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

2022
ANNUAL REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. He Binfeng
(Chairman and chief executive officer)
Mr. Xiong Di
Mr. Huang Yu
Mr. Wu Bin
Ms. Chen Huiling *(appointed on 21 November 2022)*
Mr. Chen Xiaodong *(resigned on 11 May 2022)*
Ms. Qiu Zheng *(resigned on 21 November 2022)*

Non-executive Director
Mr. Shen Yang *(appointed on 11 May 2022)*

Independent Non-executive Directors
Mr. Li Huamin
Mr. Yi Ling
Ms. Zhao Caihong *(appointed on 3 November 2022)*
Ms. Li Chengai *(resigned on 3 November 2022)*

AUDIT COMMITTEE

Ms. Zhao Caihong *(Chairlady)*
(appointed on 3 November 2022)
Mr. Li Huamin
Mr. Yi Ling
Ms. Li Chengai *(Chairlady) (resigned on 3 November 2022)*

REMUNERATION COMMITTEE

Mr. Li Huamin *(Chairman)*
Mr. He Binfeng
Ms. Zhao Caihong *(appointed on 3 November 2022)*
Ms. Li Chengai *(resigned on 3 November 2022)*

NOMINATION COMMITTEE

Mr. He Binfeng *(Chairman)*
Mr. Yi Ling
Mr. Li Huamin

AUTHORISED REPRESENTATIVES

Mr. He Binfeng
Mr. Tam Chun Wai Edwin

COMPANY SECRETARY

Mr. Tam Chun Wai Edwin

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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Cayman Islands

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Ningbo, Zhejiang
The PRC

CORPORATE INFORMATION

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WEBSITE	http://www.iflying.com/
STOCK CODE	1901
AUDITOR	CCTH CPA Limited Certified Public Accountants Registered Public Interest Entity Auditor
LEGAL ADVISER AS TO HONG KONG LAWS	Fangda Partners
PRINCIPAL BANKS	China Merchants Bank Co., Ltd, Ningbo Tianyi sub-branch China CITIC Bank Corporation Limited, Jiangbei sub-branch China Zheshang Bank Co., Ltd., Ningbo branch
CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE	Osiris International Cayman Limited Suite #4–210, Governors Square 23 Lime Tree Bay Avenue PO Box 32311 Grand Cayman KY1-1209 Cayman Islands
HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE	Tricor Investor Services Limited 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "**Board**") of Feiyang International Holdings Group Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**"), I am pleased to present the annual report of the Group for the year ended 31 December 2022 (the "**Year**"). 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.

BUSINESS

The unexpected outbreak of COVID-19 has plunged the tourism industry into unprecedented challenges since 2020. With the continued impact of the COVID-19 pandemic, the Group's travel-related business was adversely affected, especially in the first half of 2022. However, starting in December 2022, most of the travel restrictions and quarantine requirements in China were lifted, which has had a positive effect on the tourism sector. This has helped to boost sentiment and stimulate people's willingness to travel, which is a welcome development after the travel industry has been reeling from the pandemic.

During the Year, the Group's total revenue slightly decreased from RMB77.5 million for the year ended 31 December 2021 (the "**Previous Year**") to RMB76.5 million for the Year, whilst the loss for the Year attributable to the owners of the Company significantly decreased from RMB137.5 million for the Previous Year to RMB39.5 million for the Year, which was mainly due to (i) the reversal of impairment loss on trade receivables and prepayments, deposits and other receivables in the amount of RMB13.0 million; (ii) gross profit of RMB3.9 million (Previous Year: gross loss of RMB1.8 million) generated from information system development services as the business has become more established during the Year; and (iii) gross profit generated from the new businesses launched by the Group during the Year, including sales of information technology products, health products, wines and digital assets products.

The Group has been taking initiatives to diversify its business with an objective to broaden its income stream and expand into targeting segments. During the Year, the Group made an investment in a company which is principally engaged in the provision of travel consulting services, travel agencies and related services, which has strengthened the Group's ability to procure upstream resources. Furthermore, the Group constantly strives to develop new businesses through fully utilising new technologies. During the Year, the Group identified and explored industrial paths and innovative forms for sales of wine together with digital assets products. The Group also provided information system development services during the Year, including cloud storage services, web hosting services, enterprise mailbox and website development.

To further diversify the income stream, the Group commenced distribution and sales of information technology products and started to sell nutraceutical products, including NMN longevity supplements, liver detoxification supplements and related products during the Year. Except for selling to the sizeable medical group through wholesale, the nutraceutical products is also available on different sales platforms, including own-brand website and WeChat mini-program, and expected to march into Overseas Taobao and Tmall flagship store in the future.

The Board pays great attention to the development of the outbreak of the COVID-19 and makes every effort on prevention and control, and daily operation management. The Board will continue to assess the impact of the outbreak of the COVID-19 on our operation and financial performance, and closely monitor our exposure to the risks and uncertainties in connection with the outbreak of the COVID-19.

CHAIRMAN'S STATEMENT

PROSPECTS

The Board believes that the pandemic will eventually subside and the Group is optimistic about the recovery of the tourism industry. We will adhere to our corporate tenet "create pleasant journey to the public (為大眾創造幸福旅遊)", and continue to offer our customers pleasant trips. As with any crisis, there are always new opportunities and possibilities. Despite the potential challenges such as travel restrictions, rising costs and competition, the Group will remain flexible and adaptable to changing circumstances in order to ensure success going forward. The Group has been devising and implementing strategies to ride on its existing operations and diversify into the cultural tourism business based on digital information technology, laying a solid foundation for the overall expansion and upgrading of the Group in the future.

In October 2022, the Ministry of Industry and Information Technology, along with four other ministries, published a guideline and classified virtual reality as a key industry for the digital economy, targeting shipment of 25 million virtual reality devices with a value exceeding RMB350 billion by 2026. Benefiting from the Group's business partner, 3all FinTech Limited, who has in-depth understanding and extensive experience in blockchain technology and digital technology, the Group is committed to identifying and seizing opportunities on developing metaverse-related technologies, so as to achieve mataverse-related success.

APPRECIATION

Our continued success depends on all our staff's commitment, dedication and professionalism. The Board would like to thank every member of our staff for their diligence and dedication and to express our sincere appreciation to our shareholders, business partners, clients and suppliers for their continuous and valuable support, especially during the particularly harsh operating environment in the past three years. Despite the turbulence, we are confident that the Group can overcome these challenges and steer towards smooth sailing in the near future.

He Binfeng
Chairman, executive director and chief executive officer

Ningbo, the PRC, 30 March 2023

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) provision of information system development services; (v) sales of information technology products; (vi) sales of health products; (vii) sales of wines; and (viii) sales of digital assets products.

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

The Group recorded a net loss of RMB40.7 million and RMB137.5 million for the Year and the Previous Year, respectively. The significant decrease in net loss was mainly due to (i) the reversal of impairment loss on trade receivables and prepayments, deposits and other receivables in the amount of RMB13.0 million (Previous Year: provision for impairment loss of RMB96.2 million); (ii) gross profit of RMB3.9 million (Previous Year: gross loss of RMB1.8 million) generated from information system development services as the business has become more established during the Year; and (iii) gross profit generated from the new businesses launched by the Group during the Year, including sales of information technology products, health products, wines and digital assets products.

PROSPECTS

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

The emergence of COVID-19 has altered how people view travel and give rise to new travel patterns, metaverse travel. In the immersive reality of the metaverse, technological devices feed users with sensations such as sight and hearing, and users can embody a tourist and follow a virtual tour route. The Directors believe that combining metaverse and tourism could aid in expanding the range of tourism resources and support sustainable tourism.

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

FINANCIAL REVIEW

Revenue

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

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

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

Travel-related products and services

(i) Sales of package tours

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

Package tours by type

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

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

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

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

(ii) Margin income from sales of FIT Products

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

FIT Products by type

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

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Information system development services

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

Sales of information technology products

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

Sales of health products

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

Sales of wines

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

Sales of digital assets products

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

Cost of sales

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

MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit and gross profit margin

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

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

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

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

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

Other income and gains

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

Selling and distribution expenses

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

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

Administrative expenses

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

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

Impairment losses on financial assets, net

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

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

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

Other expenses

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

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

Finance costs

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

Income tax expense

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

Loss for the year attributable to the owners of the Company

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

Prepayments, deposits and other receivables, net

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

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

The prepayments, deposits and other receivables increased by RMB30.6 million from RMB122.8 million as at 31 December 2021 to RMB151.6 million as at 31 December 2022, which was primarily attributable to the increase in (i) prepayment for procurement of travel-related products and services as a result of relaxation of travel restriction in December 2022; (ii) prepayment for procurement of health products and wine for new business during the Year; and (iii) deposit for acquisition of Zhejiang Feijiada.

Deposits and other receivables, net

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

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

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

Prepayments

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

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

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

Refund from suppliers

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

Deposit for investment

The deposit for investment of RMB5.0 million as at 31 December 2022 (2021: nil) represented the deposit recognised for the acquisition of Zhejiang Feijiada.

Impairment assessment

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

LIQUIDITY AND FINANCIAL REVIEW

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

CAPITAL STRUCTURE

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

FOREIGN EXCHANGE RISK MANAGEMENT

Most of the Group's sales, procurements and operating costs are denominated in RMB, except for certain air tickets from international airline operators which were mainly denominated and settled in HKD and such foreign currency transactions and exposure were not material to the Group's total cost of air tickets as a whole. During the Year, the Group has not entered into any hedging transactions to reduce the exposure to foreign exchange risk, which the Directors consider not material to the Group's financial performance. However, the Group will continue to closely monitor all possible exchange risk arising from the Group's existing operations and new investments in the future and will implement the necessary hedging arrangement(s) to mitigate any significant foreign exchange exposure.

CHARGE ON ASSETS

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYMENT AND REMUNERATION POLICY

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

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

DIVIDEND

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

INVESTMENT PROPERTIES

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

INVESTMENT IN ASSOCIATES

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

SIGNIFICANT INVESTMENT

The Group held a significant investment in Ningbo Yinjiang as at 31 December 2022, which represented over 5% of the Group's total assets as at 31 December 2022.

As announced on 18 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, which shall be principally engaged in the management and development of tourist attractions in the PRC. Pursuant to the investment cooperation agreement entered into by the Group and the JV Partners, the Group agreed to make a capital contribution of RMB57 million to subscribed for 19% of the equity interest in Ningbo Yinjiang. It is expected that Ningbo Yinjiang can leverage on the experience of the Group and the JV Partners to cater for the demand for the management and development of tourist attractions in the PRC and other businesses, which will provide more business opportunities to the Group by enhancing its sales network and customer base in the PRC. As at 31 December 2022, the fair value of Ningbo Yinjiang was approximately RMB55.9 million, representing approximately 14.8% of the Group's total assets as at 31 December 2022. During the Year, no distribution of dividend was received from the investment in Ningbo Yinjiang.

Save as disclosed above, there are no other significant investments held by the Group as at 31 December 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

In May 2022, the Company and Don Rich Industries Limited entered into a non-legally binding memorandum of understanding for setting up a joint venture company, which proposed to engage in provision of Metaverse platforms and investing in the Liuzhou Feiyang Metaverse Technology Centre* (柳州飛揚元宇宙科技城) and Weifang Feiyang Metaverse Technology Centre* (濰坊飛揚元宇宙科技城) projects in the PRC. The Company and Don Rich Industries Limited will own 51% and 49% of the equity interest of the joint venture company. The total capital contribution to be made by the parties shall not exceed RMB148 million. Up to the date of this report, 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 report, 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.

In October 2022, Zhejiang Feiyang International Travel Group Co., Ltd.* (浙江飛揚國際旅遊集團股份有限公司) ("**Zhejiang Feiyang**"), an indirectly wholly-owned subsidiary of the Company, Ningbo Zhenhang Business Service Co., Ltd.* (寧波真航商務服務有限公司) (the "**Vendor**"), Zhejiang Feijiada, Hainan Zhenlv and the guarantors entered into an equity transfer agreement (the "**Agreement**"), pursuant to which Zhejiang Feiyang purchased from the Vendor, and the Vendor sold to the Purchaser, 60% equity interest in Zhejiang Feijiada at the consideration of RMB90.7 million, subject to the profit guarantee and undertaking by the Vendor, Zhejiang Feijiada and Hainan Zhenlv (the "**Acquisition**"). According to the Agreement, the Vendor, Zhejiang Feijiada and Hainan Zhenlv agreed to guarantee to Zhejiang Feiyang that the net profit of the Zhejiang Feijiada and Hainan Zhenlv shall not be less than RMB50.4 million for each year and RMB4.2 million for each month, which have been achieved since completion of the Acquisition. The business scope of Hainan Zhenlv includes the provision of travel consulting services, travel agencies and related services, ticketing agency services, air passenger ticketing agency services, information technology consulting services, hotel management, business information consulting, marketing and sales planning and wholesale of electronic and art crafts products. Hainan Zhenlv has obtained resources of air tickets through a cooperation agreement with a state-owned travel agency in Sanya, Hainan for an underwriting project with a PRC airline operator, pursuant to which Hainan Zhenlv has been appointed the exclusive operator and sales agent of the air tickets issued by the PRC airline operator. In November 2022, Hainan Zhenlv entered into another cooperation agreement with the state-owned travel agency and other parties, pursuant to which Hainan Zhenlv has been appointed as the operator and agent for the sales of additional amount of air tickets issued by the same PRC airline operator. It is also expected that Hainan Zhenlv will continue to obtain additional air ticket supplies and airline charter resources from such project and other airline operators in the future and thus strengthen the Group's ability to procure upstream resources. Having considered that the COVID-19 pandemic will eventually subside and the tourism industry is set to bounce back strongly and the potential enhancement of the Group's profitability and ability to procure upstream resources, the Directors consider that the Acquisition provides an excellent opportunity for the Group to expand its business scale with additional revenue stream. For further details on the Acquisition, please refer to the announcements of the Company dated 10 October 2022 and 6 January 2023.

Save as disclosed in this report, there were no other material acquisitions and disposals by the Company during the Year, nor there was any other future plans for material investments or additions of capital assets at the date of this report.

CONTINGENT LIABILITIES

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

SUBSEQUENT EVENTS

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

FUND RAISING ACTIVITIES

Rights Issue

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

USE OF PROCEEDS

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

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

DIRECTORS AND SENIOR MANAGEMENT PROFILE

The biographical details of the Directors and senior management of the Company are set out as follows:

DIRECTORS

Executive Directors

Mr. He Binfeng (何斌鋒)

Mr. He Binfeng (何斌鋒), aged 50, executive Director, chairman of the Board and chief executive officer. He was appointed as a Director on 18 October 2018 and re-designated as an executive Director on 16 January 2019. Mr. He is also the chairman of the nomination committee of the Company ("**Nomination Committee**") and a member of the remuneration committee of the Company ("**Remuneration Committee**"). Mr. He is the founder of the Group. Mr. He is responsible for formulating corporate strategy, planning, business development and supervising the overall operation of the Group. Mr. He is also the director of the Company's subsidiaries, namely, Bird Investment Group Limited ("**Bird Investment**"), Feiyang HK Group Limited ("**Feiyang HK**"), Ningbo Shengda Feiyang Commercial Management Co., Ltd. ("**Shengda Feiyang**"), Ningbo Feiyang Commercial Management Co., Ltd. ("**Ningbo Commercial**"), Ningbo Feiyang Expo Services Co., Ltd. ("**Feiyang Expo**") and Zhejiang Feiyang International Travel Group Co., Ltd. ("**Feiyang International**").

Mr. He has over 25 years of experience in the tourism industry. Mr. He served as a tour guide and office manager of Ningbo China Travel Service Group Co., Ltd. (寧波中國旅行社集團有限公司) from July 1994 to August 1997 and from May 1999 to January 2000, respectively. From July 1997 to May 1999, Mr. He worked at the Quality Supervision and Management Department of the Ningbo Tourism Bureau (寧波市旅遊局) (currently known as Ningbo Bureau of Culture, Radio, TV and Tourism (寧波市文化廣電旅遊局)). From January 2000 to August 2001, he served as a manager of Ningbo Travel Service Group Company Ltd. Gulou Office (寧波旅行社有限責任公司鼓樓門市部). From September 2001, Mr. He served as the chairman and general manager of Feiyang International.

Mr. He completed his bachelor's study in tourism economics at Hangzhou University (杭州大學) (currently known as Zhejiang University (浙江大學)) in the PRC in July 1994.

Mr. Xiong Di (熊笛)

Mr. Xiong Di (熊笛), aged 49, has been appointed as an executive Director and the chief financial officer with effect from 20 May 2021.

Mr. Xiong has over 15 years of experience in financial management. From March 2003 to February 2011, he served as a finance manager at Ningbo Junsheng Group Co., Ltd (寧波均勝集團股份有限公司). From March 2011 to April 2013, he served as the chief financial officer of Canghai Group Co., Ltd (滄海集團股份有限公司). From September 2013 to May 2018, he served as the chief financial officer and secretary to the board of directors of Zhejiang Feiyang International Travel Group Co., Ltd. (浙江飛揚國際旅遊集團有限公司) (''Feiyang International''), a subsidiary of the Company. From July 2018 to April 2021, he served various positions (including deputy general manager, director, chief financial officer and chief administrative officer) at Ningbo Anchuang Electronic Technology Co., Ltd. (寧波安創電子科技有限公司). He has rejoined Feiyang International and worked as the chief financial officer and secretary to the board since April 2021.

Mr. Xiong obtained professional certificate in business management from Hangzhou University of Commerce (杭州商學院) (currently known as Zhejiang Gongshang University (浙江工商大學)) in the PRC in June 1999. He became a registered tax advisor in the PRC in November 2020.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Mr. Huang Yu (黃宇)

Mr. Huang Yu (黃宇), aged 35, executive Director and chief technology officer. He was appointed as a Director on 18 October 2018 and re-designated as an executive Director on 16 January 2019. Mr. Huang joined the Group on 22 December 2014 as a chief technology officer. Mr. Huang is responsible for the technology system development of the Group. Mr. Huang is also a director of one of the subsidiaries of the Company, namely Zhejiang Hengyue Information Technology Co., Ltd ("**Zhejiang Hengyue**").

Mr. Huang has over nine years of experience in the information technology industry. Prior to joining the Group, Mr. Huang served as the chief executive officer and chief technology officer of Beijing Zhimeng Chuangke Technology Limited Liability Company (北京智夢創科科技有限責任公司) from November 2011 to April 2013. From June 2013 to September 2014, Mr. Huang served as the manager of technology department and the chief technology officer of Zhejiang Marmot Network Technology Company Limited (浙江土撥鼠網絡科技有限公司).

Mr. Huang obtained a bachelor's degree in integrated circuit design and integrated system and a master's degree in computer software and theory at University of Electronic Science and Technology of China (中國電子科技大學) in July 2010 and June 2013, respectively.

Mr. Wu Bin (吳濱)

Mr. Wu Bin (吳濱), aged 54, executive Director and duty general manager. He was appointed as a Director on 18 October 2018 and re-designated as an executive Director on 16 January 2019. Mr. Wu joined the Group on 1 December 2006 as a joint chief executive officer. Mr. Wu is responsible for the sales and customers service functions of the Group. Mr. Wu is also a director of the Company's subsidiaries, namely Zhejiang Feiyang Travel Agency Co., Ltd ("**Feiyang Travel Agency**"), Shengda Feiyang and Feiyang International.

Mr. Wu has over 30 years of experience in the tourism industry. Prior to joining the Group, Mr. Wu served as a tour guide and deputy general manager of China International Travel Agency Ningbo Branch (中國國際旅行社寧波支社) (currently known as Ningbo China International Travel Service Company Limited (寧波中國國際旅行社有限公司)) from December 1986 to September 1992 and September 2001 to November 2005, respectively. From September 1992 to August 1997, Mr. Wu served as a manager of the planning and operating department of Ningbo China Travel Service Group Co., Ltd (寧波中國旅行社集團有限公司). From August 1997 to February 2001, Mr. Wu served as a manager of the external relations department of Ningbo Overseas Travel Service Co Ltd (寧波海外旅行社有限公司) (currently known as Ningbo Overseas Travel Co., Ltd (寧波海外旅遊有限公司)). From November 2005 to September 2006, Mr. Wu served as the deputy general manager of the Ningbo branch of Zhejiang Zhongshan International Travel Services Limited (浙江中山國際旅行社有限責任公司).

Mr. Wu completed his middle school's study at Ningbo No. 13 Middle School (寧波市第13中學) in July 1985. Mr. Wu obtained his qualification as a tour guide and travel service manager of international travel agencies in June 1989 and November 2003, respectively. Since September 2018, Mr. Wu has been enrolled in a long distance learning course at the Beijing Technology University (北京理工大學) studying public administrative management.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Ms. Chen Huiling (陳惠玲)

Ms. Chen Huiling (陳惠玲), aged 34 has been appointed as an executive Director with effect from 21 November 2022.

Ms. Chen, aged 34, has over ten years of experience in marketing and operation. Ms. Chen obtained a master's degree in Hotel and Tourism Management from the Hong Kong Polytechnic University in October 2014. She served as the deputy director of operation in Jiangsu Damu Architecture Design Co., Ltd.* (江蘇大木建築設計有限公司) from March 2010 to July 2012. She was the director of marketing of Shanghai Damu Hotel Design Consulting Co., Ltd.* (上海大木酒店設計顧問有限公司) from July 2012 to May 2019. She was an executive director of Shanghai Ren'en Health Management Consulting Co., Ltd.* (上海仁恩健康管理咨詢有限公司) from May 2019 to August 2021. She worked as the general manager of Nanjing Yiji Brand Management Co., Ltd.* (南京以吉品牌管理有限公司) from September 2021 to November 2022.

Mr. Chen Xiaodong (陳曉冬)

Mr. Chen Xiaodong (陳曉冬), aged 55, resigned as executive Director with effect from 11 May 2022. Mr. Chen joined the Group on 6 March 2012 as a deputy general manager. Mr. Chen is responsible for the product development and procurement functions of the Group. Mr. Chen is also a director of the Company's subsidiaries, namely, Feiyang International and Ningbo Qihang Airplane Ticketing Co., Ltd ("**Ningbo Qihang**").

Mr. Chen has over 25 years of experience in the tourism industry. Prior to joining the Group, Mr. Chen served as a designer and translator for several companies in the PRC from July 1988 to August 1993. From December 1993 to June 2001, Mr. Chen served as a department manager in China International Travel Agency Ningbo Branch (中國國際旅行社寧波分社). From June 2001 to March 2003, Mr. Chen served as an assistant to general manager of Ningbo Overseas Tourism Limited (寧波海外旅遊有限公司). From March 2003 to June 2011, Mr. Chen served as a deputy general manager in Ningbo Zhelun Overseas Travel Co Ltd (寧波浙侖海外旅遊有限公司) (currently known as Ningbo Zhelun Overseas Travel Industry Group Limited (寧波浙侖海外旅業集團有限公司)).

Mr. Chen completed his middle school's study at Ningbo No. 1 Middle School (currently known as Ningbo Middle School) in June 1985. Since September 2018, Mr. Chen has been enrolled in a distance course at the Beijing Technology University (北京理工大學) studying public administrative management.

Ms. Qiu Zheng (裘鄭)

Ms. Qiu Zheng (裘鄭), aged 43, resigned as an executive Director with effect from 21 November 2022.

Ms. Qiu graduated from the Open University of China (國家開放大學) with an associate degree in Administrative Management in July 2020. Ms. Qiu has over 19 years of experience in tourism industry and has served in various positions at Feiyang International. Ms. Qiu started working at Feiyang International as a travel agency operator from March 2001 to December 2001 and was promoted to a travel agency operator manager in January 2002. From August 2005 to March 2010, she served as a domestic centre manager. She then served as the aviation centre general manager from April 2010 to June 2017. From June 2017 to October 2019, Ms. Qiu served as an assistant to the chief executive officer, and has served as a deputy general manager since October 2019. Ms. Qiu is also a supervisor of various subsidiaries of the Group, including Feiyang International, Shengda Feiyang, Ningbo Commercial, Zhejiang Feiyang Lianchuang Travel Co., Ltd.* (浙江飛揚聯創旅遊有限公司) ("**Feiyang Lianchuang**") and Zhejiang Feiyang Travel Agency Co., Ltd.* (浙江飛揚旅行社有限公司).

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Non-executive Director

Mr. Shen Yang (沈陽)

Mr. Shen Yang (沈陽), aged 42, has been appointed as a non-executive Director with effect from 11 May 2022.

Mr. Shen has over 20 years of experience in investment and extensive experience in investment and management in the pan-cultural entertainment industry. Mr. Shen has been the president of Jiangsu Xinde Holdings Co., Ltd. (江蘇信德控股有限公司) since 2014, the supervisor of Shanghai Lianchen Investment Management Co., Ltd. (上海聯臣投資管理有限公司) since May 2016, and the president of Shanghai Xinde Hongye Enterprise Management Group Co., Ltd. (上海信德鴻業企業管理集團有限公司) since January 2017. Since October 2021, Mr. Shen also served as the chairman of Shanghai Liyumen Supply Chain Management Co., Ltd. (上海鯉魚門供應鏈管理股份有限公司). From October 2020 to September 2021, Mr. Shen served as an executive director of MH Development Limited, a company whose shares were listed on the Stock Exchange and subsequently delisted in September 2021 (stock code: 2662). Mr. Shen also serves in several public organisations. He is currently a member of the Chinese People's Political Consultative Conference of Shanghai Pudong New Area (中國人民政治協商會議上海市浦東新區委員會), a council member of the Jiangsu Youth Chamber of Commerce (江蘇省青年商會), and a vice-chairman of the Nanjing Youth Chamber of Commerce (南京青年商會).

Independent non-executive Directors

Mr. Li Huamin (李華敏)

Mr. Li Huamin (李華敏), aged 45, was appointed as an independent non-executive Director on 29 April 2019 and is the chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee.

From August 2003, Mr. Li was a teacher at the Zhejiang University Ningbo Institute of Technology (浙江大學寧波理工學院). He was subsequently promoted to lecturer and associate professor at the same university in September 2005 and December 2010, respectively. From August 2012, Mr. Li served as the deputy committee officer of Ningbo Tourism Standardisation Technical Committee (寧波市旅遊標準化技術委員會) and was promoted to deputy secretary general of the same committee for a term of four years since September 2018. Mr. Li served as an executive chairman at the Ningbo Research Institute of Tourism Development (寧波市全域旅遊發展研究院) since March 2018. Mr. Li was appointed as an independent director of Feiyang International on 10 February 2017 for the purpose of preparing for the proposed listing of Feiyang International on ChiNext and he ceased to be the independent director of Feiyang International on 3 August 2018.

