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 2022

FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue	**6,966**	36,619
Gross profit	**2,719**	4,009
Loss for the Period	**(20,031)**	(76,203)

- Revenue decreased by RMB29.7 million or 81.0% 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 COVID-19.

- Gross profit decreased by RMB1.3 million or 32.2% for the Period as a result of the decrease in revenue.

- Net loss of RMB20.0 million was recorded for the Period.

The board (the "**Board**") of directors (the "**Directors**") of Feiyang International Holdings Group Limited (the "**Company**") announces the unaudited consolidated interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2022 (the "**Period**"), together with the comparative figures for the corresponding period of 2021, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June	
		2022	2021
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	*5*	**6,966**	36,619
Cost of sales		**(4,247)**	(32,610)
Gross profit		**2,719**	4,009
Other income and gains	*5*	**978**	1,996
Selling and distribution expenses		**(4,389)**	(6,329)
Administrative expenses		**(10,988)**	(8,004)
Reversal of/(provision for) impairment on financial assets, net		**1,392**	(53,743)
Other expenses		**(3,576)**	(181)
Share of losses of associates		**(504)**	(436)
Interest expenses	*6*	**(5,663)**	(5,444)
LOSS BEFORE TAX	*7*	**(20,031)**	(68,132)
Income tax expense	*8*	**–**	(8,071)
LOSS FOR THE PERIOD		**(20,031)**	(76,203)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements		**4,733**	(550)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		**4,733**	(550)

		Six months ended 30 June	
		2022	2021
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(15,298)**	(76,753)
LOSS FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the parent		**(19,527)**	(76,203)
Non-controlling interests		**(504)**	–
		(20,031)	(76,203)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the parent		**(14,965)**	(76,753)
Non-controlling interests		**(333)**	–
		(15,298)	(76,753)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted (RMB cents)	*9*	**(2.88)**	(15.24)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 30 June 2022** *RMB'000* **(Unaudited)**	As at 31 December 2021 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*11*	**39,175**	14,249
Investment properties		**6,255**	6,255
Right-of-use assets		**19,686**	16,021
Intangible asset		**13**	18
Prepayment for property, plant and equipment		**8,672**	6,541
Investments in associates		**57,000**	57,504
Deposits		**500**	500
Deferred tax assets		**8,532**	8,532
Total non-current assets		**139,833**	109,620
CURRENT ASSETS			
Trade receivables	*12*	**8,495**	13,047
Prepayments, deposits and other receivables		**155,370**	122,296
Inventories		**476**	–
Due from related parties		**1,248**	2,073
Financial assets at fair value through profit or loss		**15,458**	13,174
Pledged deposits		**4,251**	4,079
Cash and cash equivalents		**49,606**	43,092
Total current assets		**234,904**	197,761
CURRENT LIABILITIES			
Trade payables	*13*	**6,683**	12,136
Advance from customers, other payables and accruals		**47,315**	45,037
Interest-bearing bank and other borrowings	*14*	**199,913**	201,286
Lease liabilities		**7,630**	3,403
Tax payable		**4,381**	4,381
Due to a related party		**100**	–
Total current liabilities		**266,022**	266,243
NET CURRENT LIABILITIES		**(31,118)**	(68,482)
TOTAL ASSETS LESS CURRENT LIABILITIES		**108,715**	41,138
NON-CURRENT LIABILITIES			
Lease liabilities		**15,713**	14,543
Interest-bearing bank and other borrowings		**–**	2,436
Total non-current liabilities		**15,713**	16,979
Net assets		**93,002**	24,159
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*15*	**6,850**	5,216
Reserves		**81,620**	18,943
		88,470	24,159
Non-controlling interest		**4,532**	–
Total equity		**93,002**	24,159

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**"); (iii) the provision of other ancillary travel-related products and services; (iv) the provision of information system development services; and (v) sales of cultural and creative collectibles. In the opinion of the directors of the Company, the ultimate controlling shareholders of the Company and its subsidiaries (together, the "**Group**") are Mr. He Binfeng and Ms. Qian Jie, the spouse of Mr. He (collectively, the "**Controlling Shareholders**").

