飛揚集團

— FEIYANG TRAVEL GROUP —

Feiyang International Holdings Group Limited
飛揚國際控股(集團)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1901)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Revenue	**143,495**	685,875
Gross profit	**31,276**	118,258
(Loss)/profit for the year	**(86,369)**	16,382

- Revenue decreased by RMB542.4 million or 79.1% year-on-year, due to the suspension of local group package tours operation, sales of "air ticketing and hotel booking"products and all outbound tours as a result of the outbreak of the coronavirus disease ("**COVID-19**").

- Gross profit decreased by RMB87.0 million or 73.6% for the Year as a result of the decrease in revenue.

- Net loss of RMB86.4 million was recorded for the Year.

The board (the "**Board**") of directors (the "**Directors**") of Feiyang International Holdings Group Limited (the "**Company**") hereby announces the consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2020, together with the comparative figures for the corresponding period of 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December	
		2020	2019
	Notes	***RMB'000***	*RMB'000*
REVENUE	*5*	**143,495**	685,875
Cost of sales		**(112,219)**	(567,617)
Gross profit		**31,276**	118,258
Other income and gains	*5*	**14,912**	14,921
Selling and distribution expenses		**(16,816)**	(36,031)
Administrative expenses		**(29,558)**	(54,010)
Impairment losses on financial assets, net		**(72,992)**	(4,577)
Other expenses		**(2,028)**	(1,462)
Share of losses of associates		**(493)**	–
Interest expenses	*6*	**(13,249)**	(9,045)
(LOSS)/PROFIT BEFORE TAX	*7*	**(88,948)**	28,054
Income tax credit/(expense)	*8*	**2,579**	(11,672)
(LOSS)/PROFIT FOR THE YEAR		**(86,369)**	16,382
OTHER COMPREHENSIVE (LOSS)/INCOME			
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements		**(2,596)**	1,395
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		**(2,596)**	1,395
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		**(88,965)**	17,777

	Note	Year ended 31 December **2020** ***RMB'000***	2019 *RMB'000*
(LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the parent		**(86,369)**	16,382
Non-controlling interests		**–**	–
		(86,369)	16,382
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the parent		**(88,965)**	17,777
Non-controlling interests		**–**	–
		(88,965)	17,777
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic and diluted (RMB cents)		**(17.27)**	3.73

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2020 RMB'000	As at 31 December 2019 RMB'000
NON-CURRENT ASSETS			
Investments in associates		**57,527**	–
Property, plant and equipment		**16,663**	19,225
Investment properties		**8,485**	9,322
Right-of-use assets		**19,995**	27,047
Intangible asset		**28**	37
Deposits		**911**	900
Pledged deposits		**4,428**	7,428
Deferred tax assets		**8,936**	2,566
Total non-current assets		**116,973**	66,525
CURRENT ASSETS			
Trade receivables	*11*	**30,955**	165,914
Prepayments, deposits and other receivables	*12*	**219,707**	179,840
Financial assets at fair value through profit or loss		**1,000**	–
Due from related parties		**261**	171
Pledged deposits		**12,537**	14,604
Cash and cash equivalents		**22,106**	101,271
Total current assets		**286,566**	461,800
CURRENT LIABILITIES			
Trade payables	*13*	**13,129**	39,559
Advance from customers, other payables and accruals		**68,536**	72,290
Interest-bearing bank loans	*14*	**187,781**	189,725
Lease liabilities		**4,974**	4,686
Tax payable		**5,094**	4,339
Total current liabilities		**279,514**	310,599
NET CURRENT ASSETS		**7,052**	151,201
TOTAL ASSETS LESS CURRENT LIABILITIES		**124,025**	217,726
NON-CURRENT LIABILITIES			
Lease liabilities		**17,950**	22,686
Total non-current liabilities		**17,950**	22,686
Net assets		**106,075**	195,040
EQUITY			
Issued capital	*15*	**4,398**	4,398
Reserves		**101,677**	190,642
Total equity		**106,075**	195,040

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

The Company is an exempted company incorporated in the Cayman Islands with limited liability on 18 October 2018. The registered office address of the Company is Suite #4-210, Governors Square, 23 Lime Tree Bay Avenue, PO Box 32311, Grand Cayman, KY1-1209, Cayman Islands. The principal place of business is located at 30 Dashani Street, Haishu District, Ningbo City, Zhejiang Province, the People's Republic of China (the "**PRC**").

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

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

2. BASIS OF PRESENTATION AND PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and financial assets at fair value through profit or loss, which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

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

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

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

(c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

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

During the year ended 31 December 2020, certain monthly lease payments for the leases of the Group's office units have been reduced or waived by the lessors upon reducing the scale of production as a result of the pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the pandemic during the year ended 31 December 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB761,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2020.