Mr. Li obtained his bachelor's degree in arts from Jiangxi Education College (江西教育學院) (currently known as Nanchang Normal University (南昌師範學院)) in the PRC in October 2000 through a distant learning programme. Mr. Li obtained his master's degree in tourism management from Zhejiang University (浙江大學) in the PRC in March 2003 and a doctor's degree in agricultural economics management from the school of management at Zhejiang University in the PRC in March 2008.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Mr. Yi Ling (易凌)

Mr. Yi Ling (易凌), aged 62, was appointed as an independent non-executive Director on 29 April 2019 and is a member of the Audit Committee and Nomination Committee.

Mr. Yi was engaged in teaching and research at the School of Liberal Arts and Law in South Metallurgy College (南方冶金學院) (currently known as Jiangxi University of Science and Technology (江西理工大學)) since July 1987. Mr. Yi was subsequently promoted to associate professor and professor in September 1998 and November 2001, respectively. From June 2004 to December 2011, Mr. Yi was engaged in teaching and research at the School of Law of Zhejiang Wanli University (浙江萬里學院). From October 2004 to June 2006, he served as the assistant to the Dean of School of Law of the same university. From September 2010, he served as the director of the Research Center of Economics of Law of Zhejiang Wanli University (浙江萬里學院法經濟學研究中心). Since February 2005, Mr. Yi has been a member of the Local Legislative Expert Database of Zhejiang Province (浙江省地方立法專家庫). Since January 2007, Mr. Yi was engaged as an expert in the Zhejiang "Eleventh Five-Year" Philosophy and Social Sciences Subject Group (浙江省哲學社會科學「十一五」學科組). From March 2007 to July 2007, Mr. Yi was a visiting scholar of Law of Economics of Zhejiang University. In December 2014, he was appointed as a part-time master tutor at Ningbo University for a period of three years from January 2015 to December 2017. In December 2015, Mr. Yi was appointed as an arbitrator of the 5th Ningbo Arbitration Commission. In November 2016 for a term of five years, he was appointed as the legislative advisory expert of the Ningbo Municipal People's Congress Standing Committee (寧波市人民代表大會常務委員會). In July 2018 for a term of three years, Mr. Yi was appointed as a member of the second Zhejiang Food Safety Expert Committee.

Mr. Yi obtained a bachelor's degree in law from Central South Industry University (中南工業大學) (currently known as Central South University (中南大學)) in the PRC in July 1987. He was engaged in a teaching assistant training course and completed his study in economic laws for postgraduate students in Jilin University in the PRC in July 1990. In November 2009, he obtained a doctor's degree of philosophy in business administration from Tarlac State University in the Philippines.

Ms. Zhao Caihong (趙彩紅)

Ms. Zhao Caihong (趙彩紅) has been appointed as an independent non-executive Director, the chairlady of the Audit Committee and a member of the Remuneration Committee with effect from 3 November 2022.

Ms. Zhao, aged 48, has over 20 years of experience in education and accounting. Ms. Zhao obtained a bachelor's degree in Accounting from East China Jiaotong University (華東交通大學) in July 1999 and a master's degree in Accounting from Jilin University (吉林大學) in June 2003. She served as an accountant in Tongliao, Inner Mongolia branch of China Tietong Telecom (中國鐵通集團有限公司) from July 1999 to August 2000. She has been a teacher in Business School of Zhejiang Wanli College (浙江萬里學院商學院) since September 2003. Ms. Zhao has been a certified public accountant in the PRC since 2003 and has been certified as a professor in accounting since 2021.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Ms. Li Chengai (李成艾)

Ms. Li Chengai (李成艾), aged 43, resigned as an independent non-executive Director, the chairlady of the Audit Committee and a member of the Remuneration Committee with effect from 3 November 2022.

From July 2005, Ms. Li served as a teacher in Zhejiang Wanli University (浙江萬里學院). In September 2012, she was promoted to associate professor at the Zhejiang Wanli University. From March 2013, she served as the deputy director of the Ningbo Audit Research Institute (寧波市審計研究所). Since December 2017, Ms. Li was engaged for a term of three years as an independent non-executive director at Medicalsystem Biotechnology Co., Ltd (美康生物科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300439). In May 2019, Ms. Li was appointed as an independent director at Ningbo Cixing Co., Ltd. (寧波慈星股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300307). In October 2019, Ms. Li was appointed as an independent director at Ningbo Vulcan Technology Company Limited (寧波伏爾肯科技股份有限公司). Ms. Li was appointed as an independent director of Feiyang International on 10 February 2017 for the purpose of preparing for the proposed listing of Feiyang International on ChiNext and she ceased to be independent director of Feiyang International on 3 August 2018.

Ms. Li graduated from Zhongnan University of Economics and Law (中南財經政法大學) in the PRC in June 2005 with a master's degree in accounting and is studying for a doctor's degree in auditing from the same university since 2015. Ms. Li became a certified general accountant of the Chinese Institute of Certified Public Accountants in December 2009.

SENIOR MANAGEMENT

Mr. He Binfeng (何斌鋒), Mr. Xiong Di (熊笛), Mr. Huang Yu (黃宇) and Mr. Wu Bin (吳濱) are also the senior management of the Group. See "Executive Directors" above for details.

COMPANY SECRETARY

Mr. Tam Chun Wai Edwin (談俊緯)

Mr. Tam Chun Wai Edwin (談俊緯), aged 42, is the company secretary of the Company. Mr. Tam is responsible for the corporate secretarial work of the Group. He was appointed on 16 January 2019. Mr. Tam holds a bachelor degree in accounting and finance from The Manchester Metropolitan University in the United Kingdom and has over 20 years of experience in financial and accounting management, corporate governance and compliance affairs. Mr. Tam is a practising fellow member of the Hong Kong Institute of Certified Public Accountants, fellow of the Association of Chartered Certified Accountants, the Hong Kong Chartered Governance Institute and the Chartered Governance Institute in the United Kingdom.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board of Directors (the "**Board**") is committed to ensuring the Company adhere to a good standard of corporate governance.

The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted and applied the principles as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules as the basis of the Company's corporate governance practices.

During the year ended 31 December 2022, the Company has complied with all the applicable code provisions as set out in the CG Code, except for code provision C.2.1 described in the paragraph headed "Board of Directors — Chairman and Chief Executive Officer" in this Corporate Governance Report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the Year.

The Company has also adopted the Model Code as its written guidelines (the "**Employees Written Guidelines**") in respect of securities dealings by relevant employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

The Company is headed by an effective Board which oversees the Group's businesses, strategic decisions and performance and takes decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time performing them.

Board Composition

The Board currently comprises nine Directors, consisting of five executive Directors, one non-executive Director and three independent non-executive Directors.

The composition of the Board is as follows:

Executive Directors

Mr. He Binfeng *(Chairman and Chief Executive Officer)*
Mr. Xiong Di
Mr. Huang Yu
Mr. Wu Bin
Ms. Chen Huiling *(appointed on 21 November 2022)*
Mr. Chen Xiaodong *(resigned on 11 May 2022)*
Ms. Qiu Zheng *(resigned on 21 November 2022)*

Non-executive Director

Mr. Shen Yang *(appointed on 11 May 2022)*

Independent Non-executive Directors

Mr. Li Huamin
Mr. Yi Ling
Ms. Li Chengai *(resigned on 3 November 2022)*
Ms. Zhao Caihong *(appointed on 3 November 2022)*

The biographical information of the Directors are set out in the section headed "Directors and Senior Management Profile" on pages 23 to 28 of this annual report.

Chairman and Chief Executive Officer

Code 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.

Under the current management structure of the Company, Mr. He Binfeng is the chairman of the Board (the "**Chairman**") and the chief executive officer of the Company. Since Mr. He Binfeng has been operating and managing Feiyang International, the main operating subsidiary of the Company since its establishment and due to his familiarity with the operations of the Group, the Board is of the view that it is in the best interest of the Group to have Mr. He Binfeng taking up both roles for effective management and business development of the Group following the listing of the Company (the "**Listing**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and Mr. He Binfeng 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 code 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.

Board Independence

The Company recognises that Board independence is important to good corporate governance. The Company has in place effective mechanisms that underpin an independent Board. The current composition of the Board comprises one third of the independent non-executive Directors, and the members of the Audit Committee are all independent non-executive Directors. The Remuneration Committee and Audit Committee are all chaired by independent non-executive Directors. The remuneration of independent non-executive Directors are subject to a regular review to maintain competitiveness and commensurate with their responsibilities and workload. The independence of each independent non-executive Director is assessed upon his/her appointment and annually.

Directors are requested to declare their direct or indirect interests, if any, in proposals or transactions to be considered by the Board at the Board meetings and abstain from voting, where appropriate. External independent professional advice is available to all Directors, including independent non-executive Directors, whenever deemed necessary. The independent non-executive Directors have consistently demonstrated strong commitment and the ability to devote sufficient time to discharge their responsibilities at the Board, and the Company has also established channels through formal and informal means whereby independent non-executive Directors can express their views in an open manner, and in a confidential manner, should circumstances require.

On the basis of the above measures that have been put into place, the Board is of the view that the above mechanisms was effective in ensuring that independent views and input were available to the Board throughout the Year.

CORPORATE GOVERNANCE REPORT

Independent Non-executive Directors

During the Year, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors, with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Appointment and Re-election of Directors

The independent non-executive Directors of the Company are appointed for a specific term of three years commencing from the date of the Listing, subject to retirement by rotation and re-election at the Annual General Meeting.

The articles of association of the Company (the "**Articles of Association**") provides that all Directors appointed to fill a casual vacancy shall be subject to re-election by shareholders at the first general meeting of the Company after appointment.

Under the Articles of Association, at each annual general meeting, one-third of the Directors for the time being, or if their number is not three or a multiple of three, the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses, for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

Continuous Professional Development of Directors

All Directors, including executive Directors and independent non-executive Directors, should keep abreast of their collective responsibilities as Directors and of the businesses and activities of the Group. Every newly appointed Director has received a formal and comprehensive induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. All Directors are encouraged to attend relevant training courses at the Company's expenses.

The Group provided briefings and other training to develop and refresh the Directors' knowledge and skills, and updates all Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance and to enhance their awareness of good corporate governance code.

The Directors are committed to complying with the code provision C.1.4 on Directors' training. During the Year, all the Directors received training materials, including from the Company's legal advisers, about matters relevant to their duties as directors of a listed company. They also kept abreast of matters relating to their role as directors by such means as attendance at seminars and conference and/or reading materials about financial, commercial, economic, legal, regulatory and business affairs.

The following Directors pursued continuous professional development and relevant details are summarised as follows:

Name of Directors	Type of Training *Note*
Executive Directors	
Mr. He Binfeng	✓
Mr. Xiong Di	✓
Mr. Huang Yu	✓
Mr. Wu Bin	✓
Ms. Chen Huiling *(appointed on 21 November 2022)*	✓
Mr. Chen Xiaodong *(resigned on 11 May 2022)*	✓
Ms. Qiu Zheng *(resigned on 21 November 2022)*	✓
Non-executive Director	
Mr. Shen Yang *(appointed on 11 May 2022)*	✓
Independent Non-executive Directors	
Mr. Li Huamin	✓
Mr. Yi Ling	✓
Ms. Li Chengai *(resigned on 3 November 2022)*	✓
Ms. Zhao Caihong *(appointed on 3 November 2022)*	✓

Note: During the year ended 31 December 2022, all Directors received training and training materials, including from the Company's legal advisers, about matters relevant to their duties as directors of a listed company. They also kept abreast of matters relevant to their role as Directors by such means as attendance at seminars and conferences and/or reading materials about financial, commercial, economic, legal, regulatory and business affairs.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

The Board has established 3 committees, namely, the Audit Committee, the Remuneration Committee, and the Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee, Remuneration Committee and Nomination Committee are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

The list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2 of this annual report.

Audit Committee

The Audit Committee consists of three independent non-executive Directors, namely Ms. Zhao Caihong, Mr. Li Huamin and Mr. Yi Ling. Ms. Zhao Caihong is the chairlady of the Audit Committee.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditors and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control, or other matters of the Group.

During the Year, the Audit Committee held two meetings to review the interim and annual financial results and reports and significant issues on the financial reporting, operational and compliance controls.

Remuneration Committee

The Remuneration Committee consists of three members, namely Mr. Li Huamin, independent non-executive Director, Mr. He Binfeng, executive Director and Ms. Zhao Caihong, independent non-executive Director. Mr. Li Huamin is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include making recommendations to the Board on the remuneration packages of individual Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

A meeting of the Remuneration Committee was held in March 2022. Details of the remuneration of the Directors and the five highest paid employees are set out in Notes 9 and 10 to the Financial Statements.

The remuneration of the members of senior management by band for the Year is set out below:

Remuneration bands	Number of individuals
Nil to HK$1,000,000	2

Nomination Committee

The Nomination Committee consists of three members, namely Mr. He Binfeng, executive Director, Mr. Yi Ling, independent non-executive Director and Mr. Li Huamin, independent non-executive Director. Mr. He Binfeng is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Director Nomination Policy that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

During the Year, the Nomination Committee met once to review the structure, size and composition of the Board and the independence of the independent non-executive Directors.

Board Diversity Policy

The Company has adopted a board diversity policy (the "**Board Diversity Policy**") which sets out the approach to achieve diversity of the Board and is available on the website of the Company. The Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

Pursuant to the Board Diversity Policy, the Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, experience, expertise, qualifications, skills and knowledge as well as independence of the Board.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

The Nomination Committee will review the Board Diversity Policy on a regular basis to ensure its effectiveness.

As at the date of this report, the Board comprises seven male Directors and two female Directors. Three of the Directors are independent non-executive Directors and independent of management, thereby promoting critical review and control of the management process. The Board believes that gender diversity is a representing manifestation of Board diversity, among all other measurable objectives. While the Board has a domination of male composition, the Company has two female Directors achieving female representation in the Board. The Board is of the view that the existing gender diversity in respect of the Board is sufficient, and that the nomination policy of the Company can ensure that there will be a pipeline of potential successors to the Board which continues the existing gender diversity in the Board. The Board is also characterised by significant diversity, whether considered in terms of professional background and skills.

As at 31 December 2022, the gender ratio of the Group's workforce was approximately 37% male to 63% female. The Company's hiring is merit-based and non-discriminatory. The Board is satisfied that the Company has achieved gender diversity in its workforce, and the Company anticipates this diverse workforce will be maintained going forward.

Director Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company has adopted a director nomination policy (the "**Director Nomination Policy**") which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- character and integrity;
- qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- requirements of independent non-executive Directors on the Board and independence of the proposed independent non-executive Directors in accordance with the Listing Rules; and
- commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings.

CORPORATE GOVERNANCE REPORT

Dividend policy

The Company has adopted a dividend policy (the "**Dividend Policy**") which sets out the approach to maintain a balance between meeting shareholders' expectations and prudent capital management with a sustainable dividend policy. The Company does not have any pre-determined dividend payout ratio. The declaration of dividends is subject to the discretion of the Board. Any declaration of final dividend by the Company shall also be subject to the approval of the shareholders in a shareholders' meeting.

The Directors may recommend a payment of dividends in the future after taking into account the Group's operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders' interests and other factors which they may deem relevant at such time. Any declaration and payment as well as the amount of the dividends will be subject to constitutional documents, any applicable laws and regulations, including the Cayman Islands Companies Law. Historical dividend distributions are not indicative of the future dividend distribution. Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in the Group's operations.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code.

During the Year, the Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Employees Written Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

ATTENDANCE RECORDS OF DIRECTORS

The attendance record of each Director at the Board and Board Committee meetings held during the Year is set out in the table below:

	Number of Meetings Attended/ Number of Meetings held for the Year				
Name of Directors	Board meeting(s)	Audit Committees meeting(s)	Remuneration Committee meeting(s)	Nomination Committee meeting(s)	Annual General Meeting
Executive Directors					
Mr. He Binfeng	4/4	–	1/1	1/1	1/1
Mr. Xiong Di	4/4	–	–	–	1/1
Mr. Huang Yu	4/4	–	–	–	1/1
Mr. Wu Bin	4/4	–	–	–	1/1
Mr. Chen Xiaodong *(resigned on 11 May 2022)*	1/1	–	–	–	N/A
Ms. Chen Huiling *(appointed on 21 November 2022)*	–	–	–	–	N/A
Ms. Qiu Zheng *(resigned on 21 November 2022)*	4/4	–	–	–	1/1
Non-executive Director					
Mr. Shen Yang *(appointed on 11 May 2022)*	3/3	–	–	–	1/1
Independent non-executive Directors					
Mr. Li Huamin	4/4	4/4	1/1	1/1	0/1
Mr. Yi Ling	4/4	4/4	–	1/1	1/1
Ms. Li Chengai *(resigned on 3 November 2022)*	2/2	2/2	1/1	–	1/1
Ms. Zhao Caihong *(appointed on 3 November 2022)*	2/2	2/2	–	–	N/A

Apart from the above regular Board meetings of the year, the Board will meet on other occasions when a Board-level decision on a particular matter is required. The Directors will receive details of agenda items for decision in advance of each Board meeting. Board minutes are kept by the Company Secretary and are open for inspection by the Directors. Every Board member is entitled to have access to Board papers and related materials, and has unrestricted access to the advice and services of the Company Secretary, and has the liberty to seek external professional advice if so required. The Board is responsible for maintaining an on-going dialogue with shareholders and in particular, uses annual general meetings or other general meetings to communicate with them and encourage their participation. The Board notes that the Chairman of the Board and the chairpersons or, in their absence, other members of the Audit Committee, Nomination Committee and Remuneration Committee of the Company should attend the annual general meeting to answer questions and collect views of shareholders.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation, monitoring and effectiveness of the risk management and internal control systems.

The Company's risk management and internal control systems have been developed with the following features and processes:

(a) The processes used to identify, evaluate and manage significant risks by the Group are summarised as follows:

Risk Identification: Identifies risks that may potentially affect the Group's business and operations.

Risk Assessment: Assesses the risks identified by using the assessment criteria developed by the management; and considers the impact and consequence on the business and the likelihood of their occurrence.

Risk Response: Prioritises the risks by comparing the results of the risk assessment; and determines the risk management strategies and internal control processes to prevent, avoid or mitigate the risks.

Risk Monitoring and Reporting: Performs ongoing and periodic monitoring of the risk and ensures that appropriate internal control processes are in place; revises the risk management strategies and internal control processes in case of any significant change of situation; and reports the results of risk monitoring to the management and the Board regularly.

(b) The main features of the risk management and internal control systems are summarised as follows:

Control procedures have been designed to safeguard assets against misappropriation and disposition; ensure compliance with relevant laws, rules and regulations; ensure proper maintenance of accounting records for provision of reliable financial information used within the business or for publication; ensure that unauthorized access and use of inside information are strictly prohibited; and to provide reasonable assurance against material misstatement, loss or fraud.

The Group has an internal audit function which conducts review on adequacy and effectiveness of the risk management and internal control systems of the Group. Such review is conducted annually and cycles reviewed are under rotation basis. During the year ended 31 December 2022, Management has conducted a review of the risk management and internal control systems of the Group and has reported findings and areas for improvement to the Audit Committee and the Board. The Board and the Audit Committee are of the view that there are no material internal control defects noted. All recommendations suggested are properly followed up to ensure that they are implemented within a reasonable period of time. The Board and the Audit Committee therefore considered that the Group's risk management and internal control systems are effective and adequate. The Board also satisfied that there are adequate resources with appropriate qualifications and experience in its accounting and financial reporting team and that sufficient training and budget have been provided.

The Company has developed its Information Disclosure Policy which provides guidelines and procedures to the Company's Directors, senior management and employees in evaluating and handling confidential information, monitoring information disclosure, handling market rumors, leakage of information and responding to enquiries. Control procedures have been implemented to ensure that unauthorised access and use of inside information are strictly prohibited. The Group has in place a restriction-to-access mechanism to ensure that inside information is restricted to authorised persons on a need-to-know basis in accordance with the nature of transactions.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2022.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Auditor's Report on pages 93 to 98.

AUDITORS' REMUNERATION

The remuneration paid to the external auditor of the Company, CCTH CPA Limited, in respect of audit services and non-audit services of the Group for the year ended 31 December 2022 amounted to RMB1,130,000 and RMB194,000, respectively.

COMPANY SECRETARY

The Company engages an external service provider to provide company secretarial services and has appointed Mr. Tam Chun Wai Edwin as its company secretary. Mr. Tam is not an employee of our Group and he is responsible for advisory to the Group on corporate governance matters. Mr. Xiong Di, executive Director and chief financial officer of the Company, is the person who Mr. Tam can contact for the purpose of code provision C.6.1 of the Code.

Mr. Tam confirmed that he has complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of relevant professional training during the year ended 31 December 2022.

SHAREHOLDERS' RIGHTS

The Company engages with shareholders through various communication channels.

To safeguard shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening an Extraordinary General Meeting

Pursuant to Article 64 of the Articles of Association, The Board may, whenever it thinks fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, Shares in the share capital of the Company that represent not less than one tenth of the voting rights at general meetings of the Company on a one vote per Share basis. Such requisition shall be made in writing to the Board or a Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business or resolution specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting Forward Proposals at Annual General Meetings

There is no provision allowing shareholders to move new resolutions at general meeting under the Cayman Islands Companies Law or the Articles of Association. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

Putting Forward Enquiries to the Board

Shareholders may send written enquiries and concerns to the Company by mail to the Company's principal place of business in Hong Kong at 4/F, Wah Yuen Building, 149 Queen's Road Central, Hong Kong.

INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings, publishing corporate communications such as quarterly results, interim results and annual results, financial reports, announcements and circulars. Shareholders may make enquiries with the Company through channels as mentioned above, and provide comments and recommendations to the Directors. Upon receipt of enquiries from shareholders, the Company will respond as soon as practicable.

Constitutional Documents

During the year ended 31 December 2022, the Memorandum of Association and the Articles of Association (the "Memorandum and Articles of Association") were amended (the "Amendment") in order to bring the Memorandum and Articles of Association in line with the Listing Rules and the applicable laws of the Cayman Islands, and to incorporate certain minor housekeeping amendments. The special resolution in relation to the Amendment was passed on 22 June 2022. For further information, please refer to the announcement of the Company dated 25 May 2022 and the circular of the Company dated 26 May 2022. An up-to-date version of the Company's Memorandum and Articles of Association is available on the Company's website and the Stock Exchange's website.

Communication with Shareholders

The Company has in place a Shareholders' Communication Policy to ensure that shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

The Board and management maintain a continuing dialogue with the Shareholders and other stakeholders through various channels including but not limited to the Company's general meetings. The Company encourages all Shareholders to attend general meeting which provides a useful forum for Shareholders to exchange views with the Board. During the year under review, an annual general meeting of the Company was held on 22 June 2022 at which the Directors attended either by person or by means of electronic facilities to communicate with the shareholders of the Company. In addition, all corporate communications and regulatory announcements were published by the Company on its website and the website of the Stock Exchange in a timely manner. The Board considers that the Shareholders' Communication Policy is effective during the year ended under review.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

Purpose of the Report

Feiyang International Holdings Group Limited ("**Feiyang**" or the "**Company**"), and its subsidiaries (collectively the "**Group**" or "**We**"), are pleased to publish its annual Environmental, Social and Governance ("**ESG**") Report (the "**Report**"), which sets forth in details the Group's policies and performance in promoting sustainable development, enabling readers to understand our commitment to sustainable development. For corporate governance section, please refer to the section headed "Corporate Governance Report" in the Group's 2022 Annual Report.

Statement of the Board

The board of directors of the Company (the "**Board**") acknowledges that it has overall responsibility for the Group's ESG strategy, and reporting and for evaluating and determining the Group's ESG-related risks. On the basis of confirmation provided by the management to the Board and through ongoing discussions between the Board and the management, the management has confirmed to the Board, and the Board believes that the Group has in place appropriate and effective ESG risk management and internal control systems.

Scope of the Report

This Report covers the period from 1 January 2022 to 31 December 2022 (the "**Reporting Period**"). Unless otherwise stated, this Report covers the Group's major businesses, including (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) provision of other ancillary travel-related products and services; (iv) the provision of health products; and (v) the provision of information system development products and services.

Reporting Standard

We have strictly complied with the applicable disclosure requirements of the "ESG Reporting Guide" (the "**ESG Reporting Guide**") under the "comply or explain" provisions as set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") (the "**Listing Rules**"). During the process of preparation of this Report, we summarized the Group's performance in corporate and social responsibilities based on the principles of "Materiality, Quantitative, Balance and Consistency". Please refer to the table below for our understanding and response to such reporting principles.

Reporting Principles	Definitions	Our Response
Materiality	The issues covered in this Report should reflect the significant impacts of the Group on the economy, environment and society, or the scope of assessments and decisions of stakeholders being affected.	Through continuous communication with stakeholders, combined with the Group's strategic development and business operations, we can identify current material sustainable development issues.
Quantitative	This Report should disclose key performance indicators ("**KPIs**") in a measurable manner.	The Group quantitatively discloses its environmental and social KPIs, and provides textual explanations on quantitative resources.
Balance	This Report should reflect fairly the overall sustainability performance of the Group.	The Group has explained in detail the sustainable development issues that have a significant impact in the business, including the results achieved and the challenges it faces.
Consistency	The Group should use consistent disclosure principles for the preparation of the Report.	The Group will ensure that the disclosure scope and reporting methods of the Report are generally consistent every year.

Source of Information

The information disclosed in this Report is derived from the Group's formal documents, statistics or public information. The Board is responsible for the truthfulness, accuracy and completeness of its contents.

Access to this Report

This Report is available in Chinese and English versions. In case of any discrepancy between the Chinese and English versions of the Report, the English version shall prevail. You may access the Group's official website at http://www.iflying.com or the website of the Stock Exchange at http://www.hkex.com.hk for an electronic copy of the Report.

Feedback

We welcome any comments and suggestions on this Report and our sustainability performance. Please feel free to send your comments through the following channel. Please contact us by email at fygd@feiyang.cn.