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

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 of Hong Kong Limited (the "**Listing Rules**"). These interim financial statements have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss and 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 2021. The accounting policies adopted in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2021.

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 financial statements for the year ended 31 December 2021, 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	*Reference to the Conceptual Framework*
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*
Annual Improvements to HKFRSs 2018–2020	*Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41*

The Group has assessed the impact of the adoption of these amendments and concluded that these amendments did not have any significant financial impact on the financial position and performance of the Group.

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 and gains is as follows:

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	**6,966**	36,619
Other income and gains		
Bank interest income	**103**	82
Government grants	**148**	1,308
Rental income on properties	**194**	110
Others	**533**	496
	978	1,996

Note:

(a) Disaggregation of revenue from contracts with external customers

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Type of products and service		
Sales of cultural and creative collectibles	**2,672**	–
Sales of package tours		
— Domestic	**2,521**	33,796
Information system development services	**900**	594
Margin income from sales of FIT Products	**622**	1,887
Sales of ancillary travel related products and services	**251**	342
Total	**6,966**	36,619

6. INTEREST EXPENSES

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank loans and other loans	**5,180**	4,880
Interest on lease liabilities	**483**	564
	5,663	5,444

7. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of services provided	**3,565**	32,610
Cost of inventories sold	**682**	–
Depreciation of property, plant and equipment	**2,395**	1,709
Depreciation of right-of-use assets	**2,124**	2,157
Impairment of trade and notes receivables, net	**3,349**	7,103
(Reversal)/impairment of financial assets included in prepayments, deposits and other receivables	**(4,741)**	46,640
Amortisation of intangible asset	**5**	5
Staff cost	**6,905**	8,067

8. INCOME TAX 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.

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% 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 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	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current — Mainland China	**–**	28
Deferred	**–**	8,043
Total tax charge for the Period	**–**	8,071

9. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic loss per share amount is based on the loss 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 per share is calculated as follows:

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
Loss attributable to equity holders of the Company (RMB'000)	**19,527**	76,203
Weighted average number of ordinary shares in issue ('000)	**677,348**	500,000
Basic loss per share (RMB cents)	**2.88**	15.24

Diluted loss per share is/are the same as the basic loss per share as there were no potential dilutive ordinary shares outstanding during the six months ended 30 June 2022 and 2021.

10. INTERIM DIVIDEND

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

11. PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group acquired and disposed property, plant and equipment of approximately RMB27,354,000 and nil, respectively (six months ended 30 June 2021: nil and RMB204,000).

12. TRADE RECEIVABLES

	As at 30 June 2022 *RMB'000* **(Unaudited)**	As at 31 December 2021 *RMB'000* (Audited)
Trade receivables	**81,661**	82,864
Less: Impairment	**(73,166)**	(69,817)
	8,495	13,047

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 2022 *RMB'000* **(Unaudited)**	As at 31 December 2021 *RMB'000* (Audited)
1 to 60 days	**5,545**	6,312
61 to 180 days	**869**	1,502
181 to 360 days	**1,595**	7,052
1 to 2 years	**19,129**	22,779
Over 2 years	**54,523**	45,219
	81,661	82,864

13. 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 2022 *RMB'000* **(Unaudited)**	As at 31 December 2021 *RMB'000* (Audited)
1 to 60 days	**1,826**	4,197
61 to 180 days	**210**	3,770
181 to 360 days	**855**	281
Over 1 year	**3,792**	3,888
	6,683	12,136

The 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**	**As at 30 June 2022** *RMB'000* **(Unaudited)**	As at 31 December 2021 *RMB'000* (Audited)
Current				
Bank loans — secured	3.85–5.655	2022	**198,967**	181,204
Loan from a financial institution — unsecured	12.5	On demand	**946**	–
Bank loans — unsecured	5.655	2022	**–**	18,028
A loan from an employee	5.60	2022	**–**	2,054
			199,913	201,286
Non-current				
A loan from an employee	5.60	2023–2024	**–**	2,436
			199,913	203,722

Notes:

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

(i) mortgages over the Group's investment properties situated in Mainland China, which had an aggregate net carrying value of RMB6,255,000 and RMB6,255,000 as at 31 December 2021 and 30 June 2022, respectively; and

(ii) the pledge of certain of the Group's trade receivables amounting to RMB800,000 and RMB793,000 as at 31 December 2021 and 30 June 2022, respectively.