(e) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group's businesses include sales of package tours and margin income from sales of FIT products, gross revenue from the sales of FIT products and sales of ancillary travel related products and services. Revenue recognised during the year is as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Revenue		
Sales of package tours		
— Domestic	**36,238**	138,320
— Outbound	**33,506**	430,399
	69,744	568,719
Margin income from sales of FIT products	**21,955**	59,303
Gross revenue from the sales of FIT products	**49,749**	47,131
Sales of ancillary travel related products and services	**2,047**	10,722
Total	**143,495**	685,875

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

Geographical information

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

The Group's non-current assets are all located in Mainland China.

Information about a major customer

No revenue from the Group's sales to a single customer amounted to 10% or more of the Group's revenue during the year ended 31 December 2019. Revenue from each major customer which accounted for 10% or more of the Group's revenue during the year ended 31 December 2020 is set out below:

	Year ended31 December	
	2020	2019
	RMB'000	*RMB'000*
Customer 1	**31,867**	N/A

5. REVENUE, OTHER INCOME AND GAINS

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Revenue from contracts with customers	**143,495**	685,875
Other income		
Bank interest income	**284**	539
Government grants	**11,072**	10,328
Value-added tax and other tax refund	**–**	1,693
Rental income on properties	**–**	300
Technical service income	**–**	708
Others	**1,010**	1,119
	12,366	14,687
Gains		
Foreign exchange gains, net	**2,135**	234
Gain on modification of lease	**411**	–
	2,546	234
	14,912	14,921

6. INTEREST EXPENSES

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Interest on bank loans and other loans	**11,901**	7,683
Interest on lease liabilities	**1,348**	1,362
	13,249	9,045

7. (LOSS)/PROFIT BEFORE TAX

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

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Cost of services provided	**112,219**	567,617
Depreciation of property, plant and equipment	**3,281**	3,256
Depreciation of right-of-use assets	**5,474**	4,833
Covid-19-related rent concessions from lessors	**(761)**	–
Impairment of trade receivables	**49,898**	4,577
Impairment of financial assets included in prepayments, deposits and other receivables	**23,094**	–
Amortisation of intangible asset	**9**	10
Staff cost	**23,485**	50,210
Listing expenses	**–**	19,076
Auditor's remuneration	**1,707**	1,550

8. INCOME TAX (CREDIT)/EXPENSE

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

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

Pursuant to the relevant tax law of the Hong Kong Special Administrative Region, Hong Kong profits tax has been provided at the rate of 16.5% (2019: 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 (2019: Nil).

During the year, except for one subsidiary of the Group which was entitled to a preferential income tax rate of 20% (2019:20%) for small and micro enterprises with the first RMB1.0 million of annual taxable income eligible for 75% reduction and the income between RMB1.0 million and RMB3.0 million eligible for 50% reduction, the provision for Mainland China current income tax is based on the statutory rate of 25% (2019: 25%) of the assessable profits of the subsidiaries of Mainland China as determined in accordance with the Corporate Income Tax Law.

The income tax (credit)/expense of the Group is analysed as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Current — the PRC	**3,791**	9,387
Deferred	**(6,370)**	2,285
Total tax (credit)/charge for the year	**(2,579)**	11,672

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

The calculation of the basic earnings per share amount is based on the (loss)/profit attributable to ordinary equity of the parent of RMB86,369,000 (2019: RMB16,382,000), and the weighted average number of ordinary shares of 500,000,000 in issue during the year (2019: 439,041,000 ordinary shares, as adjusted to reflect the capitalisation issue, as if the shares had been in issue throughout the year ended 31 December 2019).

No adjustment has been made to the basic (loss)/earnings per share amounts presented for the years ended 31 December 2020 and 2019 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2020 and 2019.

	Year ended 31 December	
	2020	2019
(Loss)/profit attributable to equity holders of the Company (RMB'000)	**(86,369)**	16,382
Weighted average number of ordinary shares in issue ('000)	**500,000**	439,041
Basic (loss)/earnings per share (RMB cents)	**(17.27)**	3.73

10. DIVIDEND

At a meeting of the directors held on 29 March 2021, the directors resolved not to declare dividend.

