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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)

**DISCLOSEABLE TRANSACTION
IN RELATION TO THE ACQUISITION OF
60% EQUITY INTEREST IN
ZHEJIANG FEIJIADA AVIATION SERVICE CO., LTD.**

ACQUISITION

The Board is pleased to announce that on 10 October 2022 (after trading hours), the Purchaser (an indirect wholly-owned subsidiary of the Company), the Vendor, the Target Group and the Guarantors entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to purchase from the Vendor, and the Vendor has agreed to sell to the Purchaser, 60% equity interest in the Target Company at the consideration of RMB90,720,000.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in relation of the Acquisition are more than 5% but all applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As Completion is subject to fulfilment or waiver (as the case may be) of the condition precedents to the Agreement and may or may not proceed, Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

INTRODUCTION

The Board is pleased to announce that on 10 October 2022 (after trading hours), the Purchaser (an indirect wholly-owned subsidiary of the Company), the Vendor, the Target Group and the Guarantors entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to purchase from the Vendor, and the Vendor has agreed to sell to the Purchaser, 60% equity interest in the Target Company at the consideration of RMB90,720,000.

THE AGREEMENT

Date: 10 October 2022 (after trading hours)

Parties: (1) the Purchaser;
(2) the Vendor;
(3) the Target Company;
(4) Hainan Zhenlv;
(5) Guarantor A; and
(6) Guarantor B.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor is owned as to 90% and 10% by Guarantor A and Guarantor B, respectively, and the Vendor and the Guarantors are Independent Third Parties.

The Guarantors agreed to guarantee in favour of the Purchaser the obligations and liabilities of the Vendor and the Target Group under the Agreement.

Nature of the transaction and assets to be acquired

Pursuant to the Agreement, the Purchaser has conditionally agreed to purchase from the Vendor, and the Vendor has agreed to sell to the Purchaser, 60% equity interest in the Target Company.

Consideration

Subject to the profit guarantee and undertaking by the Vendor and the Target Group, the total consideration payable by the Purchaser to the Vendor for the Acquisition is RMB90,720,000, which is expected to be financed by the internal resources of the Group.

Terms of payment of the Consideration

Subject to the profit guarantee and undertaking by the Vendor and the Target Group, the Consideration shall be paid by the Purchaser in cash by 36 equal installments (i.e. RMB2,520,000 per month) during the Guarantee Period.

Basis of the Consideration

The Consideration was determined through arm's length negotiation among the parties thereto by taking into consideration various factors, including but not limited to (i) the business development opportunity and prospects of the Target Group; (ii) the profit guarantee and undertaking by the Vendor and the Target Group; (iii) the terms of payment of the Consideration; (iv) the parties' valuation of the Target Company; and (v) the reasons for the Acquisition as discussed in the section headed "Reasons for and Benefits of the Acquisition" below.

Taking into account the above, the Directors (including the independent non-executive Directors) consider that the Consideration is fair and reasonable and on normal commercial terms or better, and the entering into of the Agreement is in the interests of the Company and the Shareholders as a whole.

Condition precedents

The Acquisition shall be conditional upon the following condition precedents being fulfilled or satisfied before Completion:

- (a) the Vendor and the Target Group having disclosed all information that is related to the Acquisition and required to be known to the Purchaser and there are no material omissions, concealments or misleading statements;
- (b) the Purchaser having completed a due diligence review of the Target Group, the results of which being satisfactory to the Purchaser;
- (c) shareholders' resolutions of the Vendor and the Target Group having been passed to approve the transactions contemplated under the Agreement and other matters as set out in the Agreement;
- (d) all transitional obligations of the Vendor and the Target Group under the Agreement having been properly complied with;
- (e) all representations, warranties and undertakings provided by the Vendor, the Target Group and the Guarantors under the Agreement remaining true, accurate, complete and not misleading;
- (f) the Guarantors and Hainan Zhenlv having entered into and delivered to the Purchaser:
 - (i) employment contracts, pursuant to which the Guarantors shall serve in Hainan Zhenlv for at least three years after Completion and devote sufficient working time to the business of Hainan Zhenlv; and
 - (ii) non-competition agreements, pursuant to which the Guarantors shall not hold any shareholding or serve in air passenger ticket agency industry related companies and shall not compete with the business of the Target Group or solicit its employees or customers;