(b) During the Period, the Controlling Shareholders have jointly guaranteed certain of the Group's banking facilities of up to RMB185,967,000 (2021: RMB236,000,000).

(c) Mr. Zhang Dayi, and Ms. Zhang Xiaoshan, the spouse of Mr. Zhang Dayi, have jointly guaranteed certain of the Group's banking facilities of up to RMB46,000,000 as at 30 June 2022 (31 December 2021: RMB46,000,000).

(d) A loan from an employee is unsecured, bears interest at a rate of 5.60% per annum and the loan has been early repaid on 30 June 2022.

(e) All loans are denominated in RMB.

15. SHARE CAPITAL

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Authorised:		
10,000,000,000 (As at 31 December 2021: 10,000,000,000) ordinary shares of HK$0.01 each	**HK$100,000,000**	HK$100,000,000
Issued and fully paid:		
800,000,000 (As at 31 December 2021: 600,000,000) ordinary shares of HK$0.01 each	**RMB6,850,000**	RMB5,216,000

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

	Number of shares in issue *(in thousand)*	**Issued capital** *RMB'000*	**Share premium** *RMB'000*
Issued and fully paid:			
At 1 January 2022	600,000	5,216	152,318
Issuance of shares upon Rights Issue *(note (a))*	200,000	1,634	77,642
At 30 June 2022	800,000	6,850	229,960

Note:

(a) 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) the provision of information system development services; and (v) sales of cultural and creative collectibles.

The unexpected outbreak of the COVID-19 has 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 since 2020. 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) which is still in effect up to the date of this announcement, 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.

During the Period, the Group has been taking initiatives to diversify its business with an objective to broaden its income stream and expand into targeting segments. Apart from striving to restore its existing travel services and air ticketing agency businesses, the Group has been actively exploring the business of development and operation of cultural and tourist attractions, leveraging on its expertise and operational experience in the tourism market. Meanwhile, leveraging the capacities of our technology team, the Group enhanced the application of digital information technology and taking external orders and expected to increase efforts on market development for the digital information application business.

In addition, 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) through a combination of "digital + physical" models. The first original IP collectible, "A Rabbit Traveling Across the World" (穿越世界的旅行兔) was launched in May 2022.

Furthermore, in order to diversify the Group's business and mitigate the impact of COVID-19, the Group has been exploring new business opportunities including the sales of nutritional products such as nicotinamide mononucleotide ("**NMN**") longevity supplements and related products. With the increase of elderly population, the demand for anti-aging health products has increased, and the Board believes that the sales of nutritional products will bring an additional stable sales channel and revenue stream to the Group in the future.

The Group recorded a net loss of RMB20.0 million and RMB76.2 million for the Period and for the six months ended 30 June 2021 (the "**Previous Period**") respectively, the decrease was mainly attributable to the reversal of impairment loss on financial assets of RMB1.4 million (Previous Period: provision of RMB53.7 million) after the assessment of the credit risk on financial assets faced by the Group at the end of the reporting period.

PROSPECTS

Following the Metaverse strategic arrangement initiated by the Group in the second half of 2021, the Group continues 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 launched the "Digital Cultural and Creative Collectibles Platform" in the PRC market based on the Metaverse applications, with a particular emphasis 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.

Based on the innovative exploration of the cultural and creative collectibles platform, "Feiyang Metaverse" will in the near future also provide enterprises with a "Metaverse New Retail" SaaS platform and a "Metaverse New Media" creative platform through integrating with the "Digital Human" technology and apply digital and physical contents of Feiyang's cultural and creative collectibles to the "Metaverse Travel" scenarios currently developed by the Group.

The Board believes that, given the continuing impact of the COVID-19 pandemic on the Group's existing primary tourism business, the Group's technology team constantly strives to develop 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 COVID-19 pandemic continues to strongly affect China's tourism industry. The tourism situation has become more severe recently as the Omicron variant has spread. According to data from Ministry of Culture and Tourism, the number of trips declined to 1.45 billion in the first half of 2022 from 1.87 billion a year earlier. Thanks to government's strict prevention and control measures and its experience containing the pandemic, the Group holds a prudent but positive attitude toward the market's development in the future. The Board believes that the pandemic will eventually subside and the tourism industry is set to bounce back strongly.