11. TRADE RECEIVABLES

	As at 31 December 2020 *RMB'000*	As at 31 December 2019 *RMB'000*
Trade receivables	**84,098**	172,557
Less: Impairment	**(53,143)**	(6,643)
	30,955	165,914

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 as at the end of each of the year, based on the transaction date, is as follows:

	As at 31 December 2020 *RMB'000*	As at 31 December 2019 *RMB'000*
1 to 60 days	**8,675**	138,187
61 to 180 days	**2,485**	17,925
181 to 365 days	**23,073**	12,834
1 to 2 years	**49,865**	2,489
Over 2 years	**–**	1,122
	84,098	172,557

As at 31 December 2020, none (2019: RMB15,330,000) of the Group's trade receivables were pledged to secure bank loans granted to the Group (note 14).

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Non-current:		
Rental deposits	**911**	900
Current:		
Prepayments	**148,778**	95,651
Deposits and other receivables	**92,216**	81,959
Prepaid expenses	**243**	1,445
Interest receivables	**23**	134
Value-added tax recoverable	**670**	651
	241,930	179,840
Impairment allowance	**(22,223)**	–
	220,618	180,740

13. TRADE PAYABLES

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

	As at 31 December 2020	As at 31 December 2019
	RMB'000	*RMB'000*
1 to 60 days	**4,257**	35,941
61 to 180 days	**3,345**	2,084
181 to 365 days	**3,394**	811
Over 1 year	**2,133**	723
	13,129	39,559

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

14. INTEREST-BEARING BANK LOANS

	Effective interest rate (%)	Maturity	As at 31 December 2020 RMB'000	As at 31 December 2019 RMB'000
Current				
Bank loans — secured	0.00–5.76	2020	**–**	151,725
Bank loans — unsecured	5.22–5.655	2020	**–**	38,000
Bank loans — secured	4.4–5.655	2021	**143,682**	–
Bank loans — unsecured	4.5675–5.655	2021	**44,099**	–
			187,781	189,725

	As at 31 December 2020 RMB'000	As at 31 December 2019 RMB'000
Analysed into:		
Bank loans repayable		
— within one year or on demand	**187,781**	189,725

Notes:

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

(i) mortgages over the Group's investment properties situated in the PRC with a net carrying amount of RMB8,485,000 (2019: RMB9,322,000);

(ii) the pledge of certain of the Group's trade receivables amounting to nil (2019: RMB15,330,000); and

(iii) the pledge of certain of the Group's pledged time deposits amounting to RMB1,000,000 (2019: Nil).

In addition, the Group's credit card facility amounting to RMB1,000,000 (2019: RMB1,000,000), of which nil had been utilised as at 31 December 2020 (2019: Nil), is secured by the pledge of certain of the Group's time deposits amounting to RMB500,000 (2019: RMB500,000)

(b) During the year ended 31 December 2020, the Controlling Shareholders have jointly guaranteed certain of the Group's banking facilities of up RMB227,950,000 (2019: Nil).

(c) Mr. Zhang Dayi, and Ms. Zhang Xiaoshan, the spouse of Mr. Zhang Dayi, have jointly guaranteed certain of the Group's banking facilities of up to RMB19,950,000 as at 31 December 2020 (2019: Nil).

(d) All loans are denominated in RMB.

15. SHARE CAPITAL

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

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

	Notes	**Number of shares in issue**	**Share capital** *RMB'000*
Issued and fully paid:			
At 1 January 2019		10,204,082	90
Capitalisation issue of Shares	*(a)*	364,795,918	3,208
Issuance of Shares	*(b)*	125,000,000	1,100
At 31 December 2019, 1 January 2020 and 31 December 2020		500,000,000	4,398

Notes:

(a) On 28 June 2019, pursuant to the written resolutions of the shareholders of the Company passed on 11 June 2018, the Directors were authorised to capitalise an amount of HK$3,647,959 from the amount standing to the credit of the share premium account of the Company to pay up in full at par 364,795,918 shares for allotment and issue to the persons whose name appear on the register of members of the Company on the date of the written resolutions (or as they may direct) on a pro rata basis.

(b) In connection with the Company's initial public offering, 125,000,000 shares of HK$0.01 each were issued at a price of HK$1.05 per share for a total cash consideration, before expense, of approximately HK$131,250,000.

16. EVENTS AFTER REPORTING PERIOD

In March 2021, an associate of the Group and Ningbo Economic and Technological Development Zone New Century Tourism Development Co., Ltd. (寧波經濟技術開發區新世紀旅游發展有限公司) entered into a cooperation agreement for set up a joint venture company, which will be principally engaged in the development and operation of cultural tourism projetcts located in Beilun District, Ningbo, the PRC and it is expected to invest in the full operation and redevelopment of Jiufeng Mountain Scenic Area (九峰山景區) (National 4A Tourist Attractions). The associate of the Group will make an initial capital contribution of RMB7 million, representing 70% of the registered capital of the joint venture company.