- (g) except for the industrial and commercial registration procedures, all necessary and required approvals and consents regarding the transaction contemplated under the Agreement having been obtained and remaining in full force and effect and there are no applicable laws or actions of government authorities restricting, prohibiting or canceling the transfer of the equity interest, nor is there any litigation or other dispute procedures that would materially and adversely affect the legality or otherwise of the transfer of the equity interest; and
- (h) the Vendor, the Target Group and the Guarantors having delivered to the Purchaser a declaration confirming that the above condition precedents (except for condition precedent (b)) have been satisfied.

The Purchaser shall have the right to waive the above condition precedents (except for condition precedent (g)). In the event that any of the condition precedents is not fulfilled (or waived by the Purchaser as the case may be), the Purchaser may terminate the Agreement and shall not be liable for breach of contract.

Completion

The Completion shall take place within 20 Business Days from the date of the Agreement after the condition precedents to the Agreement having been fulfilled (or waived by the Purchaser as the case may be) or such other day as the Purchaser and the Vendor may agree.

Upon Completion, the Target Company will become a non-wholly owned subsidiary of the Purchaser and the financial results of the Target Group will be consolidated with those of the Group.

Profit guarantee and undertaking by the Vendor and the Target Group

Pursuant to the Agreement, the Vendor and the Target Group guarantee to the Purchaser, among others, during the Guarantee Period, the net profit of the Target Group shall not be less than RMB50,400,000 for each year (the “**Annual Guarantee Profit**”) and RMB4,200,000 for each month (the “**Monthly Guarantee Profit**”, together with the Annual Guarantee Profit, the “**Guarantee Profit**”). If the actual net profit of the Target Group for the Guarantee Period falls short of the Guarantee Profit and the Vendor makes up for the shortfall, the Purchaser shall pay the Consideration for the relevant period according to the Agreement. If the Vendor does not make up for the shortfall fully, the Consideration payable for the relevant period shall be adjusted downward proportionately.

If the Target Group (i) fails to meet the expected Guarantee Profit continuously; (ii) records net losses for two consecutive months; or (iii) fails to meet the Monthly Guarantee Profit for three times or more in a year, the Purchaser and the Vendor may terminate the Agreement.

INFORMATION ON THE VENDOR AND THE TARGET GROUP

The Vendor is a limited liability company established in the PRC on 28 September 2022 and is an investment holding company of the Target Company.

As at the date of this announcement, the Target Company is a holding company whose only asset is the entire equity interest of Hainan Zhenlv. As advised by the Vendor, since Hainan Zhenlv only started its business in 2022, Hainan Zhenlv did not record any net profit for the two financial years ended 31 December 2021, while the unaudited net profit (before and after tax) of Hainan Zhenlv was approximately RMB4.9 million for the eight months ended 31 August 2022. As at 31 August 2022, the unaudited total assets and net assets value of Hainan Zhenlv were approximately RMB11.2 million and RMB4.9 million, respectively.

INFORMATION ON THE GROUP AND THE PURCHASER

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 which mainly include provision of air tickets and/or hotel accommodation; and (iii) the provision of ancillary travel-related products and services, and the Purchaser is the main operating subsidiary of the Company.

REASONS FOR AND BENEFITS OF THE ACQUISITION

Hainan Zhenlv, being the wholly-owned subsidiary of the Target Company, is a limited liability company established under the laws of the PRC on 12 June 2019 with registered capital of RMB10 million. The business scope of Hainan Zhenlv includes the provision of travel consulting services, travel agencies and related services, ticketing agency services, air passenger ticketing agency services, information technology consulting services, hotel management, business information consulting, marketing and sales planning and wholesale of electronic and art crafts products. Hainan Zhenlv is able to procure resources of air tickets in the PRC which the Group does not currently have access to. For instance, Hainan Zhenlv has entered into an agreement with a state-owned travel agency in Sanya, Hainan for an underwriting project with a PRC airline operator, pursuant to which Hainan Zhenlv is the exclusive operator and sales agent of the project. It is also expected that Hainan Zhenlv will continue to obtain additional air ticket supplies and airline charter resources from such project and other airline operators in the future and thus strengthen the Group's ability to procure upstream resources.