SUSTAINABILITY STRATEGIES

Adhering to the corporate mission of "Making Life Journey Better", the Group has created long-term value for the community while generating returns for shareholders through the development and management of high-quality travel services. As a responsible corporate citizen, the Group is committed to operating its business in a sustainable manner. The Group believes that the creation of long-term value depends on the sustainable development of the corporate business, supply chain and the communities in which the projects are located. The Group has formulated sustainable development related policies and create long-term value for stakeholders through four dimensions, namely Quality Service, Caring for Employees, Green Office and Community Investment.

Quality Service	• Creating delightful travel for the public
Caring for Employees	• Building a career platform for employees
Green Office	• Contributing to the sustainable development of the organisation
Community Investment	• Contributing responsibility value to the society

SUSTAINABILITY GOVERNANCE

The Group is committed to improving its ESG systems on a regular basis and integrating sustainable governance into the Group's overall planning and daily operations through clarifying the division of responsibilities. The Board is responsible for evaluating and managing material ESG issues and assumes the ultimate responsibility for the ESG work. The Board is also responsible for overseeing our risk management, which includes risks related to ESG issues, and the risk management mechanism can assist the Group to evaluate and minimise the risks that may hinder the achievement of our business objectives. For details of our risk management approaches, please refer to the Corporate Governance Report section. The Board identified the ESG issues relating to the Group with the assistance of third-party consultants based on their understanding and knowledge of the Company and the industry, and determine the priority of these issues annually by conducting online survey for the stakeholder materiality assessment with the assistance of a third party consultants, so as to select the important issues to the Group considered by both internal and external stakeholders for targeted management and disclosure.

STAKEHOLDER ENGAGEMENT

Our stakeholders are both internal and external interest groups and we are always in close communication and contact with them through various channels:

Our key stakeholders and communication channels:

Investors and shareholders

- ✓ Annual or extraordinary general meetings
- ✓ Periodical corporate publications including annual reports
- ✓ Issuance of circulars and announcements as and when necessary
- ✓ Website

Suppliers

- ✓ Meetings
- ✓ Regular assessments
- ✓ Site visits
- ✓ Exchange visits
- ✓ Travel expos
- ✓ Promotion events

Employees

- ✓ Daily communication and meetings
- ✓ Training sections
- ✓ Welfare events
- ✓ Regular performance appraisal
- ✓ Questionnaires

Regulatory authorities

- ✓ Direct communication
- ✓ Information disclosure
- ✓ Communication in writing when necessary

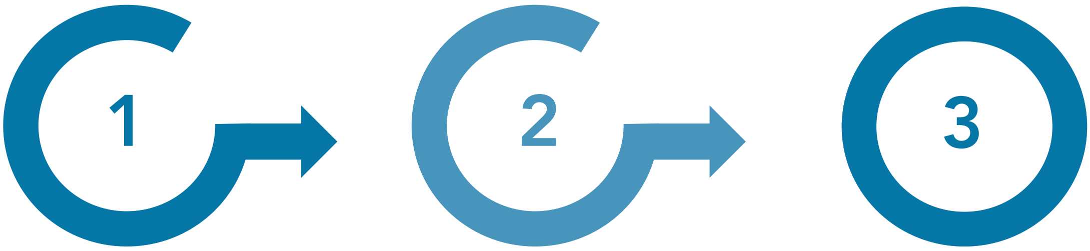
Customers

- ✓ Telephone interviews/customer service hotline
- ✓ Website
- ✓ Mobile application
- ✓ Social media
- ✓ Customer activities
- ✓ Questionnaires
- ✓ Travel expos
- ✓ Promotion events

Media and the broader community

- ✓ Website
- ✓ Mobile application
- ✓ Social media

MATERIALITY ASSESSMENT ANALYSIS PROCEDURES



ASSESSMENT

In the process of making materiality assessment, we mainly refer to the ESG Reporting Guide issued by the Hong Kong Stock Exchange to identify material issues related to the Group and make relevant disclosures in this Report.

DETERMINE THE PRIORITY

Through a set of diverse approaches, including inviting our stakeholders to participate in online surveys on the materiality of sustainable development issues and to give advices on the Group's sustainable development policies. The results of the communication with stakeholders are consolidated and materiality matrix is prepared to define the overall materiality of each issue.

ANALYSE ASSESSMENT RESULTS

The conclusions of step 1 and step 2 are submitted to the senior management of the Group for discussion and assessment of material issues in this Report.

1. Assessment

In order to understand the concerns of our key stakeholders and identify material issues of the Group, we had engaged an independent third party in past years to conduct an online survey, to undergo stakeholder engagement activities, so as to identify material issues of the Group. Based upon the previous outcomes of stakeholder communication activities, industry trends and the ESG Reporting Guide of the Hong Kong Stock Exchange, we have identified 27 ESG issues applicable to the Group. During the materiality assessment process, we invited internal and external stakeholders to rank the 27 issues through online survey questionnaires. We summarised the outcomes of the stakeholder surveys and developed a materiality matrix based on the analysis outcomes. The materiality matrix can reflect the real concerns of our stakeholders on ESG issues accurately, and the analysis outcomes are used as references for the Group's strategic planning and risk management assessment and serve as the basis for preparing this Report.

The following sets out the 27 issues related to the Group:

Products and Services

- (1) Product and Service Compliance
- (2) Product and Service Quality
- (3) Service Stability and Incidence Response
- (4) Customer Communication and Satisfaction
- (5) Complaint Handling
- (6) User Privacy and Data Security
- (7) Internet Information Security
- (8) Intellectual Property Protection
- (9) Technology Research and Development

Operating Practices

- (10) Supplier Review
- (11) Sustainability and Social Responsibility of Suppliers
- (12) Anti-corruption (including bribery, extortion, fraud and money laundering)

Work Environment Practice

- (13) Workplace Diversity, Anti-discrimination and Equal Opportunity
- (14) Occupational Safety and Health
- (15) Staff Training and Development
- (16) Prevention of Child and Forced Labour
- (17) Employment Relationship and Communication with Employees
- (18) Talent Attraction and Employee Retention
- (19) Employee Benefits

Environmental Protection and Green Operations

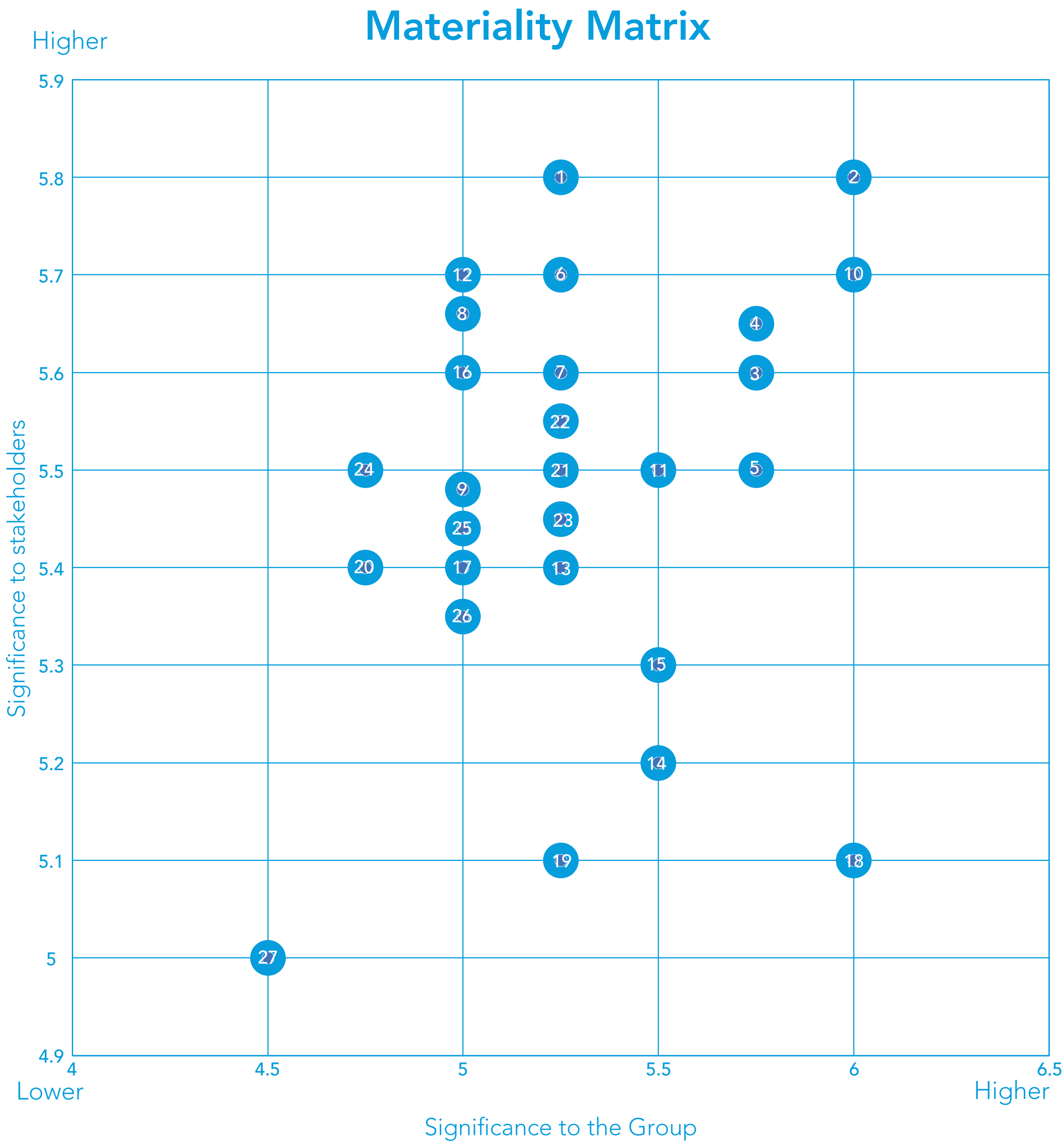
- (20) Greenhouse Gas and Air Emission
- (21) Waste Disposal and Management
- (22) Electricity and Water Conservation
- (23) Sustainable Use of Other Resources
- (24) Green Procurement
- (25) Publicity and Promotion of Environmental Protection

Community Contribution

- (26) Charity Activities Participation
- (27) Charity Donation

2. Determine the priority

In order to assist us to identify the material sustainability issues relating to the business, we proactively collected opinions from various stakeholders when preparing this report, and prioritised 27 issues in two dimensions (namely "significance to the Group" and "significance to stakeholders") as followed. The following materiality matrix is presented based on the outcomes of the survey questionnaires, and it clearly shows the issues of greatest concern to stakeholders and areas that require more of our attention in future development.



3. Analyse Assessment Results

Through the above materiality assessment, we have identified the following 13 issues as our material issues on sustainable development. In the future, we will continue to review our sustainability policies with a focus on the above identified material issues. Meanwhile, below material issues also are explained in details under the corresponding chapters in this Report.

Material issues		Corresponding chapter/module
1	Product and Service Compliance	▶ Our Commitment to the Public
2	Product and Service Quality	▶ Our Commitment to the Public
3	Service Stability and Incidence Response	▶ Our Commitment to the Public — Safe Tourism
4	Customer Communication and Satisfaction	▶ Our Commitment to the Public — On-going Assessment
5	Complaint Handling	▶ Our Commitment to the Public — On-going Assessment
6	User Privacy and Data Security	▶ Our Commitment to the Public — Protection of Consumer Information
7	Internet Information Security	▶ Our Commitment to the Public — Protection of Consumer Information
8	Supplier Review	▶ Supplier Management
9	Sustainability and Social Responsibility of Suppliers	▶ Supplier Management
10	Workplace Diversity, Anti-discrimination and Equal Opportunity	▶ Our Commitment to the Staff — Talent Attraction
11	Waste Disposal and Management	▶ Our Commitment to the Environment
12	Electricity and Water Conservation	▶ Our Commitment to the Environment
13	Sustainable Use of Other Resources	▶ Our Commitment to the Environment

OUR COMMITMENT TO THE PUBLIC

Starting from 2020, the raging COVID-19 has undoubtedly had an unprecedented impact on tourism industry. As one of the leading players in the industry, the Group's business operations have been severely interrupted due to travel restrictions imposed by China and other countries in the world. Nevertheless, the Group is committed to continuing our corporate social responsibility and strives to provide customers with the highest-quality standard of products and services, and brings sustainable revenue growth to the shareholders. In respect of our services and product development, travel planning and procurement, sales and marketing, pre-travel arrangement and package tour operation, we all strictly abides by the Tourism Law of the PRC, the Regulation on Travel Agencies and other laws and regulations applicable to travel business.

Business Process

Development

- Conduct market research on new destinations and travel elements
- Design package tours based on market information and customer preferences
- Assess the availability of transportations, hotels, local tour companies and other suppliers

Planning and Procurement

- Search for transportations and hotel accommodations
- Select local tour companies with high quality
- Obtain local transportation suppliers and local attraction tickets

Sales and Marketing

- Brand and product marketing
- Hold briefing sessions for customer service officers, personal travel consultants, sales representatives, tour escorts and/or tour guides
- Sell package tours and other services to customers through retail branches, sales offices, mobile application, call centres, website, and other online sales platforms
- Acquire customers through multiple sales channels

Tour Arrangement

- Book air tickets, transportation, hotels, restaurants and attraction tickets
- Assign tour escorts and/or tour guides and arrange local tour companies for package tours
- Arrange pre-travel reception for customers
- Confirm bookings with transportation companies, ticketing agents and/or hotel operators

Development

We actively conduct market research. We use the data collected to conduct forecast of the market, analyse the product preference of consumers and to initially determine the product type through the consumers' preference and reputation of travel product destinations and the outcomes of customer revisit survey. Meanwhile, we develop different travel products in line with national policies, to ensure product sustainability and compliance with relevant national guiding policies. We also conduct site visits to new and existing travel destinations to identify new travel destinations, new tourist attractions and other travel elements for inclusion in our package tours or FIT Products. When designing package tours, we take into account the feedback and recommendations from customers, tour escorts, tour guides and local tour companies and also pay close attention to the market trend and factors such as the availability of new hotels and attractions. We analyse the travel consumption patterns of our customers, match different travel elements such as domestic and international air tickets with different level of hotel accommodation, so that we can cater to changing customer needs and preferences. We introduce new or characteristic travel products from time to time to provide our customers with brand-new travel experiences. The Group has been developing and providing new and diversified travel products to further expand our customer base.

Planning and Procurement

Our suppliers include but not limited to airlines, ticketing agents, hotel operators, local tour companies and GDS service providers. Our package tour and FIT operation department liaise with airlines and ticketing agents to check the availability of flight seats and carry out detailed planning on selection of accommodation, local tour companies, ground transportation and restaurants. To ensure the quality of our products and services, our local tour companies can only arrange local transportation, food and beverage and hotel accommodation that meet our quality and safety standards. For potential suppliers, their service quality, safety standards, responsiveness, reliability and pricing are taken as the assessment criteria. On the other hand, feedback is also collected from tour escorts, tour guides and tour participants to continuously monitor the performance of each supplier and identify substandard travel elements in a timely manner. For our new package tours and products, our package tour and FIT operation department brief our customer service officers and personal travel consultants to enable them to understand the characteristics of each product and hence provide suitable suggestions and assistance to our customers.

Sales and Marketing

We sell our travel products and services to individual customer through our retail branches, sales offices, website, mobile application and other online sales platforms. We have an information management system which is able to update the latest enrolment status of each sales channel and the availability of package tours, air tickets and hotel accommodations on a real-time basis to assist our frontline personal travel consultants in the sales of our travel products and services. At the same time, our customer service officers and personal travel consultants also input all customer preferences, details and sales data into the system on a real-time basis for follow-up in future.

Tour Arrangement

Package tour booking is generally confirmed around one month prior to departure. Once a tour is confirmed, we will assign tour escorts and tour guides and liaise with the local tour companies. Local tour companies generally operate package tours in accordance with our approved hotel, food and beverage, local transportation and activity specifications. For domestic tours within Zhejiang province, surrounding areas outside Zhejiang province and Beijing, we are primarily responsible for arranging local transportation, food and beverage and hotel accommodations. Tour escorts and tour guides employed by us will accompany the package tours members throughout the entire tour and pay close attention to their needs.

"Feiyang" Marketing Platform

We are committed to continuously promote our "Feiyang" brand as a well-known brand, representing one-stop professional and personalised travel products and services. We believe brand recognition is decisive to our ability to attract customers. We adopt marketing strategies such as media advertising, organising travel expos and joint promotional events with our suppliers, displaying at our tourism square, retail branches and sales offices to enhance our brand recognition and promote our business. In accordance with the Advertising Law of the PRC, we have assigned marketing managers to review advertising information and marketing materials before publication to ensure that the content is free from false, misleading, untrue and exaggerated statement and infringement of intellectual property rights.

On-going Assessment

We hope to create pleasant journey to the public to further improve customer satisfaction. We have adopted a complaint handling system to enhance customer satisfaction and to resolve any disagreements in an amicable manner. Also, we have formulated the Measures for the Handling and Prevention of Complaints (Revision) to standardize the complaint handling process and reward and punishment system, so as to ensure that customer feedback is properly handled. During the Reporting Period, we received a total of 32 complaints (2021: 46 complaints) concerning travel products and services. Other than the regulations mentioned above, in order to more effectively monitor and improve the quality of our products and services, we actively collect opinions from different channels and carry out on-going assessment as following:

- Our customer service officers will conduct telephone interviews with our customers within one week after the completion of the tour to collect their feedback on the quality of our products and services
- Customers can also provide their feedback through our customer service hotline, website or mobile application at any time
- Our tour escorts and tour guides are also required to provide a Travel Completion Report on the service quality of our suppliers
- The local tour companies engaged by us would provide comments on each tour from time to time and forward any feedback from our customers, tour escorts and tour guides to us

It suits the elderly with good attitude of the local tour guide and reasonable travel schedule arrangements.

Everything is terrific, including the travel schedule arrangements and the service of the tour guide and travel consultant.

It is a satisfactory travel, for its tour guide services including dining inspection and seat belt reminding are satisfying, and its salesperson is enthusiastic and professional.

I am very satisfied with this pretty pleasure travel, for both its travel schedule arrangements and the introduction of the tour guide.

Management of Tour Escorts and Tour Guides

We adopt a series of quality control measures on our tour escorts and tour guides to ensure the quality of our products and services.

During the Recruitment Process

We conduct interviews with the tour escort and tour guide candidates and check their qualification certificates to ensure their competence and experience.

Before Serving Customers

Comprehensive training which covers knowledge of product and service, customer services, communication skills as well as safety and emergency handling skills will be provided to newly recruited tour escorts and tour guides. At the same time, the Group also provides detailed working guidelines for tour escorts and tour guides by formulating the Tour Guide Management Policy.

After Commencement of Service

Tour escorts and tour guides are also subject to regular assessments and on-going trainings to maintain their service quality.

In accordance with the Regulations on the Administration of Tour Guide Personnel, the Regulations on Travel Agencies and the Implementation Rules of the Regulations on Travel Agencies, we only hire tour escorts and tour guides who have passed the national general tour guide qualification examination and hold valid tour guide qualification certificates. In addition, we arrange tour escorts to accompany our tour teams when organising outbound tours for Mainland Chinese residents. In addition to holding a tour guide qualification certificate, the tour escorts we engaged need to have more than two years of relevant experience in the industry, so as to ensure that the tour escorts can provide professional and quality services for our tour group members.

Safe Tourism

In addition to establishing a safety management system and a responsibility system according to laws and regulations such as the Tourism Law of the PRC and Fire Protection Law of the PRC, the Group has also adopted various measures against the Epidemic under Guidelines for the Prevention and Control of Epidemic Situations in the Reopening of Tourist Attractions to lower the risks to our customers' safety and health.

Pre-travel Management

Strengthening Risk Assessment

- Conducting safety assessment of travel products, selecting suppliers and partners with corresponding qualifications and meeting local epidemic prevention and control requirements, clarifying respective obligations related to epidemic prevention and control, strengthening collaboration and cooperation, and achieving information sharing to ensure smooth, orderly and safe group travel.
- Enhancing communication and liaison to keep abreast of the epidemic prevention and control situation in tourism destinations and customer sourcing markets, and to do a good job in routes design, products matching and booking.
- Strengthening data analysis to improve epidemic prevention standard of our products.

Controlling the Package Tours Size

- Strictly implementing the prevention and control requirements of each region, announcing in advance the number of our package tour customers and other product prevention and control requirements according to our own operational capacity and the reception capacity of our suppliers and partners, strictly controlling the number of our package tour customers and advocating small-scale and reassuring package tours.
- Making reasonable arrangements for package tour routes, sizes and travel time, and tourism activities should be carried out by time slots, batches and regions to avoid too many visitors gathering at the same time.

Equipped with Protective Equipment

- Sufficient quantity of disposable medical masks or masks of a certain extent of protection, body temperature checking equipment, hand sanitizer, disposable gloves and disinfection supplies are available to provide the necessary protection for drivers, tour guides and travellers.
- Storing and using disinfection products properly, keeping them away from fire and power sources, with no mixing situation, and conducting regular inspection and timely replenishment or replacement.
- Urging our suppliers and partners to supervise the comprehensive disinfection and cleaning of hospitality facilities and venues such as chartered coaches, hotel rooms and restaurants.

Strengthening Promotion and Guidance

- Strictly implementing various systems and regulations for tour groups and signing travel contracts in accordance with the law to clarify the rights and responsibilities of all parties.
- Taking the initiative to publicise knowledge on epidemic prevention and control, and issuing travel precautions to tourists in time, reminding them to comply with the requirements of "wearing masks, washing hands regularly and keeping social distance" to enhance their awareness of self-prevention and control.

Strengthening Pre-travel Investigation

- Collecting tourists' information, health records and testing registration. To ensure the safety of tour group members, tourists are required to present their health codes upon enrolment and the codes are subject to re-verifying before travelling.
- Explaining to and dissuading tourists who failed the health code verification from travelling.
- Strictly implementing the body temperature screening system, tourists with abnormal body temperature are not allowed in the journey and are advised to seek medical advice and to report properly.

Itinerary Management

Implementing Prevention and Control Measures

- Strictly implementing epidemic prevention and control requirements in transportation, accommodation, catering, sightseeing and shopping in all areas, and urging our suppliers and partners to implement measures such as ventilation and disinfection.
- Strengthening body temperature checks for tourists and they should wear masks throughout their journey in vehicles and other means of transportation. Strictly enforcing measures such as "limitation, reservation and staggered shifts" in scenic spots and cultural and entertainment venues, and proactively cooperating with the hosts to do a good job in epidemic prevention and control.

Improving Service Standards

- Further implementing industry standards such as the Service Directives for Travel Agency and the Specifications for Tour-guide Service to enhance safety tips and itinerary management for tourists.
- Tour guides should remind tourists of the epidemic prevention and control during travel, check-in, ticketing, touring and dining, and guide tourists to wear masks correctly and keep a safe social distance.
- Tourists are reminded to cooperate with the work of health and quarantine and to take personal precautions. After the journey, travel agencies are required to keep proper records of their tour groups and hold for safekeeping.

Promoting Civilised Tourism

- Strengthening civilised tourism publicity in conjunction with epidemic prevention and control, and promoting new ways of healthy travel such as "individual serving" and "using serving chopsticks".
- Strengthening publicity and guidance for tourists on attention to hygiene, refusing wild food and rational consumption, reminding tourists to dispose of rubbish properly, so as to establish a new trend of civilised, healthy and green tourism.

Emergency Response

Establishing Synergetic Mechanism

- Acquiring the contact details of the hygiene and health authorities and designated medical institutions in tourism destinations and customer sourcing markets in advance, and ensuring that tour guides and other service providers are aware.
- Strengthening the coordination and collaboration with our partners and suppliers, keeping the reporting channels clear for epidemic situations, and reporting suspected epidemic situations to the local hygiene and health authorities and culture and tourism administrative departments in a timely manner.

Emergency Handling

- If any person in the tour group with suspected symptoms is found, the travel agency should immediately stop the tour and report the incident at the first opportunity, and cooperate with the relevant authorities to carry out epidemic investigation and prevention and control measures.
- In the event of a confirmed case is found in the tour group, the emergency handling plan will be activated immediately, and the tour group will cooperate with relevant departments and units to isolate the patient and trace the close contacts, and handle the aftermath properly.

Safeguard Measures	Enhancing Organisational Leadership • Local cultural and tourism administrative departments should strictly implement their local management responsibilities, strengthen the linkage with local hygiene and health departments, enhance collaboration of competent authorities between tourism destinations and customer sourcing markets to enhance prevention, control and emergency response capabilities and ensure a smooth and orderly resumption of operations.
	Strengthening Supervision and Inspection • In accordance with the "One Tour, One Report" system, filling in the tour group information on the National Tourism Regulatory Service Platform and upload the electronic contract.
	More Frequent Daily Scheduling • We will work with the local culture and tourism administrative departments to carry out emergency drills, risk identification and risk assessment in accordance with the prevention and control plan and the emergency response plan, so as to identify and deal with emerging problems in a timely manner. Abnormalities will be reported in a timely manner and the relevant business activities will be suspended.

Change or Cancellation of Travel

In early 2020, we suspended the operation of tourism products such as group tour and "air ticketing and hotel booking" to cooperate with the notice issued by the Ministry of Culture and Tourism of the People's Republic of China on the prevention and control the pneumonia outbreak caused by outbreak of COVID-19. During the middle of the year 2020, we started to resume cross-provincial (regional and municipal) group tours after following the notice from the Ministry of Culture and Tourism. 70% of the tours were cancelled due to the travel bans, quarantine and entry requirements, accounting for 70% of our tours under operation in 2020.

Protection of Consumer Information

In the course of business operations, the Group obtains a large amount of personal information of customers. In order to protect such information from leakage or illegal use, we have formulated the Information System Security Management Mechanism and the Information System Lapse or Disaster Emergency Response System in accordance with the Measures on Internet Information Service and the Regulations for the Protection of Personal Information of Telecommunication and Internet Users and have arranged for a team of specialized personnel to be responsible for their implementation to strengthen the security management of the information system in order to maintain and encrypt confidential corporate information such as customers' personal information. The Group's staff members are also required to sign a Confidentiality Agreement to undertake the obligation of confidentiality of sensitive and confidential documents of the Company.

