 30 June 2020 and 31 December 2019; and

(ii) the pledge of certain of the Group's trade receivables amounting to nil and RMB15.3 million as at 30 June 2020 and 31 December 2019, respectively.

INTERIM DIVIDEND

The Board did not declare the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

MATERIAL ACQUISITION AND DISPOSAL

On 18 June 2020, Ningbo Feiyang Lianchuang Cultural Tourism Development Co., Ltd* (寧波飛揚聯創文旅發展有限公司) ("**Ningbo Feiyang Lianchuang**"), an indirect wholly-owned subsidiary of the Company, and the JV Partners entered into an investment cooperation agreement in relation to the formation of the JV Company. The JV Company is principally engaged in the management and development of tourist attractions in the PRC.

The JV Company is owned as to 19% by Ningbo Feiyang Lianchuang and 81% by the JV Partners. As the JV Company is not a subsidiary of the Company, the financial statements of the JV Company have not been consolidated into the financial statements of the Group and the investment was recognised as investments in associates in the Group's financial statements.

For further details of the formation of the JV Company, please refer to the announcement of the Company dated 18 June 2020.

Save as disclosed above, there were no other material acquisition and disposal by the Company during the Period.

CONTINGENT LIABILITIES

As at 30 June 2020 and 31 December 2019, the Group did not have any significant contingent liabilities.

USE OF PROCEEDS

The net proceeds from the Listing after deduction of the underwriting fees, commissions and expenses payable by the Group are approximately RMB72.1 million (approximately HK$81.9 million). Up to 30 June 2020, the Group had utilised HK$0.4 million to set up new retail branches and points of sales and refurbish existing retail branches, HK$28.7 million to pay deposits/prepayment for the procurement of air tickets, HK$0.9 million to upgrade the information technology system, HK$1.7 million to increase marketing effort in traditional media, HK$12.3 million to repay the bank borrowing and HK$8.2 million to use for general working capital, respectively.

The unutilised proceeds will be used based on the strategies as disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus. However, the Board expects that the timeline of use of proceeds will be delayed due to the outbreak of COVID-19. The unutilised proceeds have been deposited in licensed banks in Hong Kong and the PRC as at 30 June 2020.

SHARE OPTION SCHEME

The Company has a share option scheme (the "**Share Option Scheme**") which was approved and adopted by the shareholders of the Company by way of written resolutions passed on 11 June 2019, the details of which are set out in the Prospectus. No share option has been granted under the Share Option Scheme since its adoption.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2020, the total number of employees of the Group was 401 (31 December 2019: 539). Staff costs (including Directors' emoluments) amounted to RMB15.4 million for the Period (six months ended 30 June 2019: RMB24.7 million). Remuneration of the employees includes salary and discretionary bonuses based on the Group's results and individual performance. Retirement benefits schemes and inhouse training programmes are made available to all levels of personnel.

AUDIT COMMITTEE

As at the date of this announcement, the audit committee of the Company (the "**Audit Committee**") has three members comprising three independent non-executive Directors, namely Ms. Li Chengai (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 Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules.

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 unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2020.

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 CG Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules. Except for the deviation from provision A.2.1 of the CG Code, our Company's corporate governance practices have complied with the CG Code during the Period.

Provision A.2.1 of the CG Code stipulates that the role 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 Zhejiang Feiyang International Travel Group Co., Ltd.* (浙江飛揚國際旅遊集團股份有限公司), 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 A.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 during the Period.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

SUBSEQUENT EVENT

Save as disclosed in this announcement, the Group had no significant events occurred subsequent to the end of the Period.

FORWARD LOOKING STATEMENTS

This announcement contains forward looking statements with respect to the financial conditions, results of operations and business of the Group. These forward looking statements represent the Company's expectations or beliefs concerning future events and involve known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed or implied in such statements.

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 our 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, 25 August 2020

* *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. Zhang Qinghai, Mr. Huang Yu, Mr. Wu Bin, Mr. Li Da and Mr. Chen Xiaodong as executive directors; and Mr. Li Huamin, Mr. Yi Ling and Ms. Li Chengai as independent non-executive directors.

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