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; and (iii) the provision of ancillary travel-related products and services, including but not limited to visa application processing, admission tickets to tourist attractions, conferencing services and arranging purchase of travel insurance for the customers.

In 2020, the unexpected outbreak of the COVID-19 has brought unprecedented impact to the world economy. The Group's business operations have been heavily disrupted by the travel restrictions imposed by nations of its own and across the world. As disclosed in the announcement of the Company dated 3 February 2020, pursuant to the notices issued by the General Office of the Ministry of Culture and Tourism* (文化和旅遊部辦公廳) (the "**Ministry of Culture and Tourism**") dated 24 January 2020 and the Ningbo City Culture, Radio, Television and Tourism Bureau* (寧波市文化廣電旅遊局) dated 26 January 2020, the Group suspended its local group packaged tours operation and suspended the sales of "air ticketing and hotel booking" products within the PRC as at 24 January 2020 and all outbound tours as at 26 January 2020.

As disclosed in the announcement of the Company dated 16 July 2020, the General Office of the Ministry of Culture and Tourism* (文化和旅遊部辦公廳) issued the Notice on Matters Relating to the Promotion of Expanding the Resumption of Business Operations of Tourism Enterprises* (關於推進旅遊企業擴大復工復業有關事項的通知) and the Notice on Matters Relating to Resumption of Cross-Provincial Package Tours* (關於恢復旅行社經營跨省團隊旅遊業務有關事項的通知) in July 2020, pursuant to which certain operations of tourism enterprises, including cross-provincial package tours and sales of "air ticketing and hotel booking" in the PRC (except for high- and medium-risk areas), are allowed to be carried out, whilst all outbound tours continue to be suspended. As a result, the Group has partially resumed its local package tours operation and sales of "air ticketing and hotel booking" products.

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

The Group recorded a net loss of RMB86.4 million for the year ended 31 December 2020 (the "**Year**"), as compared with a net profit of RMB16.4 million for the year ended 31 December 2019 (the "**Previous Year**"), which was mainly due to (i) the suspension of the Group's local group packaged tours operation, sales of air ticketing and hotel booking products and all outbound tours; and (ii) the impairment loss on financial assets in aggregate of RMB73.0 million (Previous Year: RMB4.6 million) due to the significant increase in the credit risk on financial assets as a result of the outbreak of the COVID-19.

PROSPECTS

According to the Ministry of Culture and Tourism, amid the impacts of COVID-19 pandemic, domestic travel volume in China slumped 52.1% year-on-year in 2020, with only 2.88 billion domestic tourist trips recorded. Travel activities were in full suspension in the first half of 2020, but individual travel recovered in the second half of 2020 driven by the reopening of cross-province group tours. Facing this challenging and tough period, the Group adopted cost-saving measures and diversified its income stream during the Year.

The Group has been taking initiatives to diversify the business of the Group with an objective to broaden its income stream. In June 2020, the Group and Ningbo Zhongcheng Business Management Co., Ltd.* (寧波中程商業管理有限公司) and Ningbo Tiantuo Material Co., Ltd* (寧波天拓物資有限公司) (the "**JV Partners**") set up Ningbo Yinjiang Feiyang Cultural Tourism Development Co., Ltd.* (寧波鄞江飛揚文旅開發有限公司) (the "**JV Company**"), which is principally engaged in the management and development of tourist attractions in the PRC. In March 2021, an associated company of the Group and Ningbo Economic and Technological Development Zone New Century Tourism Development Co., Ltd.* (寧波經濟技術開發區新世紀旅游發展有限公司) entered into a cooperation agreement for setting up a joint venture company, which will be principally engaged in the development and operation of cultural tourism projects located in Beilun District, Ningbo, the PRC and will invest in the full operation and re-development of Jiufeng Mountain Scenic Area* (九峰山景區) (National 4A Tourist Attractions) located in Ningbo, Zhejiang Province, the PRC. The Board believes that the establishment of the joint venture companies will provide more business opportunities to the Group by generating stable income from tourist attractions in the PRC.

The Board believes the demand for domestic travel remains one of the key drivers for the tourism industry as supported by the government's effort to boost domestic travel. Outbound travel is expected to restart in the second half of 2021 but domestic travel will continue to be preferred by Chinese tourists. The China Tourism Academy expects domestic travel to rebound by 42% to of 4.1 billion domestic tourist trips during 2021, while domestic tourism revenue will increase by 48% to RMB3.3 trillion. With COVID-19 pandemic well under control across China, also encouraged by the distribution of vaccine, the prospect looks promising.