Observing and Protecting Intellectual Property Rights

The Group emphasized on the protection of intellectual property rights. We have formulated the Intellectual Property Management System in accordance with the Trademark Law of the PRC to regulate the management, registration and application of intellectual property rights including trademarks and self-developed computer software, as well as the handling process of infringement cases. We also arrange our employees to attend trainings on intellectual property rights annually. In advertising and marketing materials, we may use online materials or images or materials provided by our suppliers, such as articles and video clips. In accordance with the Tort Law of the PRC, we have developed the review process to ensure that no unauthorized materials are used in our advertisements. As of 31 December 2022, we were the registered owner of 42 trademarks in the PRC and 9 trademarks in Hong Kong (2021: 14 trademarks in the PRC and 9 trademarks in Hong Kong).

Supplier Management

The Group recognizes that the role of its business partners, including suppliers, are same as material to providing quality products and services to its customers. The Group has formulated the Supplier Management System and the Procurement Management System to regulate supplier management. We obtain supplier information through online platforms, peer consultation, open tendering and employee recommendation. We adhere to the principles of fairness, impartiality, openness and transparency in our supplier assessment process. We require new suppliers to provide qualification documents such as business license and quotation and conduct on-site inspection. To reduce the environmental and social risks of the supply chain, we only cooperate with suppliers with common moral values and standards. We take into consideration of various factors, including qualification, pricing, resources, services, mutual business synergies, brand reputation, settlement clauses and compliance, and only the suppliers who meet the Group's requirement will be included in the Qualified Supplier Register.

In addition, we conduct regular performance reviews on qualified suppliers to manage and control their performance. We require our tour escorts and tour guides to provide a Travel Completion Report on the service quality of our suppliers upon the end of the tour, and conduct assessments on our suppliers annually. In the event that we experience significant safety incidents during our cooperation with our suppliers, or frequently receive negative evaluations from our tour escorts or tour guides or itinerary managers, we will consider removing these suppliers from the Qualified Supplier Register or terminating our cooperation with them.

OUR COMMITMENT TO THE STAFF

We continue to invest resources for staff, and are committed to providing good career opportunities, with a view of building a multicultural and inclusive industry-leading team. The Group actively protects the legitimate rights and interests of employees, and adheres to the Labour Law of the PRC, the Labour Contract Law of the PRC and other laws and regulations on employment and labor practices. We enters into labour contracts with employees based on the principles of equality and consensus, establishes its labour safety and health system, strictly implements national rules and standards on labour safety and health, provides employees with labour safety and health education, prevents accidents during employment and reduces occupational hazards.

Talent Attraction

As a responsible employer, the Group provides equal job opportunities in recruitment, training, promotion, transfer, remuneration, benefits and termination of contract, regardless of gender, disability, family status, marital status, pregnancy, race, religion, age, nationality and sexuality. The Group adopts the fair and open recruitment policy, and promotes diversity and inclusion, to ensure the employment opportunities for all kinds of people in society, in particular experienced and qualified tour escorts, tour guides, personal travel consultants and other operational management talents. We recruit our employees primarily through campus recruitment, online recruitment, social recruitment and internal recruitment.

To protect the rights and interests of our staffs, we have formulated the Human Resources System and the Staff Handbook to regulate the code of conduct for our staffs. If the employee resigns, we will terminate the labor relationship with the employee in accordance with the Labor Law of the PRC, and give the employee economic compensation according to the relevant national regulations. In general, the Group will only dismiss employees if they are in serious violation of labor discipline.

The Group attaches great importance to staff development, is committed to provide employees with equal working environment, offer competitive salary treatment based on their duties, skills, and the participation of business of the Group, and provide opportunities to be promoted based on their performance contribution, ability, working attitude and business proficiency. For management personnel, we will promote them based on team building, talent cultivation and departmental performance.

Talent Retention

In order to attract and retain our valuable and talented employees, we review the remuneration packages regularly and implement a structure-based remuneration system of the tourism industry. Through an incentive compensation plan, we link performance with compensation and emoluments, and adjust the compensation system annually according to the performance and contribution of our employees and market trends. In principle, the basic salary and job allowance of the Group remain unchanged, and will be adjusted based on the annual efficiency (with priority in efficiency while giving consideration to fairness as the adjustment principle) and work contribution. We implement a system of five-day work per week with alternate holiday on Saturday on a department rotation basis. We also make contribution to social insurance for our employees, including pension, medical, unemployment, work injury, maternity insurance and housing fund prescribed by the local government.

The Group attaches great importance to the physical and mental health of its employees and is committed to providing a pleasant working environment and promoting a work-life balance. In addition to national statutory holidays, employees can also apply for sick leave, casual leave, marriage leave, maternity leave, nursing leave and funeral leave as needed. There is a small book access centre at the Group's headquarter, where our employees can access books with specialised knowledge and lifestyle books. For employees who need to work outside during high temperature seasons (such as tour guides and drivers) they are also entitled to the high temperature fee prescribed by the State as compensation. The Group will organise and distribute other welfare activities or holiday benefits irregularly in irregular forms according to the specific situation and personnel.

During the Reporting Period, we were not aware of any significant non-compliance or violation of laws relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

Prevention of Child and Forced Labour

The Group strictly adopts a zero-tolerance policy towards the use of child and forced labour, and prohibits the use of child labour or forced labour as banned by the Law of the PRC on the Protection of Minors, the Regulations on Labour Security Supervision, the Provisions on the Prohibition of Using Child Labour and other relevant regulations. The human resources department of the Group verifies the age of the candidate during the recruitment process and enables the employed employees to sign labour contracts with specified working hours on a voluntary basis, which are also constantly monitored and reviewed by the Group. In case of any non-compliance, the Group will take immediate measures to terminate his/her work.

During the Reporting Period, we were not aware of any significant non-compliance or violation of laws in relation to prevention of child or forced labour.

Development and Training

The Group believes that development and equipment of staff is very important to the sustainable development, so we place great emphasis on staff training, arrange internal training courses for all employees on a regular basis, to enhance our employees' skills and knowledge in sales, marketing, customer management, customer service, product information, quality control and industry knowledge, thereby providing support for employees' personal career development and the business development needs of the Group. In order to regulate the training management of the Group, we have formulated the Training Management System to further regulate the mode of training of the Group. We provide training to our employees based on three principles, namely effectiveness, practicality and pertinence.

In order to enhance the quality of our employees, the Group launched a series of long-term and regular training programs for the entire company, each centre (group), each position and new employees during the Reporting Period, while implementing the requirements of "training accompanied by examination" and "examination shall be passed before employment". The Group's overall training framework, planning and supervision are carried out by the human resources department, and training for each department (such as training for product manager, product training for private customers, tour guide training, etc.) must be reported to the human resources department and included in the overall plan. The first phase of employee training was organized by the Group in collaboration with the Institute of Business Technology, including training on presentation production and other office software enhancement.

Health and safety

The Group advocates the "people-oriented" and adheres to the safety production policy of "Safety first, prevention dominant, comprehensive management". According to the Work Safety Law of the PRC, the Group has established a safety supervision and management mechanism, formulated rules and regulations on safety work and set up relevant organizations. In response to the pandemic, the Group has also taken various measures to minimize safety and health risks in accordance with the "Guidelines for the Prevention and Control of Pandemic in Tourist Attractions Resuming Opening".

Strengthen the management of office and business premises

- Implement prevention and control responsibilities, formulate internal pandemic prevention and control plans and contingency plans, and do a good job in hygiene cleaning, disinfection and ventilation in the office premises and service outlets of travel agency.
- Reduce the frequency and length of meetings and use web-based meeting tools whenever possible.
- The points of sale assign the responsibility of each link during pandemic prevention and control, including daily duty, cleaning and disinfection, testing and registration, rubbish cleaning, site inspection and safety management to an individual, and make timely and dynamic adjustments in accordance with the local pandemic prevention and control requirements.

Implement employee monitoring

- Travel agencies should manage the health condition of their employees in accordance with the local requirements, and establish a "Health Record Form" and conduct daily temperature checks to track their health status and travel trajectory.
- If employees have fever, cough, fatigue, stuffy nose, runny nose, sore throat, diarrhoea and other related symptoms, they will be promptly arranged for medical treatment at the nearest designated medical institution and we will follow up on the situation.
- Conduct health code checks before tour guides report duty and require them to wear masks properly.

Strengthen education and training

- Regularly organize special training on pandemic prevention and control measures and emergency response, and urge employees to understand the knowledge of pandemic prevention and control, personal protection, hygiene and health and emergency response, so as to improve their ability in pandemic prevention and control and emergency response.
- Clarify the responsibilities of tour guides, refine the duties of their positions and do a good job in providing services such as full escort and ground escort services.

During the Reporting Period, we were not aware of any non-compliance or violation of regulations by the Group in relation to providing a safe working environment and protecting employees from occupational hazards, and we were not aware of any work-related injury incidents or work-related fatalities .

Anti-corruption

The Group adopts a "zero tolerance" attitude towards bribery and extortion. All directors, management and employees must act with integrity and ethical business conduct, and comply with the relevant laws and regulations applicable to the Group's place of business on the prevention of bribery, extortion, fraud and money laundering, including the Criminal Law of the PRC.

In order to effectively prevent operation and management risks, the Group has formulated the "Identification and Reporting Mechanism for Misconduct", which aims to provide a confidential and reliable reporting mechanism for employees to prevent any unethical conduct. We encourage employees to take an active part in the management of the Company, and to timely supervise and report internal operation defects or violations in the company, so as to ensure that the Group operates in compliance with laws and regulations. Employees can report any irregularities in writing or verbally at any time to the Group's internal reporting management leading group office. The Group will endeavour to protect the identity of whistleblowers, will not allow retaliation against whistleblowers who have acted in good faith, and will follow investigative procedures to ensure that all complaints are promptly and fairly dealt with. For employees who report major violations of laws and regulations and successfully prevent the case, we will directly reward the personnel within two weeks after the case is settled. Besides, anti-corruption training was provided to senior management through internal training during the Reporting Period.

During the Reporting Period, we were not aware of any non-compliance or violation of regulations in relation to the prevention of bribery, extortion, fraud and money laundering, and we were not aware of any corruption litigation involving the Group or our employees.

OUR COMMITMENT TO THE ENVIRONMENT

The Group recognizes that proper management of energy and resources is critical to sustainable development, and therefore strives to improve our energy and resource management in order to minimize the environmental impact of our business operations and promote environmental awareness throughout the Group. The Group has taken measures to protect the environment in compliance with the Environmental Protection Law of the PRC and other relevant laws and regulations.

Due to the nature of our business, the Group's daily operations are mainly office-based, and the major greenhouse gas emissions come from the use of electricity in offices and a small number of business vehicles, while vehicles also generate air emissions. The Group's main water consumption comes from domestic water in the office. We have not encountered any problem in sourcing suitable water.

Water saving

- Domestic sewage has been properly connected to and discharged into the communal sewer system
- Water leaking faucets are repaired in a timely manner to minimise water wastage

Waste disposal

- We also properly arrange for the collection and disposal of domestic waste generated in the office by a third-party company

With focusing on energy efficiency, water conservation and office resources conservation, we have implemented various environmental protection measures. In order to fully fulfil the responsibility of environmental protection, we have incorporated the requirements of energy conservation and environmental protection into employee assessment with an expectation of that:

- Set the temperature of air conditioner at or above the specified temperature showed on air conditioner
- Turn off personal office equipment including lights, air conditioners, power of computers in non-operation areas beyond working hours
- Maintain cleanliness in public areas such as meeting rooms and employees' homes, including turning off equipment such as air conditioners, projectors, electric lights in the area
- Replace the printer cartridge when the printer is exhausted
- Make good use of the IT systems and electronic communication equipment and only use paper when necessary to avoid paper waste

The above environmental and resource-saving measures have not only helped the Group gradually improve its environmental performance, but also promoted the sustainable utilisation of natural resources effectively, and further enhanced the environmental awareness of employees. During the Reporting Period, we were not aware of any material non-compliance in relation to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

In view of our continuous effort, we target to maintain zero substantial non-compliance case in relation to the emission of exhaust gases, GHG and energy consumption in coming five years.

OUR COMMITMENT TO COMMUNITY

The Group understands the importance for making positive contribution to the community where it operates and considers that enterprises and communities are inseparable, and enterprise development is also inseparable from the support and assistance of the community. In order to better fulfill its social responsibilities, the Group takes into consideration of the local culture, environment and priorities of community when developing, selling and providing travel service with the aim to help the communities where it operates to create a harmonious, dynamic and livable environment. The Group will continue to maintain an appropriate level of community involvement and the long-term sustainable development of its operation and the community, as well as encourage its employees to participate in community contribution activities that contribute to achieving work-life balance

OUR COMMITMENT TO CLIMATE CHANGE

The Group is committed to mitigating the climate change and enhancing its resilience to adapt to the increasing threat of climate-related consequences.

The processes used to identify, evaluate and manage significant risks (including significant climate-related issues) by the Group are summarised as follows:

Risk Identification: Identifies risks that may potentially affect the Group's business and operations.

Risk Assessment: Assesses the risks identified by using the assessment criteria developed by the management; and considers the impact and consequence on the business and the likelihood of their occurrence.

Risk Response: Prioritises the risks by comparing the results of the risk assessment; and determines the risk management strategies and internal control processes to prevent, avoid or mitigate the risks.

Risk Monitoring and Reporting: Performs ongoing and periodic monitoring of the risk and ensures that appropriate internal control processes are in place; revises the risk management strategies and internal control processes in case of any significant change of situation; and reports the results of risk monitoring to the management and the Board regularly.

As a result of above risk management process, physical risk and transitions risks arising from climate change may not bring significant impacts to the Group's business. As a supporter of the recommendations of the Taskforce on Climate-Related Financial Disclosure (TCFD), the Group has assessed the potential climate related risks and identified the rising mean temperature and increasing severity and likelihood of extreme weather events such as rainstorms as major physical risks impacting our daily operation.

The management is responsible for identifying and assessing any climate-related risks to which the Group's operations are exposed, and updating the Board with the latest news and developments on climate regulations and industry benchmark. In order to cope with climate-related risk, the Group implemented various emergency response mechanism and purchased adequate social security benefits against natural disasters for our employee during working hour in order to cope with extreme weather.

In the future, we will continue to identify potential business activities impacting the environment and develop corresponding improvement measures, so as to further prevent the possible negative impacts of our operation on climate change.

APPENDIX I OVERVIEW OF KEY PERFORMANCE INDICATORS

1. Environmental Aspects

No. of KPIs	KPIs	Unit	2022	2021
A1.1 Emissions	Sulphur Dioxide	kg	0.24	0.07
	Nitrogen Oxides	kg	10.16	3.21
	Particulate Matter	kg	0.75	0.24
A1.2 Greenhouse gas emissions	Scope 1 Direct emissions	Tons of CO_2e	44.41	12.90
	Scope 2 Indirect emissions	Tons of CO_2e	85.65	79.23
	Total	Tons of CO_2e	130.06	92.13
	Intensity	Tons of CO_2e/square meters	0.021	0.015
A1.4 Non-hazardous waste[2]	Total non-hazardous waste	Tons	13.90	17.50
	Intensity	Tons/square meters	0.0023	0.0028
A2.1 Energy consumption	Unleaded petrol	kWh	158,938	46,179
	Purchased electricity	kWh	140,394	129,860
	Total	kWh	299,332	176,039
	Intensity	kWh/square meters	48.61	28.59
A2.2 Water consumption[3]	Total water consumption	Cubic meters	947.00	920.00
	Intensity	Cubic meters/square meters	0.15	0.15

Notes

1. The calculation of environmental KPIs are with reference to "A Corporate Accounting and Reporting Standard" from The GHG Protocol and the "How to prepare an ESG Report — Appendix 2: Reporting Guidance on Environmental KPIs" issued by the HKEx.

2. During the Reporting Period and corresponding period in 2021, as the Group's non-hazardous waste data collection system is still being improved, it only includes the non-hazardous waste data generated by the Group's headquarter offices. We will continue to optimise the relevant data statistics of other operating points and include relevant disclosures in the report in due course.

3. During the Reporting Period and corresponding period in 2021, as the Group leases different office areas for operation, water supply and power supply are controlled by the building's management office and some related management offices are unable to provide water and electricity consumption data to individual tenant. Therefore, the water and electricity consumption data only cover 2 operating points respectively (2021: 7 and 8 operating points for water and electricity consumption data).

2. Social Aspects

No. of KPIs	KPIs	Unit	2022	2021
B1.1 Total number of employees	**By gender**			
	Male	person	48	74
	Female	person	83	115
	By employment type			
	Full-time	person	131	172
	Part-time	person	Nil	17
	By age group			
	30 or below	person	46	87
	31–40	person	63	83
	41–50	person	17	13
	51 or above	person	5	6
	By geographical region			
	PRC	person	131	189
B1.2 Employee turnover rate	**Turnover rate by gender**			
	Male	%	75	99
	Female	%	61	78
	Turnover rate by age group			
	30 or below	%	100	100
	31–40	%	40	89
	41–50	%	18	15
	51 or above	%	20	Nil
	By geographical region			
	PRC	%	66	86
B2.1 Number and rate of work-related fatalities	Number of work-related fatalities	person	Nil	Nil
	Rate of work-related fatalities	%	Nil	Nil
B2.2 Number of working days lost due to work injury	Number of working days lost due to work injury	day	Nil	Nil

No. of KPIs	KPIs	Unit	2022	2021
B3.1 Percentage of trained employees	**Percentage of trained employees**	%	63	95
	By gender			
	Male	%	67	95
	Female	%	61	95
	By employment category			
	Part-time	%	Nil	100
	Normal	%	57	69
	Middle	%	78	79
	Senior	%	90	75
B3.2 Average training hours completed per employee	**Average training hours completed per employee**	hour	14.79	33.75
	By gender			
	Male	hour	15.29	32.10
	Female	hour	14.49	34.80
	By employment category			
	Part-time	hour	Nil	207.24
	Normal	hour	13.43	16.24
	Middle	hour	19.57	19.79
	Senior	hour	17.10	14.25
B5.1 Number of suppliers	**Number of suppliers by geographical region**			
	PRC	supplier	523	794
B6.2 Number of complaints about products and services	Number of complaints about service received	case	32	46
B7.1 Legal cases in relation to corruption	Number of legal cases in relation to corruption filed and concluded	case	Nil	Nil

As shown in the tables above, the reduction of operating points and key social performance (e.g. number of employee) of the Group for the year showed a downward trend, which was mainly due to the negative impact as a result of the outbreak of the COVID-19 since the end of 2019. Meanwhile, in order to mitigate the financial impact of COVID-19, the Group has adjusted its business strategy and adopted cost-saving measures.

APPENDIX II ENVIRONMENTAL , SOCIAL AND GOVERNANCE REPORTING GUIDE CONTENT INDEX

Subject areas, aspects, general disclosures and KPIs		Section
A. Environmental		
Aspect A1: Emissions		
	General Disclosure	Our Commitment to the Environment
KPI A1.1	The types of emissions and respective emissions data.	Appendix I Overview of Key Performance Indicators
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions in total and, where appropriate, intensity.	Appendix I Overview of Key Performance Indicators
KPI A1.3	Total hazardous waste produced and, where appropriate, intensity.	The Group's business does not involve hazardous waste.
KPI A1.4	Total non-hazardous waste produced and, where appropriate, intensity.	Appendix I Overview of Key Performance Indicators
KPI A1.5	Description of emission targets set and steps taken to achieve them.	Our Commitment to the Environment
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction targets set and steps taken to achieve them.	Our Commitment to the Environment
Aspect A2: Use of Resources		
	General Disclosure	Our Commitment to the Environment
KPI A2.1	Direct and indirect energy consumption by type in total.	Appendix I Overview of Key Performance Indicators
KPI A2.2	Water consumption in total and intensity.	Appendix I Overview of Key Performance Indicators
KPI A2.3	Description of energy use efficiency and a description of targets set and steps taken to achieve them.	Our Commitment to the Environment
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency and a description of targets set and steps taken to achieve them.	Our Commitment to the Environment
KPI A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced.	The Group's business does not involve packaging materials.

Subject areas, aspects, general disclosures and KPIs		Section
Aspect A3: The Environmental and Natural Resources		
	General Disclosure	Our Commitment to the Environment
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Our Commitment to the Environment
Aspect A4: Climate Change		
	General Disclosure	Our Commitment to Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact the issuer, and the actions taken to manage them.	Our Commitment to Climate Change
B. Social		
Employment and Labour Practices		
Aspect B1: Employment		
	General Disclosure	Our Commitment to the Staff
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Appendix I Overview of Key Performance Indicators
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Appendix I Overview of Key Performance Indicators
Aspect B2: Health and safety		
	General Disclosure	Our Commitment to the Staff — Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Appendix I Overview of Key Performance Indicators
KPI B2.2	Lost days due to work injury.	Appendix I Overview of Key Performance Indicators
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Our Commitment to the Staff — Health and Safety

Subject areas, aspects, general disclosures and KPIs		Section
Aspect B3: Development and Training		
	General Disclosure	Our Commitment to the Staff — Development and Training
KPI B3.1	The percentage of employee trained by gender and employee category.	Appendix I Overview of Key Performance Indicators
KPI B3.2	The average training hours completed per employee by gender and employee category.	Appendix I Overview of Key Performance Indicators
Aspect B4: Labour Standards		
	General Disclosure	Our Commitment to the Staff — Prevention of Child and Forced Labour
KPI B 4.1	Description of measures to review employment practices to avoid child and forced labour.	Our Commitment to the Staff — Prevention of Child and Forced Labour
KPI B 4.2	Description of steps taken to eliminate such practices when discovered.	Our Commitment to the Staff — Prevention of Child and Forced Labour
Operating Practices		
Aspect B5: Supply Chain Management		
	General Disclosure	Supplier Management
KPI B5.1	Number of suppliers by region.	Appendix I Overview of Key Performance Indicators
KPI B5.2	Description of practices relating to engaging supplies, number of supplies where the practices are being implemented, how they are implemented and monitored.	Supplier Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored .	Supplier Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, how they are implemented and monitored.	Supplier Management

Subject areas, aspects, general disclosures and KPIs		Section
Aspect B6: Product Responsibility		
	General Disclosure	Our Commitment to the Public
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Our Commitment to the Public — Business Process
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Appendix I Overview of Key Performance Indicators
KPI B6.3	Description and practices relating to observing and protecting intellectual property rights.	Our Commitment to the Public — Observing and Protecting Intellectual Property Rights
KPI B6.4	Description of quality assurance process and recall procedures .	Our Commitment to the Public — Business Process
KPI B6.5	Description of customer data protection and privacy policies, how they are implemented and monitored.	Our Commitment to the Public — Protection of Consumer Information
Aspect B7: Anti-corruption		
	General Disclosure	Our Commitment to the Staff — Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the case.	Appendix I Overview of Key Performance Indicators
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Our Commitment to the Staff — Anti-corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Our Commitment to the Staff — Anti-corruption
Aspect B8: Community Investment		
	General Disclosure	Our Commitment to Community
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	In light of our result of materiality assessment, such KPIs is considered as not material and thus not disclosed.
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	In light of our result of materiality assessment, such KPIs is considered as not material and thus not disclosed.

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements of the Group for the Year.

GLOBAL OFFERING

The Company was incorporated in the Cayman Islands on 18 October 2018 as an exempted limited liability company. The Company issued 125,000,000 ordinary shares with nominal value of HK$0.01 each (the "**Shares**" and each a "**Share**") through global offering at the offer price of HK$1.05 per Share. The Shares were listed on the Main Board of the Stock Exchange on 28 June 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries of the Company comprise (i) the design, development and sales of package tours; (ii) the design, development and sales of FIT Products; (iii) the provision of other ancillary travel-related products and services; and (iv) provision for information system development services.

BUSINESS REVIEW

Further discussion and analysis of the activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a description of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business, can be found in the Chairman's Statement and Management Discussion and Analysis set out on pages 4 to 22 of this annual report. This discussion forms part of this directors' report.

ENVIRONMENTAL POLICIES AND COMPLIANCE WITH LAWS AND REGULATIONS

The Group is committed to conducting its business in an environmentally conscious manner and minimising the adverse effects caused by its operations on the environment. The Group continues to make endeavours in saving energy and reducing unnecessary waste by adopting various green measures in its workplace. Such measures include using of energy-efficient light tubes, encouraging use of recycle papers and both sides of papers for printing and copying and keeping office temperature at reasonable level. The Group will review the environmental policy from time to time and will consider implementing further environmentally friendly measures and practices in the operation of the Group's business.

The Board paid attention to the Group's policies and practices in compliance with all significant legal and regulatory requirements essential to its business operations. The Group would seek professional advice from its external legal advisers and consultants to ensure transactions and business to be performed by the Group are in compliance with applicable environmental policies, laws and regulations. During the Year, as far as the Company is aware, it has complied in all material respects of the laws or regulations that have a significant impact on the Group's business and operation.

A report on the environmental, social and governance aspects prepared in accordance with Appendix 27 to the Listing Rules is set out in pages 42 to 71 of this report.

KEY RELATIONSHIPS WITH THE GROUP'S EMPLOYEES, CUSTOMERS, SUPPLIERS AND OTHER STAKEHOLDERS

The Group believes that employees are instrumental to the success of the Group and that their industry knowledge and understanding of the market will enable the Group to maintain the competitiveness in the market. The Group has developed a desirable working environment and provided a variety of benefits and career development to its employees. Share options may also be granted for the purpose of providing incentives and rewards to eligible participants who contributed to the success of the Group's operations.

The Group also recognises that maintaining a good and stable relationship with its existing and potential customers, suppliers and other stakeholders are the keys to the sustainable development of the Group. Accordingly, the management has kept good communication with its suppliers and customers in order to monitor the credit quality of the customers and to make timely adjustments to its operating strategies to conform to the market trends. In addition, the Group places effort to build up and maintain good relationships with various commercial banks and financial institutions as the businesses of the Group are capital intensive in nature and require on-going funding to maintain continuous growth.

RESULTS AND DIVIDENDS

The Group's profit for the Year and the Group's financial position at 31 December 2022 are set out in the consolidated financial statements on pages 99 to 101.

The Directors did not recommend the payment of any dividend for the Year (2021: Nil).

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 180 of this annual report. This summary does not form part of the audited financial statements.