The evolving pandemic will remain the biggest uncertainty that the tourism industry will face in 2022, and 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			
	2022		2021	
	Revenue *RMB'000* **(Unaudited)**	**Percentage of revenue** *%*	Revenue *RMB'000* (Unaudited)	Percentage of revenue *%*
Sales of cultural and creative collectibles	**2,672**	**38.4**	–	–
Sales of package tours	**2,521**	**36.2**	33,796	92.3
Information system development services	**900**	**12.9**	594	1.6
Margin income from sales of FIT Products	**622**	**8.9**	1,887	5.2
Sales of ancillary travel-related products and services	**251**	**3.6**	342	0.9
Total	**6,966**	**100.0**	36,619	100.0

The Group generated revenue from: (i) sales of package tours; (ii) margin income from sales of FIT Products; (iii) provision of information system development services; (iv) sales of ancillary travel-related products and services; and (v) sales of cultural and creative collectibles. The Group's customers primarily comprised retail customers, and corporate and institutional customers. The revenue of the Group decreased by RMB29.7 million from RMB36.6 million for the Previous Period to RMB7.0 million for the Period, which was mainly due to the temporary suspension of the Group's certain operations and the continued suspension of all outbound tours as a result of the outbreak of COVID-19.

Sales of cultural and creative collectibles

During the Period, 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) through a combination of "digital + physical" models in the PRC. Revenue from sales of cultural and creative collectibles amounted to RMB2.7 million for the Period (Previous Period: 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.

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			
	2022		2021	
	Revenue	**Percentage of revenue**	Revenue	Percentage of revenue
	RMB'000	***%***	*RMB'000*	*%*
	(Unaudited)		(Unaudited)	
Tailor-made tours	**2,039**	**80.9**	19,644	58.1
Traditional package tours	**482**	**19.1**	14,152	41.9
Total	**2,521**	**100.0**	33,796	100.0

The sales of tailor-made tours and traditional package tours contributed 80.9% and 19.1% (Previous Period: 58.1% and 41.9%) of the Group's total sales of package tours for the Period, respectively. The Group's sales of package tours decreased by RMB31.3 million or 92.5% from RMB33.8 million for the Previous Period to RMB2.5 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.

Information system development services

Information system development services represented the provision of intelligent travel services (including provision of air tickets, train tickets and hotel booking, insurance booking, pick-up services, car rental and visa services) to higher education institutions in the PRC via an intelligent travel SaaS system launched by the Group. Revenue from information system development services amounted to RMB0.9 million for the Period (Previous Period: RMB0.6 million).

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 periods indicated:

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Air tickets		
Gross sales proceeds	**34,883**	64,186
Cost of air tickets	**(34,565)**	(62,565)
Revenue from sales of air tickets	**318**	1,621
Incentive commission	**(168)**	12
Margin income from sales of air tickets	**150**	1,633
Others		
Margin income from sales of other FIT Products	**472**	254
Total	**622**	1,887

The Group's total margin income from sales of FIT Products decreased by RMB1.3 million or 67.0% from RMB1.9 million for the Previous Period to RMB0.6 million for the Period.

During the Period, the Group's gross sales proceeds from sales of air tickets decreased significantly by RMB29.3 million or 45.7%, from RMB64.2 million for the Previous Period to RMB34.9 million for the Period. Margin income from sales of air tickets decreased 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 slightly increased from RMB0.3 million for the Previous Period to RMB0.5 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 remained relatively stable at RMB0.3 million for the Previous Period and the Period.