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			
	2020		2019	
	Revenue	**Percentage of revenue**	Revenue	Percentage of revenue
	RMB'000	***%***	*RMB'000*	*%*
Sales of package tours	**69,744**	**48.6**	568,719	82.9
Gross revenue from the sales of FIT Products	**49,749**	**34.7**	47,131	6.9
Margin income from sales of FIT Products	**21,955**	**15.3**	59,303	8.6
Sales of ancillary travel-related products and services	**2,047**	**1.4**	10,722	1.6
Total	**143,495**	**100.0**	685,875	100.0

The Group generated revenue from: (i) sales of package tours; (ii) gross revenue from the sales of FIT Products; (iii) margin income from sales of FIT Products; and (iv) sales of ancillary travel-related products and services. The Group's customers primarily comprised retail customers, and corporate and institutional customers. The Group's total revenue decreased significantly by RMB542.4 million or 79.1%, from RMB685.9 million for the Previous Year to RMB143.5 million for the Year, which was mainly due to the temporary suspension of the Group's operations as a result of the outbreak of COVID-19.

Sales of package tours

The sales of package tours mainly represented the fees received from customers for the package tours. The Group's package tours can be classified into (i) traditional package tours, which are group tours with standardised itineraries; and (ii) tailor-made tours, which are group tours with non-standardised itineraries and provide freedom for customers to select their preferred mode of transportations, hotels and tourist attractions. The decrease in sales of package tours was mainly due to the suspension of the Group's operation on package tours as a result of the outbreak of COVID-19.

Package tours by type

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

	Year ended 31 December			
	2020		2019	
	Revenue	**Percentage of revenue**	Revenue	Percentage of revenue
	RMB'000	***%***	*RMB'000*	*%*
Traditional package tours	**41,770**	**59.9**	426,191	74.9
Tailor-made tours	**27,974**	**40.1**	142,528	25.1
Total	**69,744**	**100.0**	568,719	100.0

The sales of traditional package tours and tailor-made tours contributed 59.9% and 40.1% (Previous Year: 74.9% and 25.1%) of the Group's total sales of package tours for the Year, respectively. The Group's sales of package tours decreased by RMB499.0 million or 87.7% from RMB568.7 million for the Previous Year to RMB69.7 million for the Year, which was mainly due to the suspension of the Group's operation on package tours as a result of the outbreak of COVID-19.

Gross revenue from the sales of FIT Products

Gross revenue from the sales of FIT Products represented the sales of air tickets and hotel accommodations to customers which were recorded on a gross basis. Gross sales of air tickets and hotel accommodations amounted to RMB49.7 million for the Year (Previous Year: RMB47.1 million).

Margin income from sales of FIT Products

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

FIT Products by type

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

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Air tickets		
Gross sales proceeds	**265,820**	3,632,655
Cost of air tickets	**249,686**	3,620,336
Revenue from sales of air tickets	**16,134**	12,319
Incentive commission	**4,607**	44,759
Margin income from sales of air tickets	**20,741**	57,078
Others		
Margin income from sales of other FIT Products	**1,214**	2,225
Total	**21,955**	59,303

The Group's total margin income from sales of FIT Products significantly decreased by RMB37.3 or 63.0% from RMB59.3 million for the Previous Year to RMB22.0 million for the Year. During the Year, the Group's gross sales proceeds from sales of air tickets decreased significantly by RMB3,366.9 million or 92.7%, from RMB3,632.7 million for the Previous Year to RMB265.8 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, 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 decrease by RMB1.0 million or 45.4% from RMB2.2 million for the Previous Year to RMB1.2 million for the Year.

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 decreased by RMB8.7 million from RMB10.7 million for the Previous Year to RMB2.0 million for the Year as a result of the suspension of business due to the outbreak of COVID-19.

Cost of sales

The Group's cost of sales mainly represented the direct costs incurred for the sales of package tours including land and cruise operation, air ticket and local transportation, hotel accommodation and others. Cost of sales decreased by RMB455.4 million from RMB567.6 million for the Previous Year to RMB112.2 million for the Year. Such decrease was generally in line with the decrease in the Group's total revenue.