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

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

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the Year are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the Year are set out in note 28 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Group and the Company during the Year are set out in the consolidated statement of changes in equity and note 37 to the consolidated financial statements, respectively. As at 31 December 2022, the reserves of the Company available for distribution, as calculated in accordance with statutory provisions applicable in the Cayman Islands was approximately RMB26.1 million (2021: RMB147.7 million).

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, sales to the Group's five largest customers accounted for less than 30% of the total sales for the Year and purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the Year.

None of the Directors or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's share capital) had any beneficial interest in the Group's five largest customers or suppliers.

DIRECTORS

The Directors during the Year and up to the date of this report were:

Executive Directors

Mr. He Binfeng *(Chairman and chief executive officer)*
Mr. Xiong Di
Mr. Huang Yu
Mr. Wu Bin
Ms. Chen Huiling *(appointed on 21 November 2022)*
Mr. Chen Xiaodong *(resigned on 11 May 2022)*
Ms. Qiu Zheng *(resigned on 21 November 2022)*

Non-executive Director

Mr. Shen Yang *(appointed on 11 May 2022)*

Independent Non-executive Directors

Mr. Li Huamin
Mr. Yi Ling
Ms. Zhao Caihong *(appointed on 3 November 2022)*
Ms. Li Chengai *(resigned on 3 November 2022)*

The biographical details of the Directors are set out in "Biographical Details of Directors and Senior Management" in this report.

In accordance with Articles of Association, Mr. Huang Yu, Ms. Chen Huiling (who was appointed by the Board on 21 November 2022) and Ms. Zhao Caihong (who was appointed by the Board on 3 November 2022) shall retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmation of independence from each of the independent non-executive Directors. As at the date of this annual report, they are considered to be independent.

CONTRACT OF SIGNIFICANCE

Save as disclosed in this annual report, no contracts of significance in relation to the Group's business in which the Company, any of its subsidiaries or fellow subsidiaries, or its controlling shareholders, was a party and in which a Director had a material interest, whether directly or indirectly, subsisted during or at the end of the Year.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for a fixed term of three years which is subject to termination by either party giving not less than three months' written notice. Each of the independent non-executive Directors has entered into a service contract with the Company for a term of three years from the date of the Listing, terminated by either party giving not less than three months' written notice.

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The Directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to Directors' duties, responsibilities and performance and the results of the Group.

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance covering the liabilities of its Directors and officers in respect of legal actions that may be brought against them. The Company has maintained appropriate insurance cover for the Directors and officers throughout the Year and are currently in force.

DIRECTORS AND CONTROLLING SHAREHOLDERS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in this annual report, no Director, controlling shareholders nor a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the holding company of the Company, or any of the Company's subsidiaries was a party during the Year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to the shareholders of the Company by reason of their holding of the Company's securities.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2022, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for the Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules, were as follows:

(a) Long Positions in Ordinary Shares of the Company

Interests in Shares of the Company

Name of Director	Nature of interest and capacity	Number of Shares held/ interested	Approximate percentage of shareholding
Mr. He Binfeng *(Note 1)*	Beneficial owner; interest of spouse; interest in controlled corporation	328,574,700	41.0718%
Mr. Wu Bin *(Note 2)*	Interest in controlled corporation	3,468,000	0.5780%

Notes:

(1) Mr. He Binfeng (i) directly owns 10,056,000 Shares or approximately 1.2570% of the issued share capital of the Company; (ii) directly owns 100% of each of HHR Group Holdings Limited ("**HHR Group**"), Michael Group Holdings Limited ("**Michael Group**"), KVN Holdings Limited ("**KVN Holdings**") and DY Holdings Limited ("**DY Holdings**"), which in aggregate holds 288,654,700 Shares or approximately 36.0818% of the issued share capital of the Company; and (iii) is deemed to own 29,864,000 Shares or approximately 3.7330% of the issued share capital of the Company owned by Ms. Qian Jie, spouse of Mr. He Binfeng.

(2) Mr. Wu Bin directly owns 100% of WB Holdings Group Limited which holds 3,468,000 Shares or approximately 0.4335% of the issued share capital of the Company.

(b) Long Positions in the Associated Corporations of the Company

Name of Director	Name of associated corporation	Nature of interest and capacity	Number of shares held/ interested	Approximate percentage of shareholding/ equity interest
Mr. He Binfeng *(Notes 1 and 2)*	Feiyang International	Beneficial owner; interest in controlled corporation; interest of spouse	44,440,000	95.2830%
	Zhejiang Feiyang Lianchuang Travel Co., Ltd. ("**Feiyang Lianchuang**")	Interest in controlled corporation; interest of spouse	– *(Note 2)*	95.2830%
	Ningbo Qihang	Interest in controlled corporation; interest of spouse	– *(Note 2)*	95.2830%
	Zhejiang Feiyang Commercial Management Co., Ltd. ("**Feiyang Commercial**")	Interest in controlled corporation; interest of spouse	– *(Note 2)*	95.2830%
Mr. Wu Bin *(Notes 2 and 3)*	Feiyang International	Beneficial owner	440,000	0.9434%
	Feiyang Lianchuang	Interest in controlled corporation	– *(Note 2)*	0.9434%
	Ningbo Qihang	Interest in controlled corporation	– *(Note 2)*	0.9434%
	Feiyang Commercial	Interest in controlled corporation	– *(Note 2)*	0.9434%

Notes:

(1) Feiyang International is directly owned as to 17.9245% by Mr. He Binfeng, 1.8868% by Ms. Qian Jie and 75.4717% by Ningbo Feiyang Business Management Company Limited ("**Feiyang Management**"), which is in turn held as to 91.7328% by Mr. He Binfeng and 8.2672% by Ms. Qian Jie. Ms. Qian Jie is spouse of Mr. He Binfeng.

(2) Each of Feiyang Lianchuang, Feiyang Commercial and Ningbo Qihang is a limited liability company established in the PRC and a wholly-owned subsidiary of Feiyang International.

(3) Feiyang International is directly owned as to 0.9434% by Mr. Wu Bin.

Save as disclosed above, as at 31 December 2022, none of the Directors nor chief executive of the Company had registered an interest or short position in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been recorded in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the paragraph headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above and in the paragraph headed "Share Option Scheme" above, at no time during the Year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as is known to the Directors and the chief executive of the Company, as at 31 December 2022, the following persons (other than a Director or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long Positions in Ordinary Shares of the Company:

Long Position in the Shares

Name of Substantial Shareholder	Nature of interest and capacity	Number of Shares held/interested	Approximate percentage of shareholding
Mr. He Binfeng *(Notes 1 and 2)*	Beneficial owner; interest of spouse; interest in controlled corporation	328,574,700	41.0718%
Ms. Qian Jie *(Note 3)*	Interest of spouse; interest in controlled corporation	328,574,700	41.0718%
HHR Group *(Note 1)*	Beneficial owner, interest held jointly with another person	328,574,700	41.0718%
Michael Group *(Notes 1)*	Beneficial owner, interest held jointly with another person	328,574,700	41.0718%
KVN Holdings *(Note 1)*	Beneficial owner, interest held jointly with another person	328,574,700	41.0718%
DY Holdings *(Note 1)*	Beneficial owner, interest held jointly with another person	328,574,700	41.0718%
QJ Holdings Limited ("**QJ Holdings**") *(Note 2)*	Beneficial owner, interest held jointly with another person	328,574,700	41.0718%

Notes:

(1) Mr. He Binfeng (i) directly owns 10,056,000 Shares or approximately 1.2570% of the issued share capital of the Company; (ii) directly owns 100% of each of HHR Group, Michael Group, KVN Holdings and DY Holdings, which in aggregate holds 288,654,700 Shares or approximately 36.0818% of the issued share capital of the Company; and (iii) is deemed to own 29,864,000 Shares or approximately 3.7330% of the issued share capital of the Company owned by Ms. Qian Jie, spouse of Mr. He Binfeng.

(2) Ms. Qian Jie (i) directly owns 100% of QJ Holdings, which holds 29,864,000 Shares or approximately 3.7330% of the issued share capital of the Company; and (ii) is deemed to own 298,700,700 Shares or approximately 37.3388% of the issued share capital of the Company owned by Mr. He Binfeng, spouse of Ms. Qian Jie.

As at 31 December 2022, so far as is known to the Directors, other than the Company, no other persons were interested in 10% or more of any class of share capital carrying rights to vote in all circumstances at general meetings of any of the subsidiaries.

Save as disclosed above, as at 31 December 2022, the Company had not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

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 Share Option Scheme enables the Company to grant options to the Directors, the directors of the Group's subsidiaries and employees of any member of the Group and any other persons (including consultants or advisers) (the "**Eligible Participant**") as incentives or rewards for their contributions to the Group. The Board, at its absolution discretion and subject to the terms of the Scheme, shall be entitled, at any time within ten years commencing from the date the Share Option Scheme was adopted, to make an offer for the grant of an option to any Eligible Participant.

As no options have been granted since the adoption of the Share Option Scheme, the number of options available for grant at the beginning and the end of the Year remains 50,000,000, representing rights to subscribe for 50,000,000 Shares. As at the date of this annual report, the total number of shares available for issue under the Share Option Scheme is 50,000,000 shares, representing 6.25% of the enlarged issued share capital of the Company. The maximum number of shares that may be granted by the Company to any one Eligible Participant shall not exceed 1% of the issued share capital of the Company from time to time.

Upon acceptance of an option to subscribe for shares granted pursuant to the Scheme (the "**Option**"), the Eligible Participant shall pay HK$1.00 to the Company by way of consideration for the grant. The Option will be offered for acceptance for a period of 21 days from the date on which the Option is granted. The subscription price for the shares subject to Options will be a price determined by the Board and notified to each participant and shall be the highest of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the Option, which must be a day on which trading of shares take place on the Stock Exchange (the "**Trading Day**"); (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five Trading Days immediately preceding the date of grant of the Options; and (iii) the nominal value of a Share on the date of grant, provided that in the event that any Option is proposed to be granted within a period of less than five Trading Dates, the new issue price of the Shares shall be used as the closing price for any business day falling within the period before listing of the Shares on the Stock Exchange.

The Company shall be entitled to issue options, provided that the total number of shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme does not exceed 10% of the shares in issue from the date of the Listing. The Company may at any time refresh such limit, subject to the shareholders' approval and issue of a circular in compliance with the Listing Rules. An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

Further details of the Share Option Scheme are set out in Appendix V to the Prospectus. Since the adoption of the Share Option Scheme and during the Year, no Option has been granted, exercised, lapsed or cancelled, and as at 31 December 2022, no Options under the Share Option Scheme were outstanding.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association of the Company or the laws of Cayman Islands.

EQUITY-LINKED AGREEMENTS

During the Year, save for the Share Option Scheme, the Company did not enter into any equity-linked agreements in respect of shares of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules 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 Year.

DEED OF NON-COMPETITION

As disclosed in the Prospectus, the controlling shareholders of the Company ("**Controlling Shareholders**") entered into a deed of non-competition in favour of the Company on 11 June 2019 (for itself and as trustee for its subsidiaries) (the "**Deed of Non-Competition**"). Each of the Controlling Shareholders confirmed to the Company that they have compiled with the Deed of Non-Competition during the Year.

Pursuant to the Deed of Non-Competition, each of the Controlling Shareholders has irrevocably and unconditionally undertaken to the Company (for itself and as trustee for its subsidiaries) that, subject to certain exceptions, during the period that the Deed of Non-Competition remain effective, each of the Controlling Shareholders shall not, and shall procure that their associates (other than any members of the Group) not to, directly or indirectly, carry on, participate in, be engaged, be interested directly or indirectly, either for their own account or in conjunction with or on behalf of or for any other person in any business in competition with or likely to be in competition with the existing business activity of any member of the Group.

Our independent non-executive Directors have reviewed the declarations made by the Controlling Shareholders regarding the compliance of the Deed of Non-Competition and were satisfied that the terms of the Deed of Non-Competition had been duly complied with and enforced during the Year.

COMPETING INTERESTS

During the Year, so far as the Directors are aware, none of the Directors, the Controlling Shareholders and substantial shareholders of the Company, and their respective close associates (as defined under the Listing Rules) had held any position or had interest in any businesses or companies that were materially competing or might materially compete with the business of the Group, or gave rise to any concern regarding conflict of interest.

COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS

During the Year, the Group has complied with the contractual arrangements as disclosed in the section headed "Contractual Arrangements" in the Prospectus (the "**Contractual Arrangements**") and the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) ("**FIL**") and its accompanying explanatory notes. The Group will continue to monitor the latest development of the FIL and its accompanying explanatory notes and provide timely updates of the latest regulatory development.

During the Year, there is no material change regarding the Structured Contracts and the Contractual Arrangements.

According to the Provisions on the Administration of Foreign-funded Telecommunications Enterprises (2016 Revision) (《外商投資電信企業管理規定(2016 修訂)》), foreign investors are not allowed to hold more than 50% of the equity interests in a company providing value-added telecommunications services. In addition, a foreign investor who invests in a value-added telecommunications business in the PRC must possess prior experience in operating value-added telecommunications businesses and a proven track record of business operations overseas (the "**Qualification Requirements**").

Efforts and Actions Undertaken to Comply with the Qualification Requirements

Despite the lack of clear guidance or interpretation on the Qualification Requirements, the Group has committed and will continue to commit financial and other resources and implement all necessary steps to meet the Qualification Requirements, for instance:

(i) Feiyang HK Group Limited ("**Feiyang HK**") was incorporated in Hong Kong in November 2018 for the purposes of establishing and expanding the Group's operations in Hong Kong;

(ii) the Group has applied for the registration of a number of trademarks in Hong Kong and have successfully registered a number of them;

(iii) Feiyang HK has applied for a number of domain names and intend to set up a website primarily for introducing and promoting our business in Hong Kong;

(iv) the Group has been conducting market research on the tourism industry in Hong Kong and liaising with various advisers for establishment of travel agency operations in Hong Kong ; and

(v) Feiyang HK will make an application for the Travel Agents Licence in Hong Kong for the purposes of establishing the Group's travel agency operations in Hong Kong.

REPORT OF THE DIRECTORS

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

Save as disclosed in the Management Discussion and Analysis section as set out on pages 6 to 22 of this annual report, as at 31 December 2022, the Group did not hold any significant investment that accounted for more than 5% of the Group's total assets as at 31 December 2022, and there were no other significant investments, material acquisitions and disposals by the Company during the Year, nor there was any other future plans for material investments or additions of capital assets at the date of this report.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken by the Group during the Year are set out in note 33 to the consolidated financial statements in this annual report. None of such related party transactions constitutes connected transaction which is subject to the reporting, annual review, announcement, circular and/or shareholders' approval requirements under Chapter 14A of the Listing Rules. It is confirmed that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

During the Year and up to the date of this annual report, the Company and the Group had the following continuing connected transactions:

Continuing connected transactions

Contractual Arrangements

Reasons for using the Contractual Arrangements

Due to regulatory prohibitions on foreign ownership in the outbound travel business and the domestic passenger air ticketing services from air ticketing business and restrictions on foreign ownership in the international passenger air ticketing services from air ticketing business in the PRC, the principal business carried out by Zhejiang Feiyang International Travel Group Co., Ltd., Zhejiang Feiyang Lianchuang Travel Co., Ltd., Ningbo Qihang Airplane Ticketing Co., Ltd. and Zhejiang Feiyang Commercial Management Co., Ltd. (the "**PRC Operating Entities**") was prohibited or restricted from foreign ownership. The wholly-owned subsidiary of the Company, Ningbo Feiyang Commercial Management Co., Ltd. ("**WFOE**"), has entered into a series of structured contracts (the "**Structured Contracts**") with the PRC Operating Entities and their respective equity holders (hereafter the equity holders of the PRC Operating Entities referred to the "**Registered Shareholders**"). The Structured Contracts enable the WFOE to exercise effective control over the PRC Operating Entities and obtain substantially all economic benefits of the PRC Operating Entities. Accordingly, the Company regards the PRC Operating Entities as indirect subsidiaries and the PRC Operating Entities are consolidated into the financial statements of the Company. The Group does not have any equity interests in the PRC Operating Entities.

A description of the business activities of the PRC Operating Entities and their significance to the Group are set out in note 1 to the financial statements.

The Board considers that the PRC Operating Entities are significant to the Group as they hold a majority of assets that are important to the operation of our business, including operating permits and licences.

Summary of the major terms of the Contractual Arrangements

With respect to each of the Structured Contracts, the WFOE, Feiyang International and the Relevant Shareholders (namely Mr. He Binfeng, Ms. Qian Jie, Mr. Wu Bin, Mr. Chen Xiadong, Mr. Li Da, Ms. Qiu Zheng and Feiyang Management) and their spouse (where applicable) have entered into a set of the following underlying agreements:

i. Exclusive Consulting Service Agreement (獨家諮詢服務協議);

ii. Intellectual Property Licence Agreement (知識產權授權許可協議);

iii. Exclusive Option Agreement (獨家購買權協議);

iv. Share Pledge Agreement (股份質押協議);

v. Shareholders' Rights Entrustment Agreement (股東權利委託協議); and

vi. Spousal Undertakings (配偶同意函).

Exclusive Consulting Service Agreement

The WFOE entered into the exclusive consulting service agreement with Feiyang International on 18 January 2019, pursuant to which Feiyang International agreed to engage the WFOE as its exclusive provider of technical and management consulting and other related services requested by the PRC Operating Entities from time to time to the extent permitted under PRC laws in exchange for service fees (the "**Exclusive Consulting Service Agreement**").

The consultation and services provided by the WFOE include but not limited to:

- assisting with contemplating the management model and business plan;
- assisting with the enterprise standardisation, construction of the management system, and integration of the business modules;
- assisting with the establishment of a perfected business process management;
- providing management and consulting services on daily operations, finances, investments, assets, claims and debts, human resources, internal information, and other conventional management and advisory services in the industry;

- providing views and advice on the assets and business operations;
- providing views and advice on the negotiation, execution, and performance of material contracts;
- providing views and advice on the merger and acquisition or other expansion plans;
- assisting with developing marketing plans;
- conducting specialised research and investigations on the industry and the market;
- implementing employee training programs to improve professional skills; and
- other services reasonably requested by the PRC Operating Entities, in conformity with industry practices.

The service fee under the Exclusive Consulting Service Agreement shall consist of 100% of the profits before tax of Feiyang International, after deducting relevant costs and reasonable expenses, and the WFOE has the right to adjust the service fee at any time based on the services provided to Feiyang International.

Feiyang International shall entrust the above services to the WFOE on an exclusive basis, which means that not only does Feiyang International agree to accept the above services provided by the WFOE, it also agrees that, during the term of the Exclusive Consulting Service Agreement, without prior written consent of the WFOE, Feiyang International shall not and shall procure its subsidiaries and joint ventures not to accept professional consultancy and services provided by any third party, that are identical or similar to the services contemplated in the Exclusive Consulting Service Agreement so as to wholly or partially invalidate the rights and obligations of the WFOE to provide services to Feiyang International in accordance with the terms of the Exclusive Consulting Service Agreement.

The Exclusive Consulting Service Agreement shall be effective upon the completion of executing all of the Contractual Arrangements, and shall remain irrevocable ever after, until both parties terminate the Exclusive Consulting Service Agreement in writing or the shares or all the assets of Feiyang International have been legally and effectively transferred to the WFOE and/or its designees. Notwithstanding the above, the WFOE has the right to terminate the Exclusive Consulting Service Agreement at any time by issuing a 30 days' notice in writing, and the WFOE shall not be liable for any defaults for unilaterally terminating the Exclusive Consulting Service Agreement.

Intellectual Property Licence Agreement

The WFOE and Feiyang International entered into an exclusive intellectual property rights licensing agreement on 18 January 2019 (the "**Intellectual Property Licence Agreement**"), pursuant to which, in exchange for a royalty fee, the WFOE agreed to licence to Feiyang International certain intellectual property rights owned by the WFOE from time to time (the "**Relevant IP Rights**").

Feiyang International shall obtain the licence of the Relevant IP Rights from the WFOE on an exclusive basis, which means that not only does Feiyang International agree to licence the Relevant IP Rights from the WFOE, it also agrees that, during the term of the Intellectual Property Licence Agreement, without prior written consent of the WFOE, Feiyang International shall not and shall procure its subsidiaries and joint ventures not to obtain the licence of the Relevant IP Rights from any third party.

The Intellectual Property Licence Agreement shall be effective upon the completion of execution by the legal representatives or authorised representatives of the WFOE and Feiyang International, and shall remain effective for a term of ten years, and shall be automatically renewed for successive terms of five years unless Feiyang International terminate the Intellectual Property Licence Agreement by issuing a 30 days' notice in writing prior to the expiration of the term of the Intellectual Property Licence Agreement.

Exclusive Option Agreement

The WFOE, Feiyang International and the Relevant Shareholders entered into an exclusive option agreement on 18 January 2019 (the "**Exclusive Option Agreement**"), pursuant to which the WFOE (or its designees) was granted an irrevocable and exclusive right (the "**Exclusive Option Rights**") to purchase from the Relevant Shareholders all or any part of their equity interest in and/or assets of Feiyang International and its subsidiary(ies) for a nominal price, unless the relevant government authorities or the PRC laws and regulations request that another amount be used as the purchase price, in which case the purchase price shall be the lowest amount under such request. Such agreement became effective upon its execution and the execution of other Structured Contracts (other than the Spousal Undertakings) on 18 January 2019 and will remain effective during the continuance of the PRC Operating Entities until (i) terminated by written notice from the parties to the agreement (pursuant to the Exclusive Option Rights, the WOFE is granted the right to unilaterally terminate the Exclusive Option Agreement by giving at least 30 days notice to all other parties to this agreement, but the Relevant Shareholders are not entitled to unilaterally terminate the Exclusive Option Agreement at their discretion), (ii) the shareholders of Feiyang International and its subsidiaries legally transferred all of the shares of Feiyang International and the equity of its subsidiaries to the WFOE (or its designee(s)), or (iii) all of the assets of Feiyang International are legally transferred to the WFOE (or its designee(s)). According to the Exclusive Option Agreement, the Relevant Shareholders shall return any amount of the purchase price they have received to the WFOE or its designee(s) without violating relevant PRC laws and regulations. Upon receiving the notice issued by the WFOE (or its designees) to exercise their Exclusive Option Rights (the "**Notice**"), the Relevant Shareholders and Feiyang International will take all necessary actions to engage in and complete the approval, filing, or registration procedures with regulatory authorities without any delay, so that the relevant equity interest in and/or assets of Feiyang International as set out in the Notice, without any security interest attached to them, can be effectively registered under the name of the WFOE (or its designees).

Feiyang International and the Relevant Shareholders, severally and jointly, irrevocably covenant and warrant that they shall, among other things:

- not supplement, change, or amend the business scope and the articles of association of Feiyang International, or increase or reduce the registered capital of Feiyang International, or otherwise change the structure of the registered capital of Feiyang International, without prior written consent of the WFOE;

- maintain the standing of Feiyang International, operate its business and handle its affairs prudently and effectively, in accordance with good financial and commercial standards and practice, and shall not cause the liquidation, close of business, termination or dissolution of Feiyang International;

- not sell, transfer, gift, mortgage, or otherwise dispose of, create any encumbrance over or procure the management of Feiyang International to sell, transfer, gift, mortgage, or otherwise dispose of, create any encumbrance over the legitimate interest or beneficial interest of any assets, business, or incomes of Feiyang International and its subsidiaries at any time since the date of this Exclusive Option Agreement, without prior written consent of the WFOE;

- not terminate or procure the management of Feiyang International to terminate any of the agreements under the Contractual Arrangements executed by Feiyang International, or sign any agreements in conflict with the existing Contractual Arrangements;

- not incur or allow the incurrence of any debts to Feiyang International, unless (i) the debts are incurred in normal or ordinary course of business; or (ii) the debts have been disclosed to and consented in writing by the WFOE;

- operate Feiyang International in the ordinary course of business so as to maintain asset value of Feiyang International, and shall not carry out any action or omission which may affect the operational situation or asset value of Feiyang International;

- not cause Feiyang International to enter into any material contracts with the amount exceeding RMB1 million without prior written consent of the WFOE, except for contracts entered into in the normal course of business);

- not provide any loan or guarantee to any person without prior written consent of the WFOE;

- at the request of the WFOE, provide, among others, all information on the labour, operation, compliance and financial conditions of Feiyang International;

- not procure or consent to the spin-off of Feiyang International, or the merger, the association with or the acquisition of/by any entity, or the investment into any entity by Feiyang International without the written consent of the WFOE;

- if requested by the WFOE, purchase and maintain insurance over the assets and business of Feiyang International from an insurance carrier acceptable to the WFOE, at an amount and type of coverage typical for companies carrying on similar businesses;

- immediately notify the WFOE of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to the assets, business and revenue of Feiyang International, and take all necessary measures in accordance with the reasonable request of the WFOE;

- for the purpose of safeguarding Feiyang International of its rights over its assets, execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate claims or raise necessary and appropriate defenses against all claims;

- acknowledge, in the event that Feiyang International or any of its shareholders fails to fulfill his/her/its tax obligations under applicable laws, leading to an impediment on the exercise of the Exclusive Option Rights by the WFOE, the WFOE has the right to request Feiyang International or the Relevant Shareholders to fulfill such tax obligation, or request Feiyang International or the Relevant Shareholders to pay such amount of tax to the WFOE such that the WFOE shall pay such amount on behalf of Feiyang International or its shareholders;

- not, without prior written consent of the WFOE, in any manner distribute bonuses, dividends, distributable interests, and/or any other income arising from any assets or shares held by the Relevant Shareholders.