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 RMB28.4 million or 87.0% from RMB32.6 million for the Previous Period to RMB4.2 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			
	2022		2021	
	Gross profit	**Gross profit margin**	Gross profit	Gross profit margin
	RMB'000	***%***	*RMB'000*	*%*
	(Unaudited)		(Unaudited)	
Sales of cultural and creative collectibles	**1,990**	**74.5**	–	–
Package tours				
— Tailor-made	**144**	**7.1**	2,112	10.8
— Traditional	**76**	**15.8**	1,989	14.1
	220	**8.7**	4,101	12.1
Information system development services	**236**	**26.2**	(281)	–
Margin income from sales of FIT Products	**22**	**3.5**	(72)	–
Ancillary travel-related products and services	**251**	**100.0**	261	76.3
Total	**2,719**	**39.0**	4,009	10.9

The Group recorded gross profit of RMB4.0 million and RMB2.7 million, representing gross profit margin of 10.9% and 39.0% for the Previous Period and the Period, respectively. The decrease in the overall gross profit was mainly due to the decrease in gross profit from package tours by RMB3.8 million as a result of outbreak of COVID-19, which partially offset by the gross profits contributed by sales of cultural and creative collectibles of RMB2.0 million that are newly launched during the Period.

The overall gross profit margin increased from 10.9% for the Previous Period to 39.0% for the Period, which was mainly attributable by the overall revenue generated from sales of cultural and creative collectibles with relatively higher profit margin compared to other business segments.

The overall gross profit margin of package tours decreased by 3.4 percentage points from 12.1% for the Previous Period to 8.7% for the Period was mainly due to increase in the number of package tours being cancelled contributed by the temporary suspension of inbound and outbound travelling during the Period, which led to decrease in direct costs for handling cancellation.

Other income and gains

Other income and gains mainly represented government grants. The amount decreased from RMB2.0 million for the Previous Period to RMB1.0 million for the Period as there was a decrease in government grants received by RMB1.2 million as government grants are subject to the discretion of the government and 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 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 our tourism square, retail branches and sales office.

The Group's selling and distribution expenses decreased by RMB1.9 million or 30.7% from RMB6.3 million for the Previous Period to RMB4.4 million for the Period mainly attributable to the decrease in staff costs by RMB1.3 million as a result of the headcount reduction due to the temporary suspension of certain business operations of the Group.

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 RMB3.0 million or 37.3% during the Period was mainly due to (i) increase in depreciation by RMB0.9 million due to addition of property, plant and equipment for development of ETD Service; (ii) the increase in hosting and maintenance fee for computing power machines by RMB0.8 million; and (iii) increase in legal and professional fee by RMB0.6 million.

Other expenses

The Group's other expenses increased by RMB3.4 million from RMB0.2 million for the Previous Period to RMB3.6 million for the Period, which was mainly due to the fair value loss on financial assets at fair value through profit or loss of RMB3.6 million during the Period (Previous Period: nil).

Interest expenses

The Group's interest expenses represented interest expenses on bank and other borrowings and lease liabilities. Which remained relatively stable at RMB5.4 million and RMB5.7 million for the Previous Period and the Period, respectively.

Income tax expense

Income tax expense amounted to RMB8.1 million for the Previous Period, which mainly represented the reversal of deferred tax assets in relation to the tax loss. No provision for income tax has been made during the Period since the Group did not generate any assessable profits.

Loss for the Period attributable to the owners of the Company

As a result of the foregoing, loss for the period attributable to the owners of the Company were RMB76.2 million and RMB20.0 million for the Previous Period and Period, respectively.

Prepayments, deposits and other receivables

The following table sets forth the breakdown of the prepayments, deposits and other receivables at the dates indicated:

	As at 30 June 2022 *RMB'000* **(Unaudited)**	As at 31 December 2021 *RMB'000* (Audited)
Non-current:		
Rental deposits	**500**	500
Current:		
Deposit and other receivables, net	**69,662**	65,918
Refund from suppliers	**63,687**	44,119
Prepayments	**21,879**	11,910
Prepaid expenses	**120**	344
Interest receivables	**22**	5
	155,370	122,296
	155,870	122,796

The prepayments, deposits and other receivables increased by RMB33.1 million from RMB122.8 million as at 31 December 2021 to RMB155.9 million as at 30 June 2022 primarily attributable to the increase in (i) refund from suppliers by RMB19.6 million for future procurement from air ticket suppliers; and (ii) prepayment for procurement of nutritional products of RMB8.5 million.