Gross profit and gross profit margin

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

	Year ended 31 December			
	2020		2019	
	Gross profit *RMB'000*	**Gross profit margin** %	Gross profit *RMB'000*	Gross profit margin %
Package tours				
— Traditional	**2,872**	**6.9**	44,124	10.4
— Tailor-made	**2,700**	**9.7**	12,843	9.0
	5,572	**8.0**	56,967	10.0
Margin income from sales of FIT Products	**17,515**	**79.8**	46,471	78.4
Gross revenue from the sales of FIT Products	**6,939**	**13.9**	7,419	15.7
Ancillary travel-related products and services	**1,250**	**61.1**	7,401	69.0
Total	**31,276**	**21.8**	118,258	17.2

The Group recorded gross profit of RMB31.3 million and RMB118.3 million, representing gross profit margin of 21.8% and 17.2% for the Year and the Previous Year, respectively. The decrease in the overall gross profit was generally in line with the decrease in the Group's revenue. The overall gross profit margin increased by 4.6 percentage points from 17.2% for the Previous Year to 21.8% for the Year, which was mainly attributable by the increase in proportion of overall revenue generated from margin income from sales of FIT Products from 8.6% for the Previous Year to 15.3% for the Year as revenue for FIT Products are recognised on a net basis.

The overall gross profit margin of package tours decreased by 2.0 percentage points from 10.0% for the Previous Year to 8.0% for the Year was mainly due to temporary suspension of inbound and outbound travelling since January 2020 lead to cancellation of package tour, without corresponding decrease in direct costs. The gross profit margin of FIT Products remained relatively stable from 78.4% for the Previous Year to 79.8% for the Year. The gross profit margin of gross revenue from the sales of FIT Products decreased by 1.8 percentage from 15.7% for the Previous Year to 13.9% for the Year.

Other income and gains

Other income and gains mainly represented government grants and tax refund. Other income and gains remained relatively stable at RMB14.9 million for the Previous Year and the Year, respectively. The government grants are non-recurring which subject to the discretion of the government, with no unfulfilled conditions of contingencies.

Selling and distribution expenses

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

The Group's selling and distribution expenses decreased by RMB19.2 million or 53.3% from RMB36.0 million for the Previous Year to RMB16.8 million for the Year, mainly due to adoption of cost-saving measures to mitigate the financial impact of COVID-19 including (i) the decrease in staff costs of RMB11.0 million as a result of the decrease in frontline headcount due to temporary suspension of outbound tours; and (ii) the decrease in advertising and marketing expenses of RMB6.1 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; (vi) listing expenses and (vii) other administrative expenses.

Administrative expenses decreased by RMB24.4 million or 45.3% from RMB54.0 million for the Previous Year to RMB29.6 million for the Year was mainly due to (i) no Listing expenses were incurred during the Year (Previous Year: RMB19.1 million); and (ii) the decrease in staff costs of RMB6.6 million as a result of the decrease in headcount and adoption of cost saving measures including no-pay leave taken by the staff due to COVID-19 outbreak.

Impairment losses on financial assets, net

The Group recorded provision for impairment on trade receivables and prepayments, deposits and other receivables of RMB49.9 million and RMB23.1 million, respectively (Previous Year: RMB4.6 million and Nil). The significant increase was mainly due to the increase in the credit risk on trade receivables and prepayments, deposits and other receivables as a result of the outbreak of COVID-19.

Interest expenses

The Group's interest expenses mainly represented interest expenses on bank loans and lease liabilities. The increase in interest expenses of RMB4.2 million from RMB9.0 million for the Previous Year to RMB13.2 million for the Year was mainly due to the increase in average bank loans during the Year.

Income tax credit/(expense)

Income tax expenses amounted to RMB11.7 million for the Previous Year, and income tax credit amounted to RMB2.6 million for the Year. The income tax credit for the Year was mainly attributed by the recognition of deferred tax assets in relation to impairment of financial assets.

(Loss)/profit for the year attributable to the owners of the parent

As a result of the foregoing, loss for the Year attributable to the owners of the parent was RMB86.4 million (Previous Year: profit of RMB16.4 million).

Prepayments, deposits and other receivables

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

	2020 ***RMB'000***	2019 *RMB'000*
Non-current:		
Rental deposits	**911**	900
Current:		
Prepayments	**148,778**	95,651
Deposit and other receivables, net	**69,993**	81,959
Value-added tax recoverable	**670**	651
Prepaid expenses	**243**	1,445
Interest receivables	**23**	134
	219,707	179,840
	220,618	180,740

The prepayments, deposits and other receivables increased by RMB39.9 million from RMB180.7 million as at 31 December 2019 to RMB220.6 million as at 31 December 2020 primarily attributable to the increase in prepayments to air ticket suppliers as a result of refund due to flight cancellation or delay caused by outbreak of COVID-19, which retained as prepayments for future procurement of air tickets.

Prepayments

	2020	2019
	RMB'000	*RMB'000*
Air tickets	**143,771**	84,340
Land and cruise operators	**1,602**	6,287
Hotel accommodation	**908**	386
Others	**2,497**	4,638
	148,778	95,651

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; and (ii) package tours to land operators and cruise holiday packages to cruise operators which had not departed as at the end of reporting period.