The Relevant Shareholders, severally and jointly, irrevocably covenant and warrant that, without prior written consent of the WFOE, they shall, among other things:

- not transfer, pledge, or otherwise dispose of, or allow any encumbrance to be placed on the legitimate or beneficial interest of any equity interest of Feiyang International held by them, except the pledge set on the equity interest of Feiyang International in accordance with the Share Pledge Agreement;

- not vote in favour of or support or execute any shareholder resolutions on meetings of shareholders to approve to sell, transfer, pledge, or otherwise dispose of the legitimate or beneficial interest of any share or asset, or to allow any encumbrance (except the encumbrance made to the WFOE or its designees) to be placed on it;

- without the prior written consent of the WFOE, not vote or support or execute any resolutions at the general meeting of Feiyang International to approve for the merger, association or acquisition with any individual, or the investment to any individual, or the separation or alteration in the registered capital or formation of Feiyang International;

- when the WFOE exercises the exclusive right to purchase, instruct Feiyang International to convene a general meeting in a timely manner to vote for the transfer of the shares or the assets as stipulated in accordance with the Exclusive Option Agreement at the meeting;

- immediately notify the WFOE of any litigation, arbitration or administrative proceedings relating to the shares or assets of Feiyang International owned by them that have occurred or are likely to occur;

- not appoint or replace any director, supervisor, or management of Feiyang International that ought to be appointed by the Relevant Shareholders, and shall immediately appoint or employ personnel designated by the WFOE as directors and senior management of Feiyang International upon the request of the WFOE;

- procure Feiyang International not to distribute dividends, bonus, distributable profits and/or any assets and other proceeds from the shares held by the shareholders of Feiyang International in any form without the prior written consent of the WFOE; and

- strictly abide by the provisions of this Exclusive Option Agreement and other agreements jointly or separately signed by the parties and earnestly perform the obligations under the agreements, and shall not carry out any actions and inactions that may affect the validity and enforceability of such agreements.

Should the event of default (as provided in the Exclusive Option Agreement) by Feiyang International or the Relevant Shareholders occur, unless rectified or remedial measures have been taken within a reasonable period or within 10 days after the WFOE requests ratification in writing, the WFOE shall have the right to terminate the Exclusive Option Agreement and require Feiyang International or the Relevant Shareholders to compensate for the damages.

Share Pledge Agreement

The WFOE and the Relevant Shareholders entered into a share pledge agreement on 18 January 2019 (the "**Share Pledge Agreement**"), pursuant to which the Relevant Shareholders agreed to pledge all of their respective equity interest in Feiyang International to guarantee the performance of the obligation of, and the representations, undertakings, and warrants provided by, Feiyang International and the Relevant Shareholders under the Contractual Arrangements.

The pledge under the Share Pledge Agreement shall take effect upon the completion of registration with the relevant administration for industry and commerce and shall remain valid until the Share Pledge Agreement and other agreements under the Contractual Arrangements have been cancelled or terminated.

Should the event of default (as provided in the Share Pledge Agreement) by Feiyang International or the Relevant Shareholders occur, unless rectified or remedial measures have been taken within a reasonable period or within 10 days after the WFOE requests ratification in writing, the WFOE shall have the right to terminate the Share Pledge Agreement and require Feiyang International or the Relevant Shareholders to compensate for the damages.

We have completed registrations of the share pledge of Feiyang International as contemplated under the Share Pledge Agreement on 23 January 2019 with Ningbo Municipal Administration of Market Supervision (寧波市市場監督管理局).

Shareholders' Rights Entrustment Agreement

The WFOE and the Relevant Shareholders entered into the Shareholders' Rights Entrustment Agreement on 18 January 2019 pursuant to which the Relevant Shareholders irrevocably authorised the WFOE or its designated personnel to exercise their shareholders' rights in Feiyang International, including but not limited to, attending shareholders' meetings and exercising voting rights. The WFOE is authorised to exercise any of the shareholders' rights without consulting or obtaining the consent of the Relevant Shareholders. Furthermore, the WFOE is entitled to authorise other individuals to exercise the shareholder's rights within the scope authorised by the Relevant Shareholders.

The Shareholders' Rights Entrustment Agreement became effective upon execution and shall remain effective until (a) acquisition by the WFOE of the entire equity interests or assets of Feiyang International; (b) terminated unilaterally by the WFOE in writing; or (c) the Relevant Shareholders transferred all their respective shares in Feiyang International to the WFOE.

Pursuant to the Shareholders' Rights Entrustment Agreement, the WFOE, Feiyang International and the Relevant Shareholders entered into a power of attorney on 18 January 2019 (the "**Power of Attorney**"), pursuant to which the Relevant Shareholders unconditionally and irrevocably appoint the WFOE or its designees as their attorney-in-fact to exercise, pursuant to the instructions of the WFOE, all the rights that they have as the shareholders of Feiyang International as set out in the then-valid articles of association of Feiyang International, including but not limited to:

- proposing to convene and attend the general meeting of shareholders, executing meeting minutes and resolutions, exercising voting rights on all matters that need to be discussed and resolved in the general meeting of shareholders (including but not limited to the appointment, election, or removal of the directors, supervisors, and senior management of Feiyang International) of Feiyang International, and executing any documents that need to be executed by the shareholders of the Feiyang International and submitting any document to the company registration authority for filing purposes;

- resolving on the disposals of the assets of Feiyang International;

- resolving on the dissolution and liquidation of Feiyang International, and forming a liquidation group to legally exercise the rights of powers of the liquidation group during the liquidation period in accordance with the law, including but not limited to resolving on disposals of the assets of Feiyang International;

- deciding to transfer or otherwise dispose of the shares Feiyang International held by the Relevant Shareholders; and

- other shareholders' rights stipulated by applicable PRC laws and regulations (including the amendments, modifications, supplements, and re-enactments, whether entering into force before or after the execution of the Power of Attorney) and the articles of association (as amended) of Feiyang International.

The Relevant Shareholders undertake that they will not revoke the appointment of the WFOE and its designees as their attorney-in-fact, and there are no potential conflicts of interests in relation to such appointment.

The Power of Attorney shall be effective upon execution, and shall remain effective within the effective date of the Shareholders' Rights Entrustment Agreement.

Spousal Undertakings

The spouse of each of the Relevant Shareholders other than Ms. Qiu, where applicable, and the spouse of Ms. Qiu has signed an undertaking (collectively, the "**Spousal Undertakings**") on 18 January 2019 and 21 January 2019, respectively, to the effect that, among others, (i) the shares of Feiyang International held and to be held by each of the Relevant Shareholders do not fall within the scope of communal properties, and (ii) he or she waives any rights or interests that may be granted to him or her under the applicable laws of any jurisdictions, and he or she undertakes not to claim such rights or interests.

The spouse of each of the Relevant Shareholders, where applicable, has also consented to the entering into the Exclusive Option Agreement, the Exclusive Consulting Service Agreement, the Intellectual Property Licence Agreement, the Share Pledge Agreement and the Shareholders' Rights Entrustment Agreement.

Further details of the Structured Contracts are disclosed in the section headed "Contractual Arrangements" in the Prospectus and the Company's website. During the Year, there was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted, and none of the Contractual Arrangements has been unwound as none of the restrictions that led to the adoption of Contractual Arrangements has been removed.

Revenue and Assets in relation to the Contractual Arrangement

During the Year, revenue attributable to the PRC Operating Entities (before any inter-company eliminations) was approximately RMB58 million. The total asset and net liabilities attributable to the PRC Operating Entities (before any inter-company eliminations) as at 31 December 2022 was approximately RMB875 million and RMB84 million, respectively.

The risks associated with the Contractual Arrangements and actions taken by the Company to mitigate the risks

There are certain risks that are associated with the Contractual Arrangements, including:

- substantial uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law in the PRC which may impact the viability of the current corporate structure, corporate governance and business operations;

- the PRC government may determine that the Contractual Arrangements are not in compliance with applicable PRC laws, rules, regulations or policies and may take actions against the Group's operation;

- the Contractual Arrangements may not be as effective in providing control over the PRC Operating Entities as equity ownership;

- the owners of the PRC Operating Entities may have conflicts of interest with the Group, which may materially and adversely affect the Group's business, financial condition and results of operations;

- the Group may have to incur additional costs and expend substantial resources to enforce the Contractual Arrangements, temporarily or permanently lose control over the primary operations or lose access to primary sources of revenue, if the PRC Operating Entities or their respective ultimate shareholders fail to perform their obligations under the Contractual Arrangements;

- certain terms of the Contractual Arrangements may not be enforceable under the PRC laws;

- the Contractual Arrangements may be considered by the PRC tax authorities as requiring transfer pricing adjustments;

- the Group may lose the ability to use and enjoy certain important assets, which could reduce the size of the Group's operations, impair the ability to generate revenue and materially affect the market price of the Shares, if any of the PRC Operating Entities becomes the subject of a bankruptcy or liquidation proceeding; and

- the Group's ability to acquire the entire equity interest and/or assets of the PRC Operating Entities is subject to restrictions.

Further details of the risks associated with the Contractual Arrangements are set out in the section headed "Risk factors — Risks relating to our Contractual Arrangements" in the Prospectus.

The Group has adopted measures to ensure the effective operation of our Group's businesses with the implementation of the Contractual Arrangements and the compliance with the Contractual Arrangements, including:

1. major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to the Board, if necessary, for review and discussion on an occurrence basis;

2. the Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;

3. the Directors undertake to provide periodic updates in the annual reports regarding the latest development of the FIL; and

4. the Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of WFOE and the PRC Operating Entities to deal with specific issues or matters arising from the Contractual Arrangements.

The independent non-executive Directors have reviewed the Contractual Arrangements set out above and have confirmed that (i) the transactions carried out during the Year have been entered into in accordance with the relevant provisions of the Contractual Arrangements and that the profit generated by the PRC Operating Entities has been substantially retained by the WFOE, (ii) no dividends or other distributions have been made by the PRC Operating Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to us, and (iii) no new contracts have been entered into, renewed or reproduced between the Group and our PRC Operating Entities during the Year.

Pursuant to Rule 14A.55 of the Listing Rules, the Independent non-executive Directors have also reviewed the Contractual Arrangements set out above and have confirmed that the Contractual Arrangements were entered into (i) in the ordinary and usual course of business of the Group, (ii) on normal commercial terms, and (iii) in accordance with the respective agreement governing them on terms that are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

CCTH CPA Limited, the Company's external auditor, was engaged to report on the Group's continuing connected transactions in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 (Revised) Auditor's Letter on Continuing Connected Transactions under the Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. CCTH CPA Limited has issued their unqualified letter containing their findings and conclusions in respect of the transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

REPORT OF THE DIRECTORS

REVIEW BY AUDIT COMMITTEE

The annual results and the audited consolidated financial statements of the Group for the year ended 31 December 2022 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the year ended 31 December 2022 comply with applicable reporting standards, the Listing Rules, and that adequate disclosures have been made.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events of the Group after the reporting period are set out in note 38 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total number of issued shares were held by the public as at the latest practicable date prior to the date of this annual report.

AUDITOR

During the year, Ernst & Young resigned as auditors of the Company and CCTH CPA Limited were appointed by the directors to fill the casual vacancy so arising. There have been no other changes of auditors in the past three years. A resolution for the reappointment of CCTH CPA Limited as auditors of the Company will be proposed at the forthcoming annual general meeting.

FORWARD LOOKING STATEMENTS

This report 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.

On behalf of the Board

He Binfeng
Chairman, executive Director and chief executive officer
30 March 2023

INDEPENDENT AUDITOR'S REPORT

CCTH CPA LIMITED
中正天恆會計師有限公司

To the shareholders of Feiyang International Holdings Group Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Feiyang International Holdings Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 99 to 178, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the "Material Uncertainty Related to Going Concern" section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matters *(continued)*

Impairment assessment of trade receivables and other receivables

Refer to notes 20 and 21 to the consolidated financial statements

Key audit matter	How our audit addressed the key audit matter
The Group had trade receivables and other receivables with the gross amounts of approximately RMB80.8 million and RMB187.2 million respectively at 31 December 2022. Impairment loss on trade receivables and other receivables of approximately RMB62.4 and RMB77.9 million respectively were recognised in profit or loss in respect of the year ended 31 December 2022. Management has performed impairment assessment of the trade receivables and other receivables based on information including ageing of the trade receivables, past repayment history, subsequent settlement status of receivable balance, credit profile of the customers and on-going trading relationship with the relevant customers. Management also considered forward looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses for the impairment assessment. We focused on this area because the impairment assessment of trade receivables and other receivables under the expected credit losses model involved significant management judgments and estimates.	Our procedures in relation to management's impairment assessment on trade receivables and other receivables as at 31 December 2022 included: — We obtained an understanding of the key controls that the Group has implemented to manage and monitor its credit risk; — We made enquiry of management regarding the status of each of the significant trade receivables past due, the Group's on-going business relationship with the relevant customers and past repayment history of the customers; — We checked, on a sample basis, the ageing analysis of the trade receivables as at 31 December 2022 to the underlying financial records; — We assessed the subsequent settlement of trade receivable and other receivables balances. Where settlement had not been received subsequent to the year end date, we obtained an understanding of the basis of management's judgments about the recoverability of the outstanding receivables and evaluate the allowance for doubtful debts made by management for these balances; — We corroborated explanations from management with supporting evidence, such as correspondence with customers, public search of the customers' profiles as we evaluated management's judgments; and — We assessed the appropriateness of the expected credit loss positioning methodology, examining the key data inputs on a sample basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the expected credit loss.

Key audit matters *(continued)*

Impairment assessment for Long-lived assets

Refer to notes 14, 16 and 17 to the consolidated financial statements

Key Audit Matter	How our audit addressed the key audit matter
As at 31 December 2022, the balance of property, plant and equipment amounted to RMB44.2 million, the balance of right-of-use assets amounted to RMB14.2 million and the balance of intangible asset amounted to RMB8,000. Due to the travel restrictions and increased economic uncertainty under the covid-19 pandemic during the year ended 31 December 2022, the Group was loss-making from the operations, which represented an indication of impairment of long-lived assets. For this reason, the Group has engaged an independent valuer to perform an impairment test of the cash-generating unit ("CGU"). We identified the impairment of long-lived assets as a key audit matter due to the significant judgement exercised by the management in determining the key assumptions adopted in the assessment of the recoverable amount.	Our procedures in relation to management's impairment assessment on long-lived assets as at 31 December 2022 included: — We evaluated the appropriateness of the methodology in respect of the assessment of the recoverable amount of the CGU to which property, plant and equipment, right -of-use assets and intangible asset have been allocated in the impairment test; — We assessed and challenged the key assumptions used in management's cash flow projections, including, amongst others, expected future cash flows and discount rates; the reasonableness of the key assumptions used in the models, e.g. revenue growth rate and gross profit margin, by comparing such key assumptions with the Group's historical performance and market data; — We checked the appropriateness of key input data used in the assessment of the recoverable amount; — We checked the mathematical accuracy of the calculation of the recoverable amount of the CGU; — We assessed the valuer's qualifications, experience and expertise of the external professional valuer engaged by management and considered its objectivity and independence; and — We assessed the disclosures in the consolidated financial statements with reference to the requirements of the prevailing accounting standards.

INDEPENDENT AUDITOR'S REPORT

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2021 were audited by another auditor who expressed an unqualified opinion on those consolidated financial statements on 30 March 2022.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with our terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

CCTH CPA Limited
Certified Public Accountants
Hong Kong, 30 March 2023

Lee Chi Hang
Practising Certificate Number P01957

Unit 1510–1517, Tower 2,
Kowloon Commerce Centre,
No. 51 Kwai Cheong Road,
Kwai Chung, New Territories, Hong Kong

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
REVENUE	6	**76,477**	77,471
Cost of sales		**(62,876)**	(69,510)
Gross profit		**13,601**	7,961
Other income and gains	6	**5,028**	3,849
Selling and distribution expenses		**(9,129)**	(13,371)
Administrative expenses		**(24,079)**	(22,240)
Impairment losses on financial assets reversed/(recognised), net		**13,021**	(96,206)
Other expenses		**(20,990)**	(3,179)
Share of losses of associates		**(1,646)**	(2,318)
Finance costs	8	**(8,348)**	(11,569)
LOSS BEFORE INCOME TAX	7	**(32,542)**	(137,073)
Income tax expenses	11	**(8,172)**	(404)
LOSS FOR THE YEAR		**(40,714)**	(137,477)
OTHER COMPREHENSIVE INCOME/(EXPENSES)			
Item that will not be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements		**20,624**	(105)
OTHER COMPREHENSIVE INCOME/(EXPENSES) FOR THE YEAR		**20,624**	(105)
TOTAL COMPREHENSIVE EXPENSES FOR THE YEAR		**(20,090)**	(137,582)
LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		**(39,503)**	(137,477)
Non-controlling interests		**(1,211)**	–
		(40,714)	(137,477)
TOTAL COMPREHENSIVE EXPENSES ATTRIBUTABLE TO:			
Owners of the Company		**(19,262)**	(137,582)
Non-controlling interests		**(828)**	–
		(20,090)	(137,582)
		2022 RMB cent	2021 RMB cent (restated)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	13		
Basic		**(5.20)**	(24.27)
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**44,159**	14,249
Investment properties	15	**6,467**	6,255
Right-of-use assets	16(a)	**14,205**	16,021
Intangible asset	17	**8**	18
Prepayments for acquisition of property, plant and equipment		**16,954**	6,541
Investments in associates	18	**55,858**	57,504
Deposits	21	**1,898**	500
Deferred tax assets	27	**361**	8,532
		139,910	109,620
CURRENT ASSETS			
Inventories	19	**4,817**	–
Trade receivables	20	**18,430**	13,047
Prepayments, deposits and other receivables	21	**149,688**	122,296
Amounts due from related parties	33	**1,289**	2,073
Financial assets at fair value through profit or loss	22	**11,132**	13,174
Pledged deposits	23	**9,346**	4,079
Cash and cash equivalents	23	**43,795**	43,092
		238,497	197,761
CURRENT LIABILITIES			
Trade payables	24	**17,412**	12,136
Advance from customers, other payables and accruals	25	**54,059**	45,037
Interest-bearing bank and other borrowings	26	**198,655**	201,286
Lease liabilities	16(b)	**6,703**	3,403
Tax payables		**4,422**	4,381
		281,251	266,243
NET CURRENT LIABILITIES		**(42,754)**	(68,482)
TOTAL ASSETS LESS CURRENT LIABILITIES		**97,156**	41,138

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT LIABILITIES			
Lease liabilities	16(b)	**8,946**	14,543
Interest-bearing bank and other borrowings	26	**–**	2,436
		8,946	16,979
NET ASSETS		**88,210**	24,159
EQUITY			
Share capital	28	**6,850**	5,216
Reserves	29	**77,323**	18,943
Equity attributable to owners of the Company		**84,173**	24,159
Non-controlling interests		**4,037**	–
TOTAL EQUITY		**88,210**	24,159

The consolidated financial statements on pages 99 to 178 were approved and authorised for issue by the board of directors on 30 March 2023 and are signed on its behalf by:

He Binfeng
Director

Xiong Di
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium* RMB'000 (note 28)	Capital reserve* RMB'000 (note 29)	Statutory surplus reserves* RMB'000 (note 29)	Accumulated loss* RMB'000	Share award reserves* RMB'000	Special reserves* RMB'000	Foreign currency translation reserves* RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2021	4,398	97,470	47,355	8,517	(58,210)	8,001	(255)	(1,201)	106,075	–	106,075
Loss for the year	–	–	–	–	(137,477)	–	–	–	(137,477)	–	(137,477)
Other comprehensive income for the year:											
Exchange differences on translation of financial statements	–	–	–	–	–	–	–	(105)	(105)	–	(105)
Total comprehensive expenses for the year	–	–	–	–	(137,477)	–	–	(105)	(137,582)	–	(137,582)
Placing of shares (note 28)	818	54,848	–	–	–	–	–	–	55,666	–	55,666
At 31 December 2021	5,216	152,318	47,355	8,517	(195,687)	8,001	(255)	(1,306)	24,159	–	24,159

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium* RMB'000 (note 28)	Capital reserve* RMB'000 (note 29)	Statutory surplus reserves* RMB'000 (note 29)	Accumulated loss* RMB'000	Share award reserves* RMB'000	Special reserves* RMB'000	Foreign currency translation reserves* RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2022	5,216	152,318	47,355	8,517	(195,687)	8,001	(255)	(1,306)	24,159	–	24,159
Loss for the year	–	–	–	–	(39,503)	–	–	–	(39,503)	(1,211)	(40,714)
Other comprehensive income for the year:											
Exchange differences on translation of financial statements	–	–	–	–	–	–	–	20,241	20,241	383	20,624
Total comprehensive expenses for the year	–	–	–	–	(39,503)	–	–	20,241	(19,262)	(828)	(20,090)
Capital contribution by non-controlling shareholders	–	–	–	–	–	–	–	–	–	4,865	4,865
Issue of share upon Rights Issue (note 28)	1,634	77,642	–	–	–	–	–	–	79,276	–	79,276
At 31 December 2022	6,850	229,960	47,355	8,517	(235,190)	8,001	(255)	18,935	84,173	4,037	88,210

* These reserve accounts comprise the consolidated reserves of RMB77,323,000 (2021: RMB18,943,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax		**(32,542)**	(137,073)
Adjustments for:			
Depreciation of property, plant and equipment	14	**7,409**	2,813
Depreciation of right-of-use assets	16(a)	**4,918**	4,192
Amortisation of an intangible asset	17	**10**	10
Bank interest income	6	**(115)**	(491)
Finance costs	8	**8,348**	11,569
Foreign exchange losses, net		**–**	658
Covid-19-related rent concessions from lessors	16(b)	**(596)**	(66)
Loss on disposal of property, plant and equipment		**2,806**	77
Changes in fair value of investment properties	15	**(212)**	2,230
Changes in fair value of financial assets at fair value through profit or loss		**6,323**	(924)
Realised loss on list equity securities		**3,725**	–
Gain on termination of leases		**(1,304)**	(10)
Share of losses of associates		**1,646**	2,318
Impairment loss on trade receivable, reversed		**(7,440)**	–
Impairment loss on prepayments, deposit and other receivables reversed		**(5,581)**	–
Operating cash flows before movements in working capital		**(12,605)**	(114,697)
Decrease in trade receivables		**2,057**	17,908
Increase/(decrease) in prepayments, deposits and other receivables		**(23,209)**	97,804
Decrease/(increase) in amounts due from related parties		**784**	(91)
Increase in inventory		**(4,817)**	–
Increase in prepayments for acquisition of property, plant and equipment		**(17,537)**	–
Increase/(decrease) in trade payables		**5,276**	(993)
Increase/(decrease) in advance from customers, other payables and accruals		**9,022**	(23,961)
Cash used in operations		**(41,029)**	(24,030)
Income tax paid		**40**	(338)
Net cash used in operating activities		**(40,989)**	(24,368)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(32,510)**	(7,530)
Proceeds from disposal of property, plant and equipment		**3,075**	600
Purchases of shareholdings in associates		**–**	(2,295)
Purchases of financial assets at fair value through profit or loss		**(9,037)**	(12,450)
Proceeds from disposal of financial assets at fair value through profit or loss		**–**	1,000
Advances of loans to related parties		**–**	(1,721)
Decrease in pledged deposits		**(5,267)**	12,886
Interest received		**115**	509
Capital contribution by non-controlling interest		**4,865**	–
Net cash used in investing activities		**(38,759)**	(9,001)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from placing of shares		–	55,666
Proceeds from rights issue		79,276	–
Proceeds from bank loans		198,173	431,338
Repayment of bank loans		(201,286)	(419,838)
Proceeds from other loans		482	–
A loan from an employee		–	5,000
Repayment of a loan from an employee		(2,436)	(512)
Interest paid		(7,442)	(11,616)
Principal portion of lease payments		(5,301)	(5,120)
Net cash generated from financing activities		61,466	54,918
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(18,282)	21,549
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		43,092	22,106
Effect of foreign exchange rate changes, net		18,985	(563)
CASH AND CASH EQUIVALENTS AT END OF YEAR	23	43,795	43,092
Analysis of cash and cash equivalents at end of the year			
Cash and cash equivalents		43,795	43,092

1. CORPORATE AND GROUP INFORMATION

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

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

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

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

Information about subsidiaries

Particulars of the Company's subsidiaries which are wholly owned directly or indirectly by the Company are as follows:

Name	Place and date of incorporation/ registration and place of business	Issued ordinary/ registered share capital	Principal activities
Directly held:			
Bird Investment Group Limited	British Virgin Islands ("BVI") 25 October 2018	United States dollar ("USD") 50,000	Investment holding
Toucan Investment Holdings Limited	BVI 18 October 2018	USD50,000	Investment holding
Indirectly held:			
Cuckoo HK Holdings Limited 杜鵑香港控股有限公司	Hong Kong 26 October 2018	Hong Kong dollar ("HKD") 10,000	Investment holding
Feiyang HK Group Limited 飛揚香港集團有限公司	Hong Kong 2 November 2018	HKD10,000	Investment holding
Ningbo Feiyang Commercial Management Co., Ltd. ("WFOE") (i) 寧波飛揚商業管理有限公司	The PRC/ Mainland China 12 December 2018	HKD1.2 million	Technical support and consultancy related services

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Name	Place and date of incorporation/ registration and place of business	Issued ordinary/ registered share capital	Principal activities
Ningbo Shengda Feiyang Commercial Management Co., Ltd. (ii) 寧波勝大飛揚企業管理有限公司	The PRC/ Mainland China 27 September 2018	RMB1.05 million	Investment holding
Zhejiang Feiyang International Travel Group Co., Ltd. (iii)(iv) 浙江飛揚國際旅遊集團股份有限公司	The PRC/ Mainland China 19 September 2001	RMB46.64 million	Outbound travel business
Ningbo Feiyang Expo Services Co., Ltd. (iii) 寧波飛揚會展服務有限公司	The PRC/ Mainland China 21 February 2011	RMB3.5 million	Exhibition service, conference service and business information consultation services
Zhejiang Feiyang Travel Agency Co., Ltd. (iii) 浙江飛揚旅行社有限公司	The PRC/ Mainland China 11 October 2018	RMB5 million	Domestic and inbound travel business
Zhejiang Ben Niao Travel Co., Ltd. (iii) 浙江笨鳥旅遊有限公司	The PRC/ Mainland China 3 August 2018	RMB5 million	Domestic and inbound travel business
Jiangsu Ben Niao Travel Development Co., Ltd. (iii) 江蘇笨鳥旅遊發展有限公司	The PRC/ Mainland China 19 December 2018	RMB10 million	Domestic and inbound travel business
Zhejiang Feiyang Shulian Technology Co., Ltd. (iii) 浙江飛揚數聯科技有限公司	The PRC/ Mainland China 22 December 2011	RMB5 million	Software research and development
Ningbo Feiyang Lianchuang Cultural Tourism Development Co., Ltd. (iii) 寧波飛揚聯創文旅發展有限公司	The PRC/ Mainland China 7 January 2020	RMB1 million	Cultural tourism business
Ningbo Feiyang Ecological Agriculture Development Co., Ltd. (iii) 寧波飛揚生態農業發展有限公司	The PRC/ Mainland China 26 November 2020	RMB5 million	Country-side tourism

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Name	Place and date of incorporation/ registration and place of business	Issued ordinary/ registered share capital	Principal activities
Zhejiang Feiyang Lianchuang Travel Co., Ltd. (iii)(iv) 浙江飛揚聯創旅遊有限公司	The PRC/ Mainland China 21 May 2001	RMB10 million	Outbound travel business
Zhejiang Feiyang Commercial Management Co., Ltd. (iii)(iv) 浙江飛揚商務管理有限公司	The PRC/ Mainland China 13 June 2017	RMB10 million	Air ticketing business
Ningbo Qihang Airplane Ticketing Co., Ltd. (iii)(iv) 寧波啟航航空票務有限公司	The PRC/ Mainland China 3 August 2012	RMB15 million	Air ticketing business
DS Wellness & Health Management Limited 德斯尚康薈健康管理有限公司	Hong Kong 7 December 2021	HKD10,000	Medical management
Feiyang Metaverse Technology Limited 飛揚元宇宙科技有限公司	Hong Kong 21 December 2021	HKD10,000	Blockchain metaverse business
Zhejiang Feijiada Aviation Service Co., Ltd. 浙江飛加達航空服務有限公司(iii)(iv)	The PRC/ Mainland China 28 September 2022	Nil	Investment holding
Hainan Zhenlv International Travel Agency Co., Ltd. 海南真旅國際旅行社有限公司(iii)(iv)	The PRC/ Mainland China 12 June 2019	Nil	Air ticket sourcing
Feiyang MH Holdings Limited	Hong Kong 13 June 2022	HKD10,000	Inactive
Feiyang Overseas Immigration Limited	Hong Kong 11 August 2022	HKD10,000	Inactive

Notes:

(i) This entity is a wholly-foreign owned enterprise established under the PRC law.