Deposits and other receivables, net

The following table sets forth the breakdown of deposits and other receivables, net at the dates indicated:

	As at 30 June 2022 *RMB'000* **(Unaudited)**	As at 31 December 2021 *RMB'000* (Audited)
Deposits — procurement of air tickets	**60,153**	63,691
Deposits — others	**8,197**	1,516
Other receivables	**1,312**	711
	69,662	65,918

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

The increase in deposits and other receivables, net by RMB3.8 million from RMB65.9 million as at 31 December 2021 to RMB69.7 million as at 30 June 2022, primarily due to the increase in other deposits for air charter business of RMB3.4 million and increase in rental deposit of RMB1.4 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 RMB44.1 million and RMB63.7 million as at 31 December 2021 and 30 June 2022, respectively.

Prepayments

The following table sets forth the breakdown of the prepayments at the dates indicated:

	As at 30 June 2022	As at 31 December 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Nutritional products	**8,495**	–
Land and cruise operators	**3,956**	3,701
Hosting and maintenance services	**2,095**	–
Air tickets	**1,710**	6,050
Hotel accommodation	**1,665**	72
Others	**3,958**	2,087
	21,879	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 and cruise holiday packages to cruise operators which had not departed as at the end of the reporting period; and (iii) procurement of nutritional products.

The increase in prepayments by RMB10.0 million from RMB11.9 million as at 31 December 2021 to RMB21.9 million as at 30 June 2022 was mainly due to (i) procurement of nutritional products of RMB8.5 million, including NMN longevity supplements and related products for new business development; and (ii) prepaid hosting and maintenance fee for computing power machines in relation to development in Metaverse technologies during the Period; which partially offset by the the partial reclassification to refund from suppliers for air tickets as mentioned above.

Impairment assessment

As at 30 June 2022, the Group recorded provision for impairment on trade receivables and prepayments, deposits and other receivables of RMB73.2 million and RMB87.7 million, respectively (31 December 2021: RMB69.8 million and RMB93.9 million).

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 30 June 2022 had been over two years 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. However, it is highly probable that the government will not completely relax the travel restrictions and quarantine requirements in short term. 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.

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.

LIQUIDITY AND FINANCIAL REVIEW

As at 30 June 2022, the Group's current assets and current liabilities were RMB234.9 million and RMB266.0 million (as at 31 December 2021: RMB197.8 million and RMB266.2 million), respectively, of which the Group maintained cash and bank balances of RMB49.6 million (as at 31 December 2021: RMB43.1 million) and pledged short-term deposits of RMB4.3 million (as at 31 December 2021: RMB4.1 million). As at 30 June 2022, the Group's current ratio was 0.9 times (as at 31 December 2021: 0.7 times).

The Group's outstanding borrowings as at 30 June 2022 represented bank and other borrowings of RMB199.9 million (as at 31 December 2021: RMB203.7 million) which bore fixed interest rates and denominated in RMB. As at 30 June 2022, all bank and other borrowings are repayable on demand or within one year. The Group's gearing ratio as at 30 June 2022, which was calculated on the basis of total borrowings as a percentage of equity attributable to equity holders of the Company, was 215.0% (as at 31 December 2021: 843.3%). The decrease in gearing ratio was mainly attributable to the increase in equity as a result of the rights issue completed by the Company during the Period.

The average turnover days of trade receivables were 279.9 days and 141.0 days for the Period and the Previous Period, respectively. The increase in average turnover days of trade receivables during the Period was mainly due to the delay in settlement of receivable balance due to Omicron variant spreads since early 2022.

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 issuance of shares upon completion of rights issue, 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 unutilised 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" below, there is no material change in the capital structure of the Company during the Period. The capital of the Company comprises only ordinary shares.

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 rights shares to the qualifying shareholders (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 professional fees and all other relevant expenses, were approximately HK$95.9 million.

On 22 April 2022, a total of 200,000,000 rights shares were issued pursuant to the Rights Issue.