The increase in prepayments by RMB53.1 million from RMB95.7 million as at 31 December 2019 to RMB148.8 million as at 31 December 2020 was mainly due to refund as a result of flight cancellation or delay retained as prepayments and will be utilised for future procurement of air tickets, package tours and cruise holiday package.

Deposits and other receivables, net

	2020	2019
	RMB'000	*RMB'000*
Deposits — procurement of air tickets	**66,436**	70,207
Deposits — others	**1,498**	2,518
Other receivables	**2,059**	9,234
	69,993	81,959

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 decrease in deposits and other receivables, net by RMB12.0 million from RMB82.0 million as at 31 December 2019 to RMB70.0 million as at 31 December 2020, primarily due to decrease in deposits for procurement of air tickets of FIT Products due to travel restriction as a result of COVID-19 outbreak.

Impairment assessment

The Group performed recoverability assessment on prepayment, deposits and other receivables under the expected credit loss model upon application of HKFRS 9, allowance of impairment amounting RMB23.1 million was provided as there is increase in credit risk inherent in the Group's outstanding balance of prepayments, deposits and other receivables.

LIQUIDITY AND FINANCIAL REVIEW

As at 31 December 2020, the Group's current assets and current liabilities were RMB286.6 million and RMB279.5 million (as at 31 December 2019: RMB461.8 million and RMB310.6 million), respectively, of which the Group maintained cash and bank balances of RMB22.1 million (as at 31 December 2019: RMB101.3 million) and pledged short-term deposits of RMB12.5 million (as at 31 December 2019: RMB14.6 million). As at 31 December 2020, the Group's current ratio was 1.0 times (as at 31 December 2019: 1.5 times).

The Group's outstanding borrowings as at 31 December 2020 represented interest-bearing bank loans of RMB187.8 million (as at 31 December 2019: RMB189.7 million) which denominated in RMB and repayable within one year or on demand. Accordingly, the Group's gearing ratio as at 31 December 2020, which was calculated on the basis of total borrowings as a percentage of equity attributable to equity holders of the Company, was 177.0% (as at 31 December 2019: 97.3%). The increase in gearing ratio was mainly attributable to the decrease in total equity of the Group as a result of operating loss during the Year.

The average turnover days of trade receivables were 251.1 days and 70.5 days for the Year and the Previous Year, respectively. The increase in average turnover days of trade receivables during the year was mainly due delay in settlement of the receivable balance due to COVID-19 outbreak. The average turnover days of trade payables for the Year decreased to 85.9 days (Previous Year: 25.6 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 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 and the expected cash flow from operations, will be sufficient to satisfy its current operational and working capital requirements.

CAPITAL STRUCTURE

There is no material change in the capital structure of the Company since the date of the Listing. 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 2020 and 2019, 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 RMB8.5 million and RMB9.3 million as at 31 December 2020 and 2019;

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

(iii) the pledge of certain of the Group's pledged time deposits amounting to RMB1.0 million (2019: Nil).

In addition, the Group's credit card facility amounting to RMB1,000,000 (2019: RMB1,000,000), of which nil had been utilised as at 31 December 2020 (2019: Nil), is secured by the pledge of certain of the Group's time deposits amounting to RMB500,000 (2019: RMB500,000).

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2020, the total number of employees of the Group was 278 (31 December 2019: 539). Staff costs (including Directors' emoluments) amounted to RMB23.5 million for the Year (Previous Year: RMB50.2 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.

DIVIDEND

The Board did not recommend the payment of any final dividend for the Year (31 December 2019: Nil).

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

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

Ningbo Feiyang Lianchuang made capital contribution of RMB57.0 million, representing 19% of the registered capital of the JV Company. Accordingly, the JV Company is owned as to 19% by Ningbo Feiyang Lianchuang and 81% by the JV Partners. As the JV Company is not a subsidiary of the Company, the financial statements of the JV Company have not been consolidated into the financial statements of the Group, and the investment was recognised as investments in associates in the consolidated statement of financial position of the Group as at 31 December 2020.

As at 31 December 2020, the carrying amount of investment in associate was RMB57.5 million, which represented 14.2% of the Group's total assets. During the Year, the Group recognised share of losses of associates amounted to RMB0.5 million but did not receive any dividend.

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

Save as disclosed above, there were no other significant investments, material acquisitions and disposals by the Company during the Year.