(ii) This entity is a Sino-foreign joint venture enterprise established under the PRC law.

(iii) These entities are limited liability enterprises established under the PRC law.

(iv) These entities are controlled by the Company through a series of structured contracts entered into between the WFOE and these entities (the "Structured Contracts"). They are collectively referred to as the "PRC Operating Entities".

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS

Amendments to HKFRSs that are mandatorily effective for the current year

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

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

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

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

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

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

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

Amendments to HKFRSs that are mandatorily effective for the current year *(continued)*

New and amendments to HKFRSs in issue but not yet effective

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

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

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

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

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

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

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

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

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

Amendments to HKFRSs that are mandatorily effective for the current year *(continued)*

Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies *(continued)*

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

Amendments to HKAS 8 Definition of Accounting Estimates

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.1 Basis of preparation of consolidated financial statements *(continued)*

Going concern basis

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

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

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.1 Basis of preparation of consolidated financial statements *(continued)*

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies set out below:

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Basis of consolidation *(continued)*

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Basis of consolidation *(continued)*

Business combinations or asset acquisitions

Optional concentration test

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to investment properties which are subsequently measured under fair value model and financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

For business combinations in which the acquisition date is on or after 1 January 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Conceptual Framework for Financial Reporting 2018* issued in June 2018 (the "Conceptual Framework") except for transactions and events within the scope of HKAS 37 or HK(IFRIC)-Int 21, in which the Group applies HKAS 37 or HK(IFRIC)- Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Basis of consolidation *(continued)*

Business combinations or asset acquisitions *(continued)*

Business combinations (continued)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date;

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Basis of consolidation *(continued)*

Business combinations or asset acquisitions *(continued)*

Business combinations (continued)

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

3.3 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.3 Goodwill *(continued)*

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

The Group's policy for goodwill arising on the acquisition of an associate is described below.

3.4 Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

3.5 Property, plant and equipment and depreciation

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below). Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.5 Property, plant and equipment and depreciation *(continued)*

Leasehold improvements and certain office equipment under construction in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

Computer and office equipment	3 to 5 years
Motor vehicles and yacht	4 to 10 years
Leasehold improvements	Over the shorter of the lease improvements' useful life and the lease term

The rates of residual values of certain property, plant and equipment are as follows:

Computer and office equipment	0 to 5%
Motor vehicles	5%
Yacht	0%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.6 Investment properties

Investment properties are interests in land and buildings which would otherwise meet the definition of an investment property held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" for owned property and/or accounts for such property in accordance with the policy stated under "Right-of-use assets" for property held as a right-of-use asset up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation of property, plant and equipment. Changes in the values are dealt with as movements in the revaluation reserve. On disposal of the property, the relevant portion of the revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

Transfers to or from investment property shall be made when, and only when, there is a change in use evidenced by:

(a) commencement of owner-occupation, for a transfer from investment property to owner-occupied property;

(b) commencement of development with a view to sale, for a transfer from investment property to inventories;

(c) end of owner-occupation, for a transfer from owner-occupied property to investment property; or

(d) commencement of an operating lease to another party, for a transfer from inventories to investment property.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.7 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Purchased software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 10 years.

3.8 Impairment on property, plant and equipment, right-of-use assets, and intangible asset other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, intangible asset with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible asset are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.8 Impairment on property, plant and equipment, right-of-use assets, and intangible assets other than goodwill *(continued)*

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in first out method for the finished goods. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

3.10 Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application of HKFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed. As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.10 Leases *(continued)*

The Group as a lessee *(continued)*

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities other than adjustments to lease liabilities resulting from Covid-19-related rent concessions in which the Group applied the practical expedient.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Right-of-use assets are depreciated on a straight line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows,

Office units	2 to 10 years
Motor vehicles	3 years

If the ownership of the leased asset transfer to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful lives of the asset.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.10 Leases *(continued)*

The Group as a lessee *(continued)*

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.10 Leases *(continued)*

The Group as a lessee *(continued)*

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Changes in the basis for determining the future lease payments as a result of interest rate benchmark reform

For changes in the basis for determining the future lease payments as a result of interest rate benchmark reform, the Group applies the practical expedient to remeasure the lease liabilities by discounting the revised lease payments using the unchanged discount rate and makes a corresponding adjustment to the related right-of-use assets. A lease modification is required by interest rate benchmark reform if, and only if, both of these conditions are met:

- the modification is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the lease payments is economically equivalent to the previous basis (i.e. the basis immediately preceding the modification).

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.10 Leases *(continued)*

The Group as a lessee *(continued)*

Covid-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- 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;
- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs (other than those incurred by manufacturer or dealer lessors) are included in the initial measurement of the net investments in the leases./Initial direct costs for leases in which the Group is the manufacturer or dealer lessor are recognised in costs of sales at the commencement date of the finance leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.10 Leases *(continued)*

The Group as a lessor *(continued)*

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 Revenue from Contracts with Customers to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Changes in the basis for determining the future lease payments as a result of interest rate benchmark reform

For changes in the basis for determining the future lease payments as a result of interest rate benchmark reform for a finance lease that is not accounted for as a separate lease, the Group applies the same accounting policies as those applicable to financial instruments.

3.11 Investments and other financial instruments

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" above.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.11 Investments and other financial instruments *(continued)*

Initial recognition and measurement *(continued)*

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The Group's financial assets measured at amortised costs (debt instruments) are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred assets is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.11 Investments and other financial instruments *(continued)*

Impairment of financial assets

The Group recognises an allowance for the expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.11 Investments and other financial instruments *(continued)*

Impairment of financial assets *(continued)*

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies a simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, interest-bearing bank and other borrowings, other payables and accruals and lease liabilities.

Subsequent measurement

The subsequent measurement of loans and borrowings is as follows:

Financial liabilities measured at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.11 Investments and other financial instruments *(continued)*

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.12 Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

3.13 Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.13 Income tax *(continued)*

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

3.14 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

3.15 Revenue recognition

Revenue from contracts with customers

The Group is mainly involved the business of providing travel-related products and services. Revenue from contracts with customers is recognised when control of the products and services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those products and services.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.15 Revenue recognition *(continued)*

Revenue from contracts with customers *(continued)*

The disclosure of significant accounting judgement relating to revenue from contracts with customers is provided in note 4 to the financial statements.

Sale of travel-related products and services:

(i) Revenue from the sale of package tours is recognised over time because the package is simultaneously received and consumed by the customer when the Group performs. The revenue is recognised based on the actual service provided to the end of the year as a proportion of the total services to be provided. This is determined based on the day spent at the destination relative to the total number of tour days.

(ii) When the Group is acting as a principal in the sale of FIT products (such as air tickets and hotel rooms), the revenue from the sale of FIT products is recorded on the gross basis and is recognised at the point in time when the products are sold to the customers.

(iii) When the Group is acting as an agent in the sale of FIT products, the margin income from the sale of FIT products is recognised at the point in time when the services have been rendered.

(iv) Income from the sale of ancillary travel-related products and services (such as visa application processing, admission tickets to tourist attractions and arranging the purchase of travel insurance for customers), except for income from conferencing services, is recognised when the services are provided to customers.

(v) Income from the provision of conferencing services is recognised over time because of continuous transfer of control to the customer. The revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided.

The Group does not provide any sales-related warranties. There is no right of return by customer under the Group's standard contract terms.

Information system development services:

Revenue from information system development services is generally recognised at the point in time when control of the assets is transferred to the customers and customer acceptance is acquired.

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and the payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Revenue from health products and information technology products

Revenue from sales of health products and information technology products are recognised at point in time when the customer obtains control of the promised goods or services in the contract. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.15 Revenue recognition *(continued)*

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Rental income is recognised on a time proportion basis over the lease terms.

Contract liabilities (included in "Advance from customers, other payables and accruals)

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related products or services to the customer).

3.16 Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.17 Other employee benefits

Pension schemes

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

3.18 Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.19 Foreign currencies

The financial statements are presented in RMB because the Group's principal operations are carried out in Mainland China. The functional currency of the Company and certain subsidiaries incorporated outside Mainland China is HKD and the functional currency of the subsidiaries established in Mainland China is RMB, which is the currency of the primary economic environment in which those entities operate. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

As at the end of the reporting period, the assets and liabilities of these entities are translated into Renminbi at the exchange rates prevailing at the end of the reporting period and their profit or loss are translated into Renminbi at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations, that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Structured Contracts

The PRC Operating Entities are engaged in the outbound travel business and air ticketing business. Under the PRC laws and regulations, foreign investors are prohibited or restricted to invest in such business.

The Group exercises control over the PRC Operating Entities and enjoys substantially all economic benefits of the PRC Operating Entities through the Structured Contracts.

The Group does not have any equity interests in the PRC Operating Entities. However, as a result of the Structured Contracts, the Company has power over the PRC Operating Entities, has rights to variable returns from its involvement with the PRC Operating Entities and has the ability to affect those returns through its power over the PRC Operating Entities and is therefore considered to have control over them. Consequently, the Company regards the PRC Operating Entities as indirect subsidiaries. The Company has consolidated the financial position and results of the PRC Operating Entities in the financial statements during the reporting period.

Principal versus agent

Determining whether revenue of the Group should be reported gross or net is based on a continuing assessment of various factors. When determining whether the Group is acting as the principal or agent in offering goods or services to the customer, the Group needs to first identify who controls the specified goods or services before they are transferred to the customer. The Group is a principal that obtains control of any of the following: (i) a good or another asset from the other party that the Group then transfers to the customer; (ii) a right to a service to be performed by the other party, which gives the Group the ability to direct that party to provide the service to the customer on the Group's behalf; (iii) a good or service from the other party that the Group then combines with other goods or services in providing the specified good or service to the customer. If control is unclear, when the Group is primarily obligated in a transaction, is subject to inventory risk, has latitude in establishing prices and selecting suppliers, or has several but not all of these indicators, the Group records revenues on a gross basis. Otherwise, the Group records the net amount earned as commissions from products sold or services provided.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Critical judgements in applying accounting policies *(continued)*

Principal versus agent *(continued)*

The Group's management performs the assessment based on the above-mentioned factors and reaches the conclusion that the Group acts as a principal in the provision of package tour services, conferencing services and sale of FIT products since the Group controls the services and subject to inventory risk before they are transferred to the customers. The Group acts as an agent in the margin income from the sale of FIT products since the Group does not obtain control over the services performed by the airline companies, hotels, tourist attractions and the relevant government authorities for visa application processing services. Accordingly, the Group recognises revenue from the provision of package tour services, conferencing services and the sale of FIT products on a gross basis and recognises the margin income from the sale of FIT products and ancillary travel-related products and services except for conferencing services on a net basis.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of long-lived assets

The Group assesses whether there are any indicators of impairment for all long-lived assets (including the property, plant and equipment, right-of-use assets and intangible asset) at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit based on key assumptions such as the budgeted revenue, budgeted gross margins, the growth rate and overall market and economic conditions, and choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of property, plant and equipment, right-of-use assets and intangible asset at the end of the reporting period are disclosed in notes 14, 16(a) and 17, respectively, to the consolidated financial statements.

Estimation of fair value of investment properties

Investment properties carried at fair value were revalued at the end of each reporting period based on the appraised market value provided by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

The principal assumptions for the Group's estimation of the fair value include those related to estimated rental values with reference to the current market rents for similar properties in the same location and condition and appropriate capitalisation rates. The carrying amount of investment properties at 31 December 2022 was RMB6,467,000 (2021: RMB6,255,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 15 to the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Key sources of estimation uncertainty *(continued)*

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and distribution expenses. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to changes in market conditions. Management reassesses these estimations at the end of the reporting period to ensure inventories are recognised at the lower of cost and net realisable value.

Provision for expected credit losses on trade and other receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groups of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information such as purchasing managers' index. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The provision for impairment of trade receivables at 31 December 2022 was RMB62,377,000 (2021: RMB69,817,000), details of which are set out in note 20 to the consolidated financial statements.

Provision for impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses. In assessing the expected credit loss of deposits and other receivables, management considers various factors such as the ageing of the balances, existence of disputes, recent historical payment patterns, any other available information concerning the creditworthiness of counterparties and forward-looking information. Management uses this information to determine whether a provision for impairment is required either for a specific counterparty or for certain counterparties' balances that have similar loss patterns overall. The provision for impairment of other receivables at 31 December 2022 was RMB77,866,000 (2021: RMB93,941,000), details of which are set out in note 21 to the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

Leases — Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The gross deferred tax assets relating to deductible temporary differences as at 31 December 2022 were RMB3,912,000 (2021: RMB12,537,000). Details of which are set out in note 27 to the consolidated financial statements.

5. OPERATING SEGMENT INFORMATION

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

Geographical information

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

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

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

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

5. OPERATING SEGMENT INFORMATION *(continued)*

Information about major customer

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

6. REVENUE, OTHER INCOME AND GAINS

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

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

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

6. REVENUE, OTHER INCOME AND GAINS *(continued)*

Notes:

(1) Disaggregation of revenue from contracts with customers

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

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

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

(2) Contract liabilities

	2022 RMB'000	2021 RMB'000
At 1 January	**15,728**	50,613
At 31 December*	**21,814**	15,728

* Included in "Advance from customers, other payables and accruals" in the consolidated statement of financial position.

(i) **Significant changes in contract liabilities**
Contract liabilities represent the obligations to transfer products and services to a counterparty for which the Group has received consideration. The changes in the contract liabilities are mainly attributable to the receipt of advances from customers and the recognition of revenue when fulfilling the performance obligations.

(ii) **Revenue recognised in relation to contract liabilities**
Revenue recognised during the year ended 31 December 2022 related to the contract liability balance at the beginning of the year amounting to RMB14,394,000 (2021: RMB49,262,000).

(iii) **Unsatisfied performance obligations**
At 31 December 2022 and 2021, the remaining performance obligations (unsatisfied or partially unsatisfied) were expected to be recognised within one year. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied performance obligations is not disclosed.

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

7. LOSS BEFORE INCOME TAX

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

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

Notes:

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

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

8. FINANCE COSTS

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

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2022 RMB'000	2021 RMB'000
Fees	**111**	294
Other emoluments:		
Salaries, allowances and benefits in kind	**1,200**	1,242
Pension scheme contributions	**22**	198
	1,222	1,440

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2022 RMB'000	2021 RMB'000
Mr. Li Huamin	**37**	98
Mr. Yi Ling	**37**	98
Ms. Li Cheng'ai (note (iii))	**32**	98
Ms. Zhao Caihong (note (iii))	**5**	–
	111	294

There were no other emoluments payable to the independent non-executive directors during the year (2021: Nil).

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(continued)*

(b) Non-executive director

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Mr. Shen Yang (note (ii))	-	-	-	-

(c) Executive directors

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2022				
Executive directors:				
Mr. He Binfeng (note (i))	**–**	**243**	**4**	**247**
Ms. Qiu Zheng (note (iv))	**–**	**123**	**4**	**127**
Mr. Wu Bin	**–**	**87**	**4**	**91**
Mr. Chen Xiaodong (note (ii))	**–**	**37**	**2**	**39**
Mr. Huang Yu	**–**	**386**	**4**	**390**
Mr. Xiong Di	**–**	**324**	**4**	**328**
Ms. Chen Huiling (note (iv))	**–**	**–**	**–**	**–**
	–	**1,200**	**22**	**1,222**
2021				
Executive directors:				
Mr. He Binfeng (note (i))	–	299	23	322
Ms. Qiu Zheng (note (iv))	–	94	9	103
Mr. Wu Bin	–	110	7	117
Mr. Chen Xiaodong (note (ii))	–	156	55	211
Mr. Huang Yu	–	332	49	381
Mr. Zhang Qinghai	–	251	55	306
	–	1,242	198	1,440

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(continued)*

(c) Executive directors *(continued)*

Notes:

(i) Mr. He Binfeng is also the chief executive of the Company.

(ii) On 11 May 2022, the board of the Company approved the resignation of Mr. Chen Xiaodong as an executive director, and appointed Mr. Shen Yang as an non-executive director.

(iii) On 3 November 2022, the board of directors of the Company approved the resignation of Ms. Li Cheng'ai as an independent non-executive director, and appointed Ms. Zhao Caihong as an independent non-executive director.

(iv) On 21 November 2022, the board of directors of the Company approved the resignation of Ms. Qiu Zheng as an executive director, and appointed Ms. Chen Huiling as an executive director.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors (2021: three), one of which being the chief executive, details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining two (2021: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2022 **RMB'000**	2021 RMB'000
Salaries, allowances and benefits in kind	**522**	938
Pension scheme contributions	**8**	66
	530	1,004

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	2022	2021
Nil to HK$1,000,000	**2**	2

11. INCOME TAX

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

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

11. INCOME TAX *(continued)*

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

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

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

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

A reconciliation of the tax credit applicable to loss before tax at the statutory rate in Mainland China to the tax expense at the effective tax rate are as follows:

	2022 **RMB'000**	2021 RMB'000
Loss before tax	**(32,542)**	(137,073)
Tax at the statutory tax rate of 25% in Mainland China	**(8,136)**	(34,268)
Lower tax rates enacted by local authorities	**1,596**	490
Expenses not deductible for tax	**5,835**	5,204
Income not subject to tax	**(75)**	(152)
Losses attributable to associates	**411**	579
Tax losses utilised from previous periods	**(304)**	(868)
Temporary differences and tax losses not recognised	**8,845**	29,419
Tax charge at the Group's effective rate	**8,172**	404

12. DIVIDENDS

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

13. LOSS PER SHARE

(a) Basic loss per share

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

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

Note:

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

(b) Diluted loss per share

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

14. PROPERTY, PLANT AND EQUIPMENT

	Computer and office equipment RMB'000	Motor vehicles and yacht RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2022					
At 1 January 2022:					
Cost	**8,473**	**3,344**	**15,777**	**–**	**27,594**
Accumulated depreciation	**(5,190)**	**(1,773)**	**(6,382)**	**–**	**(13,345)**
Carrying amount	**3,283**	**1,571**	**9,395**	**–**	**14,249**
At 1 January 2022, carrying amount	**3,283**	**1,571**	**9,395**	**–**	**14,249**
Additions	**34,271**	**4,780**	**–**	**–**	**39,051**
Disposals	**(3,075)**	**(2)**	**–**	**–**	**(3,077)**
Depreciation provided during the year	**(5,025)**	**(747)**	**(1,637)**	**–**	**(7,409)**
Exchange realignment	**1,171**	**174**	**–**	**–**	**1,345**
At 31 December 2022, carrying amount	**30,625**	**5,776**	**7,758**	**–**	**44,159**
At 31 December 2022:					
Cost	**38,221**	**8,033**	**15,777**	**–**	**62,031**
Accumulated depreciation	**(7,596)**	**(2,257)**	**(8,019)**	**–**	**(17,872)**
Carrying amount	**30,625**	**5,776**	**7,758**	**–**	**44,159**
31 December 2021					
At 1 January 2021					
Cost	8,495	3,194	15,744	144	27,577
Accumulated depreciation	(4,422)	(1,699)	(4,793)	–	(10,914)
Carrying amount	4,073	1,495	10,951	144	16,663
At 1 January 2021, carrying amount	4,073	1,495	10,951	144	16,663
Additions	18	971	–	–	989
Disposals	(8)	(508)	(74)	–	(590)
Transfers	–	–	144	(144)	–
Depreciation provided during the year	(800)	(387)	(1,626)	–	(2,813)
At 31 December 2021, carrying amount	3,283	1,571	9,395	–	14,249
At 31 December 2021:					
Cost	8,473	3,344	15,777	–	27,594
Accumulated depreciation	(5,190)	(1,773)	(6,382)	–	(13,345)
Carrying amount	3,283	1,571	9,395	–	14,249

15. INVESTMENT PROPERTIES

	2022 RMB'000	2021 RMB'000
Carrying amount at 1 January	**6,255**	8,485
Increased in fair value recognised in profit or loss	**212**	(2,230)
Carrying amount at 31 December	**6,467**	6,255

The Group's investment properties consist of office units located in Mainland China held to earn rentals.

The Group's investment properties were pledged to secure general banking facilities granted to the Group (note 26).

As at 31 December 2022, the Group's investment properties were revalued based on valuations performed by 北方亞事(寧波)資產評估有限公司 (2021: Ningbo Gongping Real Estate Land Valuation Advisory Limited (寧波公評資產評估有限公司)), an independent professionally qualified valuer.

Fair value hierarchy

The recurring fair value measurement hierarchy of the Group's investment properties is under Level 3 as the valuation requires significant unobservable inputs.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2021: Nil).

Set out below is a summary of the key inputs to the "Income method" valuation technique of investment properties:

At 31 December 2022:

Significant unobservable input	Rates of unobservable inputs
Estimated rental value	**RMB83.3 per square metre per month**
Discount rate	**6.00%**

15. INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy *(continued)*

At 31 December 2021:

Significant unobservable input	Rates of unobservable inputs
Estimated rental value	RMB75.0 per square metre per month
Discount rate	4.40%-4.90%

Estimated market rents are estimated based on the independent valuer's view of recent renting transactions within the subject properties and other comparable properties. A significant increase (decrease) in the estimated rental value in isolation would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the discount rate in isolation would result in a significant decrease (increase) in the fair value of the investment properties. Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the term yield.

16. LEASES

The Group as a lessee

The Group has lease contracts for various items of office units and a motor vehicle used in its operations. Leases of office units generally have lease terms between 2 to 10 years and the motor vehicle has a lease term for 3 years. Other office units generally have lease terms of 12 months or less. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Office units RMB'000	Motor vehicle RMB'000	Total RMB'000
As at 1 January 2021	19,880	115	19,995
Additions	296	–	296
Depreciation charge	(4,077)	(115)	(4,192)
Disposal	(78)	–	(78)
As at 31 December 2021 and 1 January 2022	16,021	–	16,021
Additions	**6,965**	**–**	**6,965**
Depreciation charge	**(4,918)**	**–**	**(4,918)**
Disposal	**(3,538)**	**–**	**(3,538)**
Lease modification	**(257)**	**–**	**(257)**
Exchange realignment	**(68)**	**–**	**(68)**
As at 31 December 2022	**14,205**	**–**	**14,205**

16. LEASES *(continued)*

The Group as a lessee *(continued)*

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2022 RMB'000	2021 RMB'000
As at 1 January	**17,946**	22,924
New leases	**6,965**	296
Accretion of interest recognised during the year	**906**	1,066
Covid-19-related rent concessions from lessors	**(596)**	(66)
Lease modification	**(172)**	–
Disposal	**(4,099)**	(88)
Payments	**(5,301)**	(6,186)
As at 31 December	**15,649**	17,946
Analysed into:		
Current portion	**6,703**	3,403
Non-current portion	**8,946**	14,543

(c) The amounts recognised in consolidated statement of profit or loss in relation to leases are as follows:

	2022 RMB'000	2021 RMB'000
Interest on lease liabilities	**906**	1,066
Depreciation charge of right-of-use assets	**4,918**	4,192
Expense relating to short-term leases	**1,616**	588
Covid-19-related rent concessions from lessors	**(596)**	(66)
Gain on lease modification	**429**	–
Gain on lease termination	**875**	–
Total amount recognised in consolidated statement of profit or loss	**8,148**	5,780

16. LEASES *(continued)*

The Group as a lessor

The Group leased its investment properties to third party under operating leases during the year. Rental income recognised by the Group during the year was RMB388,000 (2021: RMB194,000), details of which are included in note 6 to the financial statements.

At 31 December 2022, the Group had total undiscounted minimum lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants falling due are as follows:

	2022 **RMB'000**	2021 RMB'000
Within one year	**389**	389
After one year but within two years	**389**	389
After two year but within three years	**389**	389
After three year but within four years	**389**	389
Over four years	**1,362**	1,751
	2,918	3,307

17. INTANGIBLE ASSET

Software

	2022 **RMB'000**	2021 RMB'000
Cost at beginning of year, net of accumulated amortisation	**18**	28
Amortisation provided during the year	**(10)**	(10)
At end of year	**8**	18
At end of year:		
Cost	**96**	96
Accumulated amortisation	**(88)**	(78)
Net carrying amount	**8**	18

18. INVESTMENTS IN ASSOCIATES

	2022 RMB'000	2021 RMB'000
Share of net assets	**55,858**	57,504

Particulars of the material associates are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group	Principal activities
Ningbo Yinjiang Feiyang Cultural Tourism Development Co., Ltd. 寧波鄞江飛揚文旅開發有限公司	Ordinary shares	PRC/Mainland China	19%	Tourism development
Zhejiang Ninglv Feiyang Cultural Tourism Development Co., Ltd. 浙江甯旅飛揚文旅發展有限公司	Ordinary shares	PRC/Mainland China	51%	Tourism development

The Group's shareholdings in the associates all comprise equity shares held through a wholly-owned subsidiary of the Company.