The planned use of proceeds as stated in the prospectus of the Company dated 28 March 2022, the actual use of proceeds during the Period and the unutilised amount as at 30 June 2022 are set out as below:

Intended use of proceeds stated in the prospectus	Planned use of proceeds as stated in the prospectus *HK$'000*	Percentage of net proceeds	**Actual use of proceeds during the Period** ***HK$'000***	**Unutilised amount as at 30 June 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%	**3,541**	**34,859**	By 31 December 2022
General corporate and working capital	9,500	10%	**2,611**	**6,889**	By 31 December 2022
	95,900	100%	**54,152**	**41,748**	

The unutilised proceeds will be used based on the strategies as disclosed in the section headed "Intended Use of Proceeds" in the prospectus by year ending 31 December 2022, and have been deposited in licensed banks in Hong Kong and the PRC. The Company does not anticipate any change to its plan on the use of proceeds as stated in the prospectus.

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.

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

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

  (i) mortgages over the Group's investment properties situated in Mainland China, which had an aggregate net carrying value of RMB6,255,000 and RMB6,255,000 as at 31 December 2021 and 30 June 2022, respectively; and

  (ii) the pledge of certain of the Group's trade receivables amounting to RMB800,000 and RMB793,000 as at 31 December 2021 and 30 June 2022, respectively.

(b) During the Period, the Controlling Shareholders have jointly guaranteed certain of the Group's banking facilities of up to RMB185,967,000 (2021: RMB236,000,000).

(c) Mr. Zhang Dayi, and Ms. Zhang Xiaoshan, the spouse of Mr. Zhang Dayi, have jointly guaranteed certain of the Group's banking facilities of up to RMB46,000,000 as at 30 June 2022 (31 December 2021: RMB46,000,000).

INTERIM DIVIDEND

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

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

In 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 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 30 June 2022, the Group did not hold any significant investment that accounted for more than 5% of the Group’s total assets as at 30 June 2022, and there were no other significant investments, material acquisitions and disposals by the Company during the Period.

CONTINGENT LIABILITIES

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

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 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 *HK$'000*	Percentage of net proceeds	Change of allocation of the unutilised net proceeds *HK$'000*	Revised allocation of the net proceeds *HK$'000*	Unutilised amount as at 31 December 2021 *HK$'000*	**Actual use of proceeds for the Period** ***HK$'000***	**Unutilised amount as at 30 June 2022** ***HK$'000***	Expected timeline for utilising the unutilised proceeds
Set up new retail branches and points of sales and refurbish existing retail branches	16,380	20%	(15,176)	1,204	–	–	–	Fully utilised
Increase deposits and prepayments to air ticket suppliers	28,665	35%	–	28,665	–	–	–	Fully utilised
Upgrade the information technology system	8,190	10%	–	8,190	–	–	–	Fully utilised
Increase marketing effort in traditional media	8,190	10%	–	8,190	–	–	–	Fully utilised
Repay part of the bank borrowings	12,285	15%	–	12,285	–	–	–	Fully utilised
Use as general working capital	8,190	10%	–	8,190	–	–	–	Fully utilised
Invest in the management and development of tourist attractions in the PRC	–	–	15,176	15,176	13,223	(8,946)	4,277	By 31 December 2022
	81,900	100%	–	81,900	13,223	(8,946)	4,277	

The unutilised proceeds as at 30 June 2022 have been deposited in licensed banks in Hong Kong and the PRC.

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 of the Company dated 18 June 2019. No share option has been granted under the Share Option Scheme since its adoption.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2022, the total number of employees of the Group was 147 (31 December 2021: 189). Staff costs (including Directors' emoluments) amounted to RMB6.9 million for the Period (Previous Period: RMB8.1 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.

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 Ninglv Feiyang, which were principally engaged in the management and development of tourist attractions. During the Period, the Group recorded share of losses of associates of RMB0.5 million (Previous Period: RMB0.4 million).

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 2022.

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 C.2.1 of the CG Code, the Company's corporate governance practices have complied with the CG Code during the Period.

Provision C.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, 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 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.

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, 29 August 2022

* *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, Ms. Qiu Zheng and Mr. Xiong Di as executive directors of the Company; Mr. Shen Yang as non-executive director of the Company; and Mr. Li Huamin, Mr. Yi Ling and Ms. Li Chengai as independent non-executive directors of the Company.

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