CONTINGENT LIABILITIES

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

SUBSEQUENT EVENTS

In March 2021, an associated company of the Group and Ningbo Economic and Technological Development Zone New Century Tourism Development Co., Ltd.* (寧波經濟技術開發區新世紀旅游發展有限公司) entered into a cooperation agreement for setting up a joint venture company, which will be principally engaged in the development and operation of cultural tourism projetcts located in Beilun District, Ningbo, the PRC and will invest in the full operation and redevelopment of Jiufeng Mountain Scenic Area* (九峰山景區) (National 4A Tourist Attractions). The associated company of the Group will make an initial capital contribution of RMB7 million, representing 70% of the registered capital of the joint venture company. For further details, please refer to the announcements of the Company dated 22 March 2021 and 29 March 2021.

Other than the event as disclosed and described above, there is no other significant event occurred after the end of reporting period.

USE OF PROCEEDS

The planned use of proceeds as stated in the prospectus of the Company dated 18 June 2019 (the "**Prospectus**"), the unutilised amount as at 31 December 2019, the actual use of proceeds for the Year, the unutilised amount as at 31 December 2020 and the expected timeline for utilising the unutilised proceeds are set out as below:

Business objective as stated in the Prospectus	**Planned use of proceeds as stated in the Prospectus** *HKD'000*	**Percentage of net proceeds**	**Unutilised amount as at 31 December 2019** *HKD'000*	**Actual use of proceeds for the Year** *HKD'000*	**Unutilised amount as at 31 December 2020** *HKD'000*	**Expected timeline for utilising the unutilised proceeds**
Set up new retail branches and points of sales and refurbish existing retail branches	16,380	20%	16,380	1,204	**15,176**	By 31 December 2021
Increase deposits and prepayments to air ticket suppliers	28,665	35%	–	–	**–**	Fully utilised
Upgrade the information technology system	8,190	10%	8,190	5,465	**2,725**	By 31 December 2021
Increase marketing effort in traditional media	8,190	10%	8,190	4,257	**3,933**	By 31 December 2021
Repay part of the bank borrowings	12,285	15%	–	–	**–**	Fully utilised
Use as general working capital	8,190	10%	–	–	**–**	Fully utilised
	81,900	100%	32,760	10,926	**21,834**	

The Board has determined, after due and careful consideration of the current business environment and the development needs of the Group, to change the use of the proceeds of approximately HK$15.2 million originally allocated for setting up new retail branches and points of sales and refurbishing existing retail branches to investing in the management and development of tourist attractions in the PRC. The Directors confirm that there is no material change in the nature of business of the Group and consider the above change in the use of proceeds is fair and reasonable as this allows the Group to deploy its financial resources more effectively to enhance the profitability of the Group and is in the interests of the Group and its shareholders as a whole. For further details, please refer to the announcement of the Company dated 29 March 2021.

Save as disclosed above, the remaining unutilised proceeds will be used based on the strategies as disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus. The unutilised proceeds have been deposited in licensed banks in the PRC as at 31 December 2020.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Group are committed to maintaining a high standard of corporate governance which is reviewed and strengthened from time to time. The Company's corporate governance practices are based on principles and code provisions as set out in the Corporate Governance Code (the "**CG Code**") and Corporate Governance Report contained in Appendix 14 to the Listing Rules. Except for the deviation from provision A.2.1 of the CG Code, the Company's corporate governance practices have complied with the CG Code for the year ended 31 December 2020.

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its own code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code for the year ended 31 December 2020.

AUDIT COMMITTEE

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

The Audit Committee has reviewed and discussed with the management the accounting principles and practices adopted by the Group and auditing, internal controls and financial reporting matters, and the Company's policies and practices on corporate governance. The Audit Committee has also reviewed and discussed with the management the audited consolidated financial statements of the Group for the year ended 31 December 2020.

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

For the year ended 31 December 2020, neither the Company nor any of its subsidiaries or operating entities has purchased, sold or redeemed any of the Company's listed securities.

ANNUAL GENERAL MEETING

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

SCOPE OF WORK FOR ANNUAL RESULTS ANNOUNCEMENT BY AUDITORS

The financial information set out in this announcement does not constitute the Group's audited accounts for the year ended 31 December 2020, but represents an extract from the consolidated financial statements for the year ended 31 December 2020 which have been audited by the auditor of the Company, Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. The financial information has been reviewed by the audit committee of the Company and approved by the Board.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

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

APPRECIATION

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

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

Ningbo, the PRC, 29 March 2021

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

As at the date of this announcement, the Board comprises Mr. He Binfeng, Mr. Zhang Qinghai, Mr. Huang Yu, Mr. Wu Bin, Mr. Chen Xiaodong and Ms. Qiu Zheng as executive directors; and Mr. Li Huamin, Mr. Yi Ling and Ms. Li Chengai as independent non-executive directors.

Website: http://www.iflying.com