Ningbo Yinjiang Feiyang Cultural Tourism Development Co., Ltd., which is considered a material associate of the Group, is a strategic partner of the Group engaged in the development of tourist attractions and is accounted for using the equity method because the Group has significant influence over the entity by way of representation on the board of directors and participation in the policy-making process, despite the fact that the Group's direct equity interest in the entity was lower than 20% for the year ended 31 December 2022.

The following table illustrates the summarised financial information in respect of Ningbo Yinjiang Feiyang Cultural Tourism Development Co., Ltd. adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

18. INVESTMENTS IN ASSOCIATES *(continued)*

	2022 RMB'000	2021 RMB'000
Current assets	**293,989**	299,997
Current liabilities	**–**	–
Net assets	**293,989**	299,997
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**19%**	19%
Group's share of net assets of the associate	**55,858**	57,000
Carrying amount of the investment	**55,858**	57,000
Loss for the year	**(6,008)**	(3)
Total comprehensive loss for the year	**(6,008)**	(3)

Zhejiang Ninglv Feiyang Cultural Tourism Development Co., Ltd., which is considered a material associate of the Group, is a strategic partner of the Group engaged in the development of tourist attractions and is accounted for using the equity method. Despite the fact that the Group's direct equity interest in the entity was more than 50% for the year ended 31 December 2022, the Group has no power to control financial and operating policy decisions of the entity but only significant influence over the entity, for the reason that the Group's representation on the board of directors is less than a majority.

The following table illustrates the summarised financial information in respect of Zhejiang Ninglv Feiyang Cultural Tourism Development Co., Ltd. adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2022 RMB'000	2021 RMB'000
Current assets	**1,352**	3,048
Non-Current assets	**21,529**	24,544
Current liabilities	**(13,234)**	(6,387)
Non-Current liabilities	**(17,498)**	(19,916)
Net assets	**(7,851)**	1,289
Net assets, excluding non-controlling interests	**(5,744)**	988
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**51%**	51%
Group's share of net assets of the associate, excluding non-controlling interests	**–**	504
Carrying amount of the investment	**–**	504
Loss for the year, attributable to owners of the Company	**(6,732)**	(4,544)
Total comprehensive loss for the year, attributable to owners of the Company	**(6,732)**	(4,544)
The unrecognised share of loss for the year	**(2,929)**	–
Cumulative unrecognised share of loss	**(2,929)**	–

19. INVENTORIES

	2022 RMB'000	2021 RMB'000
Finished goods	**4,817**	–

20. TRADE RECEIVABLES

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

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

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

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

The movements in provision for impairment of trade receivables are as follows:

	2022 RMB'000	2021 RMB'000
At beginning of year	**69,817**	53,143
Impairment losses (reversal)/recognised	**(7,440)**	16,710
Amount written off as uncollectible	**–**	(36)
At end of year	**62,377**	69,817

20. TRADE RECEIVABLES *(continued)*

The Group has applied the simplified approach to provide for expected credit losses, which permits the use of the lifetime expected loss provision for all trade receivables. The Group overall considers the credit risk characteristics and the days past due of each type of trade receivables to measure the expected credit losses. Except for these trade receivables, the Group considers the historical loss rate and adjusts for forward-looking macroeconomic data in calculating the expected credit loss rate. The expected losses were determined according to the provision matrix as follows:

	As at 31 December 2022		
	Amount RMB'000	**Expected loss rate**	**Expected credit losses RMB'000**
Other trade receivables aged:			
Less than 1 year	**18,458**	**0.15%**	**28**
Between 1 and 2 years	**3,058**	**100%**	**3,058**
Over 2 years	**59,291**	**100%**	**59,291**
	80,807		**62,377**

	As at 31 December 2021		
	Amount RMB'000	Expected loss rate	Expected credit losses RMB'000
Other trade receivables aged:			
Less than 1 year	14,866	25.26	3,755
Between 1 and 2 years	22,779	91.50	20,843
Over 2 years	45,219	100.00	45,219
	82,864		69,817

As at 31 December 2022, RMBNil (2021: RMB800,000) of the Group's trade receivables was pledged to secure bank loans granted to the Group (note 26).

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

Provision for impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses. In assessing the expected credit loss of deposits and other receivables, management considers various factors such as the ageing of the balances, existence of disputes, recent historical payment patterns, any other available information concerning the creditworthiness of counterparties and forward-looking information. Management uses this information to determine whether a provision for impairment is required either for a specific counterparty or for certain counterparties' balances that have similar loss patterns overall.

Other receivables are unsecured and non-interest-bearing. For rental deposits and deposits to air ticket suppliers included in "deposits and other receivables", the balances are repayable according to the terms of the deposit contracts. Except for the rental deposits and deposits to air ticket suppliers, the other receivables are repayable on demand. As at 31 December 2022, the loss allowance was assessed to be RMB77,866,000 (2021: RMB93,941,000).

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(continued)*

The movements in gross carrying amounts for deposits and other receivables and interest receivables are as follows:

	12-month ECLs	Lifetime ECLs		
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
At 1 January 2021	70,974	–	22,176	93,150
Transfer to stage 3	(2,905)	–	2,905	–
Addition	3,755	73,594	50,667	128,016
Derecognised	(5,354)	–	(3,551)	(8,905)
Amount written off as uncollectible	–	–	(7,778)	(7,778)
At 31 December 2021 and 1 January 2022	**66,470**	**73,594**	**64,419**	**204,483**
Transfer to stage 2	**(2,158)**	**2,158**	**–**	**–**
Transfer to stage 3	**(37,370)**	**–**	**37,370**	**–**
Addition	**39,062**	**1,382**	**943**	**41,387**
Derecognised	**(4,761)**	**(3,669)**	**(37,884)**	**(46,314)**
Amount written off as uncollectible	**–**	**(10,494)**	**–**	**(10,494)**
At 31 December 2022	**61,243**	**62,971**	**64,848**	**189,062**

The movements in provision for impairment of deposits and other receivables and interest receivables are as follows:

	12-month ECLs	Lifetime ECLs		
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
At 1 January 2021	47	–	22,176	22,223
Impairment losses recognised	–	36,797	42,699	79,496
Amount written off as uncollectible	–	–	(7,778)	(7,778)
At 31 December 2021 and 1 January 2022	**47**	**36,797**	**57,097**	**93,941**
Impairment loss recognised/(reversed), net	**1,421**	**(11,723)**	**4,721**	**(5,581)**
Amount written off as uncollectible	**–**	**(10,494)**	**–**	**(10,494)**
At 31 December 2022	**1,468**	**14,580**	**61,818**	**77,866**

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 RMB'000	2021 RMB'000
Equity securities listed in Hong Kong, at fair value	**11,132**	13,174

The above equity investments were classified as financial assets at fair value through profit or loss as they were held for trading.

23. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2022 RMB'000	2021 RMB'000
Cash and bank balances	**43,795**	43,092
Pledged deposits — current portion	**9,346**	4,079
	53,141	47,171
Less: Pledged time deposits:		
Pledged for letters of performance guarantee	**(3,000)**	(3,000)
Pledged for service quality*	**(6,346)**	(1,079)
Cash and cash equivalents	**43,795**	43,092
Denominated in:		
RMB	**35,619**	29,907
HKD	**8,176**	13,185
Cash and cash equivalents	**43,795**	43,092

* A guarantee deposit for the Group's tourism operation as required by the PRC government

23. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS *(continued)*

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. The remittance of funds out of Mainland China is subject to exchange restrictions imposed by the PRC government.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between one day and thirty-six months, and earn interest at the respective time deposit rates. The bank balances and pledged time deposits are deposited with creditworthy banks with no recent history of default.

The carrying amounts of the cash and cash equivalents approximate to their fair values.

24. TRADE PAYABLES

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

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

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

25. ADVANCE FROM CUSTOMERS, OTHER PAYABLES AND ACCRUALS

	2022 RMB'000	2021 RMB'000
Advance from customers	**21,814**	15,728
Payroll payables	**5,629**	5,760
Tax payable other than corporate income tax	**1,053**	2,199
Accruals	**1,410**	1,566
Other payables	**24,153**	19,784
	54,059	45,037

Other payables are non-interest-bearing and repayable on demand.

26. INTEREST-BEARING BANK AND OTHER BORROWINGS

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

Notes:

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

(i) mortgages over the Group's investment properties situated in Mainland China with a net carrying amount of RMB6,467,000 (2021: RMB6,255,000) (note 15); and

(ii) the pledge of certain of the Group's trade receivables amounting to nil (2021: RMB800,000) (note 20).

(b) During the year ended 31 December 2022, the Controlling Shareholders have jointly guaranteed certain of the Group's banking facilities of up to RMB240,500,000 (2021: RMB236,000,000).

(c) Mr. Zhang Dayi, the director of subsidiaries, 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 31 December 2022 (2021: RMB46,000,000).

(d) A loan from an employee is unsecured, bears interest at a rate of 5.60% per annum and is repayable by 30 monthly instalments commencing in October 2021 and the Group repaid full amount to the employee during the year ended 31 December 2022.

(e) All loans are denominated in RMB except loan from a financial institution denominated in Hong Kong dollars.

27. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

2022

Deferred tax assets

	Lease liabilities RMB'000	Impairment of financial assets RMB'000	Accrued expenses RMB'000	Total RMB'000
At 1 January 2022	4,486	8,007	44	12,537
Deferred tax charged to profit or loss during the year (note 11)	(574)	(8,007)	(44)	(8,625)
Gross deferred tax assets at 31 December 2022	3,912	–	–	3,912

Deferred tax liabilities

	Right-of-use assets RMB'000
At 1 January 2022	4,005
Deferred tax credited to profit or loss during the year (note 11)	(454)
Gross deferred tax liabilities at 31 December 2022	3,551

27. DEFERRED TAX *(continued)*

2021

Deferred tax assets

	Lease liabilities RMB'000	Impairment of financial assets RMB'000	Accrued expenses RMB'000	Total RMB'000
At 1 January 2021	5,731	8,007	197	13,935
Deferred tax charged to profit or loss during the year (note 11)	(1,245)	–	(153)	(1,398)
Gross deferred tax assets at 31 December 2021	4,486	8,007	44	12,537

Deferred tax liabilities

	Right-of-use assets RMB'000
At 1 January 2021	4,999
Deferred tax credited to profit or loss during the year (note 11)	(994)
Gross deferred tax liabilities at 31 December 2021	4,005

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2022 RMB'000	2021 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**361**	8,532

27. DEFERRED TAX *(continued)*

Deferred tax liabilities *(continued)*

Deferred tax assets have not been recognised in respect of the following items:

	2022 RMB'000	2021 RMB'000
Tax losses	**41,418**	24,635
Deductible temporary differences	**58,446**	93,628
	99,864	118,263

The Group has tax losses arising in Mainland China of RMB34,941,000 (2021: RMB23,446,000) that will expire in one to five years for offsetting against future taxable profits.

The Group has tax losses arising in Hong Kong of RMB6,477,000 (2021: RMB1,189,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax assets have not been recognised in respect of the above items as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the above items can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

As at 31 December 2022, no deferred tax liability has been recognised for withholding taxes that would be payable on unremitted earnings of the Group's subsidiaries established in Mainland China. In the opinion of the Company's directors, it is not probable that these subsidiaries will distribute such earnings to foreign entities in the foreseeable future. The aggregate amounts of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately nil (2021: Nil).

28. SHARE CAPITAL

Shares

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

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

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

Notes:

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

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

29. RESERVES

The amounts of the Group's reserves and the movements therein for the year are presented in the consolidated statement of changes in equity of the Group.

Capital reserve

The capital reserve of the Group represents the aggregate paid-up capital of the subsidiaries comprising the Group.

Share premium

The application of the share premium account is governed by the Companies Law of the Cayman Islands. Under the constitutional documents and the Companies Law of the Cayman Islands, the share premium is distributable as dividend on condition that the Company is able to pay its debts when they fall due in the ordinary course of business at the time the proposed dividend is to be paid.

Statutory surplus reserves

In accordance with the Company Law of the PRC, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserves may be converted to increase share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

The Group had non-cash additions to right-of-use assets and lease liabilities of RMB6,965,000 (2021: RMB296,000) and RMB6,965,000 (2021: RMB296,000), respectively, in respect of lease arrangements for office units.

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(b) Changes in liabilities arising from financing activities

2022

	Lease liabilities RMB'000	Interest-bearing bank loan RMB'000	A loan from an employee RMB'000
At 1 January 2022	**17,946**	**199,232**	**4,490**
Changes from financing cash flows	**(5,301)**	**(8,019)**	**(4,490)**
New lease	**6,965**	**–**	**–**
Disposals	**(4,099)**	**–**	**–**
Covid-19-related rent concessions from lessors	**(596)**	**–**	**–**
Lease modification	**(172)**	**–**	**–**
Interest expenses	**906**	**7,442**	**–**
At 31 December 2022	**15,649**	**198,655**	**–**

2021

	Lease liabilities RMB'000	Interest-bearing bank loan RMB'000	A loan from an employee RMB'000
At 1 January 2021	22,924	187,781	–
Changes from financing cash flows	(6,186)	1,019	4,419
New lease	296	–	–
Disposals	(88)	–	–
Covid-19-related rent concessions from lessors	(66)	–	–
Interest expenses	1,066	10,432	71
At 31 December 2021	17,946	199,232	4,490

(c) The total cash outflow for leases included in the statement of cash flows is as follows:

	2022 RMB'000	2021 RMB'000
Within operating activities	**1,616**	588
Within financing activities	**6,207**	6,186
	7,823	6,774

31. ACQUISITION OF SUBSIDIARIES

On 10 October 2022, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement with a third party for the acquisition of 60% equity interest in Zhejiang Feijiada Aviation Service Co., Limited ("Zhejiang Feijiada"). Zhejiang Feijiada is an investment holding company and, through its subsidiary, Hainan Zhenlv International Travel Agency Co., Ltd. ("Hainan Zhenlv"), a limited company established in the PRC, is principally engaged in provision of travel consulting services, travel agencies and related services and ticketing agency services in the PRC and the completion of the acquisition is took place on 31 October 2022.

The acquisition of Zhejiang Feijiada allows the Group to capture additional revenue to be generated by Zhejiang Feijiada and enhances the Group's ability to procure resources of air tickets in the PRC which it does not currently have access to.

The Group elected to apply the optional concentration test in accordance with HKFRS 3 "Business Combinations" and concluded that the senior managements' employee benefits of Zhejiang Feijiada are considered a single identifiable asset. Consequently, the Group determined that substantially all of the fair value of the gross assets (excluding cash and cash equivalents and deferred tax assets and goodwill resulting from the effects of deferred tax liabilities) acquired is concentrated in a group of similar identifiable assets and concluded that the acquired set of activities and assets is not a business.

	Assets and liabilities recognised at the date of acquisition RMB'000
Other receivables	3,276
Cash and cash equivalents	441
Trade payables	2,716
Contract liabilities	351
Other payables	520
Total identifiable net assets acquired	130

An analysis of cash flows in respect of the acquisition of Zhejiang Feijiada is as follows:

	RMB'000
Cash and cash equivalents acquired	441
Net cash inflow of cash and cash equivalents	441

32. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2022 RMB'000	2021 RMB'000
Contracted, but not provided for:		
Machinery	–	13,051

33. RELATED PARTY TRANSACTIONS

The Group's principal related parties are as follows:

Name	Relationship with the Company
Ningbo Haishu Feiyang Investment Management Partnership (Limited Partnership) ("Haishu Feiyang")	An entity controlled by the Controlling Shareholders
Ningbo Feiyang Commercial Operation Management Co., Ltd. ("Feiyang Commercial")	An entity controlled by the Controlling Shareholders

Carnary Investment Holdings Limited ("Carnary Investment"), HHR Group Holdings Limited ("HHR Group"), Michael Group Holdings Limited ("Michael Group"), KVN Holdings Limited ("KVN Holdings"), DY Holdings Limited ("DY Holdings"), QJ Holdings Limited ("QJ Holdings"), LD Group Holdings Limited ("LD Group"), WB Holdings Group Limited ("WB Holdings"), QZ Holdings Limited ("QZ Holdings"), and CXD Holdings Limited ("CXD Holdings") are shareholders of the Company.

(a) The Group had the following transactions with related parties during the year:

	2022 RMB'000	2021 RMB'000
Loans to related parties:		
Haishu Feiyang	**805**	1,621
Feiyang Commercial	**100**	100
Payments made on behalf by the Group:		
Carnary Investment	–	9
HHR Group	–	9
Michael Group	–	9
KVN Holdings	–	9
DY Holdings	–	9
QJ Holdings	–	9
LD Group	–	9
WB Holdings	–	9
QZ Holdings	–	9
CXD Holdings	–	10

33. RELATED PARTY TRANSACTIONS *(continued)*

(b) Outstanding balances with related parties:

	2022 RMB'000	2021 RMB'000
Due from related parties:		
Haishu Feiyang	**805**	1,621
Feiyang Commercial	**100**	100
Carnary Investment	**38**	35
HHR Group	**38**	35
Michael Group	**38**	35
KVN Holdings	**38**	35
DY Holdings	**38**	35
QJ Holdings	**38**	35
LD Group	**38**	35
WB Holdings	**38**	35
QZ Holdings	**38**	35
CXD Holdings	**42**	37
	1,289	2,073

The balances with related parties are non-trade, unsecured, interest-free and repayable on demand.

(c) Compensation of key management personnel of the Group:

	2022 RMB'000	2021 RMB'000
Salaries, allowances and benefits in kind	**1,200**	1,242
Pension scheme contributions	**22**	198
Total compensation paid to key management personnel	**1,222**	1,440

Further details of directors' and the chief executive's emoluments are included in note 9 to the financial statements.

34. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the year are as follows:

Financial assets

2022

	Financial assets at amortised cost RMB'000	Financial assets at fair value through profit or loss RMB'000	Total RMB'000
Trade receivables	**18,430**	**–**	**18,430**
Financial assets included in prepayments, deposits and other receivables	**111,196**	**–**	**111,196**
Financial assets at fair value through profit or loss	**–**	**11,132**	**11,132**
Amounts due from related parties	**1,289**	**–**	**1,289**
Pledged deposits	**9,346**	**–**	**9,346**
Cash and cash equivalents	**43,795**	**–**	**43,795**
	184,056	**11,132**	**195,188**

2021

	Financial assets at amortised cost RMB'000	Financial assets at fair value through profit or loss RMB'000	Total RMB'000
Trade receivables	13,047	–	13,047
Financial assets included in prepayments, deposits and other receivables	110,542	–	110,542
Financial assets at fair value through profit or loss	–	13,174	13,174
Amounts due from related parties	2,073	–	2,073
Pledged deposits	4,079	–	4,079
Cash and cash equivalents	43,092	–	43,092
	172,833	13,174	186,007

34. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Financial liabilities — at amortised cost

	2022 RMB'000	2021 RMB'000
Trade payables	**17,412**	12,136
Financial liabilities included in advance from customers, other payables and accruals	**32,245**	21,350
Lease liabilities	**15,649**	17,946
Interest-bearing bank and other borrowings	**198,655**	203,722
	263,961	255,154

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade receivables, amounts due from related parties, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in advance from customers, other payables and accruals, and the interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the finance manager. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the finance manager. The valuation process and results are discussed with the directors once a year for annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The Group invests in listed equity investments which are based on quoted market prices. The Group invests in unlisted investments, which represent financial products issued by commercial banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using the valuation technique based on the direct capitalisation method, interest rates of instruments. The fair value of these unlisted investments are the sum of principal and interest receivable.

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments:

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	**11,132**	**–**	**–**	**11,132**

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	13,174	–	–	13,174

The Group did not have any financial liabilities measured at fair value as at 31 December 2022 (2021: Nil).

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2021: Nil).

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank loans, cash and cash equivalents and pledged deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rates and terms of repayments of the bank loans are disclosed in note 26.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk. The Group does not consider that it has any significant exposure to the risk of fluctuation in the interest rate as a reasonable possible change of fifty basis points in the interest rate would have no significant impact on the Group's loss for the year.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the President and the Chairman.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

At 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	80,807	80,807
Financial assets included in prepayments, other receivables and other assets					
— Normal**	61,243	–	–	–	61,243
— Doubtful**	–	62,971	64,848	–	127,819
Pledged deposits					
— Not yet past due	9,346	–	–	–	9,346
Due from related parties	1,289	–	–	–	1,289
Cash and cash equivalents					
— Not yet past due	43,795	–	–	–	43,795
	115,673	62,971	64,848	80,807	324,299

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Maximum exposure and year-end staging *(continued)*

At 31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	82,864	82,864
Financial assets included in prepayments, other receivables and other assets					
— Normal**	66,470	–	–	–	66,470
— Doubtful**	–	73,594	64,419	–	138,013
Pledged deposits					
— Not yet past due	4,079	–	–	–	4,079
Due from related parties	2,073	–	–	–	2,073
Cash and cash equivalents					
— Not yet past due	43,092	–	–	–	43,092
	115,714	73,594	64,419	82,864	336,591

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 20 to the financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables, and deposits, other receivables and other assets are disclosed in notes 20 and 21, respectively, to the consolidated financial statements.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g., trade receivables and other financial assets) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank loans and lease liabilities.

The maturity profile of the Group's financial liabilities as at the end of the year, based on the contractual undiscounted payments, is as follows:

	2022					
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade payables	**5,915**	**11,497**	**–**	**–**	**–**	**17,412**
Lease liabilities	**–**	**2,003**	**2,609**	**12,147**	**1,615**	**18,374**
Financial liabilities included in advance from customers, other payables and accruals	**32,245**	**–**	**–**	**–**	**–**	**32,245**
Interest-bearing bank and other borrowings	**–**	**107,980**	**93,158**	**–**	**–**	**201,138**
	38,160	**121,480**	**95,767**	**12,147**	**1,615**	**269,169**

	2021					
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade payables	7,939	4,197	–	–	–	12,136
Lease liabilities	–	1,064	2,908	13,806	2,961	20,739
Financial liabilities included in advance from customers, other payables and accruals	21,350	–	–	–	–	21,350
Interest-bearing bank and other borrowings	–	100,883	103,609	2,549	–	207,041
	29,289	106,144	106,517	16,355	2,961	261,266

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 31 December 2021.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt includes interest-bearing bank loans, trade payables, advance from customers, other payables and accruals, and lease liabilities, less cash and cash equivalents and pledged deposits. Total capital represents equity attributable to the owners of the parent. The gearing ratios as at the end of each of the reporting periods were as follows:

	31 December 2022 RMB'000	31 December 2021 RMB'000
Interest-bearing bank and other borrowings	**198,655**	203,722
Lease liabilities	**15,649**	17,946
Trade payables	**17,412**	12,136
Advance from customers, other payables and accruals	**54,059**	45,037
Less: Cash and cash equivalents	**(43,795)**	(43,092)
Pledged deposits	**(9,346)**	(4,079)
Net debt	**232,634**	231,670
Equity attributable to owners of the Company	**84,173**	24,159
Total capital and net debt	**316,807**	255,829
Gearing ratio	**73%**	91%

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	53	53
Due from subsidiaries	8,901	121,414
TOTAL NON-CURRENT ASSETS	8,954	121,467
CURRENT ASSETS		
Prepayments, other receivables and other assets	–	127
Due from related parties	384	352
Due from subsidiaries	27,467	23,942
Cash and cash equivalents	3,894	837
TOTAL CURRENT ASSETS	31,745	25,258
CURRENT LIABILITIES		
Due to subsidiaries	181	452
Other payables and accruals	1,785	466
TOTAL CURRENT LIABILITIES	1,966	918
NET CURRENT ASSETS	29,779	24,340
TOTAL ASSETS LESS CURRENT LIABILITIES	38,733	145,807
Net assets	38,733	145,807
EQUITY		
Share capital	6,850	5,216
Reserves (note)	31,883	140,591
Total equity	38,733	145,807

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	(Accumulated losses)/ Retained profits RMB'000	Foreign currency translation reserves RMB'000	Total RMB'000
At 1 January 2021	97,470	416	(4,402)	93,484
Placing of shares	54,848	–	–	54,848
Loss for the year	–	(5,018)	–	(5,018)
Exchange differences on translation of the Company's financial statements	–	–	(2,723)	(2,723)
At 31 December 2021 and 1 January 2022	**152,318**	**(4,602)**	**(7,125)**	**140,591**
Issue of shares upon Right Issue	**77,642**	**–**	**–**	**77,642**
Loss for the year	**–**	**(199,253)**	**–**	**(199,253)**
Exchange differences on translation of the Company's financial statements	**–**	**–**	**12,903**	**12,903**
At 31 December 2022	**229,960**	**(203,855)**	**5,778**	**31,883**

38. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 30 March 2023.

PARTICULARS OF INVESTMENT PROPERTIES

Address	Existing use	Term of land use rights	Condition/status	Attributable to interest of the Group	Approximate gross floor area (m^2)
Room 25-1, No. 188 Yongjiang Avenue, Ningbo, Zhejiang Province, the PRC	Office	Expiring in May 2048	Currently leased to independent third parties	100%	527.46

SUMMARY OF FINANCIAL INFORMATION

A summary of the published consolidated results and assets and liabilities of the Group for the last five financial years is set out below.

RESULTS

	For the year ended 31 December				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**76,477**	77,471	143,495	685,875	492,851
(Loss)/profit before tax	**(32,542)**	(137,073)	(88,948)	28,054	33,618
Income tax credit/(expenses)	**(8,172)**	(404)	2,579	(11,672)	(10,122)
(Loss)/profit for the year	**(40,714)**	(137,477)	(86,369)	16,382	23,496

ASSETS AND LIABILITIES

	As at 31 December				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**378,407**	307,381	406,539	528,325	284,386
Total liabilities	**(290,197)**	(283,222)	297,464	333,285	207,592
Total equity	**88,210**	24,159	106,075	195,040	76,794