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

In light of the benefits above, the terms of the Agreement were determined after arm's length negotiations between the parties thereto and the Directors (including the independent non-executive Directors) are of the view that the terms of the Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in relation of the Acquisition are more than 5% but all applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

GENERAL

As Completion is subject to fulfilment or waiver (as the case may be) of the condition precedents to the Agreement and may or may not proceed, Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, the following expressions shall, unless the context requires otherwise, have the following meanings:

“Acquisition”	the acquisition of 60% equity interest in the Target Company by the Purchaser from the Vendor subject to the terms and conditions of the Agreement;
“Agreement”	the conditional equity transfer agreement dated 10 October 2022 entered into by the Purchaser, the Vendor, the Target Group and the Guarantors in respect of the Acquisition;
“associates”	has the meaning ascribed to it in the Listing Rules;
“Board”	the board of Directors;
“Business Day(s)”	the day(s) excluding Saturday(s), Sunday(s) and statutory holiday(s) in the PRC;
“Company”	Feiyang International Holdings Group Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1901);
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Agreement;
“connected person(s)”	has the meaning as ascribed thereto under the Listing Rules;
“Consideration”	the consideration of the Acquisition;
“Contractual Arrangements”	the series of contractual arrangements entered into by, among others, Ningbo Feiyang Commercial Management Co., Ltd.* (寧波飛揚商業管理有限公司), the Purchaser and the registered shareholders of the Purchaser;

“controlling shareholder(s)”	has the same meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“Guarantee Period”	three years from the date of Completion;
“Guarantor A”	Liu Rong (劉榮), an Independent Third Party;
“Guarantor B”	Xia Guofeng (夏國峰), an Independent Third Party;
“Guarantors”	Guarantor A and Guarantor B;
“Hainan Zhenlv”	Hainan Zhenlv International Travel Agency Co., Ltd.* (海南真旅國際旅行社有限公司), a limited liability company established under the laws of the PRC on 12 June 2019, which is wholly owned by the Target Company;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Third Party(ies)”	independent third party(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and Directors, chief executives, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“PRC”	the People’s Republic of China which, for the purposes of this announcement, excludes Hong Kong, Macau and Taiwan;
“Purchaser”	Zhejiang Feiyang International Travel Group Co., Ltd.* (浙江飛揚國際旅遊集團股份有限公司), a limited liability company established under the laws of the PRC on 19 September 2001 and is deemed to be an indirect wholly-owned subsidiary of the Company pursuant to the Contractual Arrangements;
“Share(s)”	the ordinary share(s) of par value of HK\$0.01 each in the issued share capital of the Company;
“Shareholder(s)”	the holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“Target Company”	Zhejiang Feijiada Aviation Service Co., Ltd.* (浙江飛加達航空服務有限公司), a limited liability company established under the laws of the PRC on 28 September 2022, which is wholly owned by the Vendor prior to the Acquisition;
“Target Group”	the Target Company and Hainan Zhenlv;
“Vendor”	Ningbo Zhenhang Business Service Co., Ltd.* (寧波真航商務服務有限公司), a limited liability company established under the laws of the PRC on 28 September 2022, which is owned as to 90% and 10% by Guarantor A and Guarantor B, respectively; and
“%”	per cent.

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

Ningbo, the PRC, 10 October 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. Xiong Di, Mr. Huang Yu, Mr. Wu Bin, and Ms. Qiu Zheng as executive Directors; Mr. Shen Yang as non-executive Director; and Mr. Li Huamin, Mr. Yi Ling and Ms. Li Chengai as independent non-executive Directors.

Website: <http://www.iflying.com>