飛揚集團

— FEIYANG TRAVEL GROUP —

Feiyang International Holdings Group Limited

飛揚國際控股(集團)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1901)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue	36,619	105,960
Gross profit	4,009	28,706
Loss for the Period	76,203	16,986

- Revenue decreased by RMB69.3 million or 65.4% for the Period, due to the suspension of local group package tours operation, sales of "air ticketing and hotel booking" products and all outbound tours as a result of the outbreak of the coronavirus disease ("**COVID-19**").

- Gross profit decreased by RMB24.7 million or 86.0% for the Period as a result of the decrease in revenue.

- Net loss of RMB76.2 million was recorded for the Period.

The board (the "**Board**") of directors (the "**Directors**") of Feiyang International Holdings Group Limited (the "**Company**") announces the unaudited consolidated interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2021 (the "**Period**"), together with the comparative figures for the corresponding period of 2020, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June	
		2021	2020
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	*5*	**36,619**	105,960
Cost of sales		**(32,610)**	(77,254)
Gross profit		**4,009**	28,706
Other income and gains	*5*	**1,996**	3,515
Selling and distribution expenses		**(6,329)**	(8,381)
Administrative expenses		**(8,004)**	(16,098)
Share of losses of associates		**(436)**	–
Impairment losses on financial assets, net		**(53,743)**	(22,240)
Other expenses		**(181)**	(261)
Finance costs	*6*	**(5,444)**	(6,812)
LOSS BEFORE TAX	*7*	**(68,132)**	(21,571)
Income tax (expense)/credit	*8*	**(8,071)**	4,585
LOSS FOR THE PERIOD		**(76,203)**	(16,986)
OTHER COMPREHENSIVE (LOSS)/INCOME			
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(550)**	143
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX		**(550)**	143
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(76,753)**	(16,843)

	Notes	Six months ended 30 June **2021** ***RMB'000*** **(Unaudited)**	2020 *RMB'000* (Unaudited)
LOSS FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the parent		**(76,203)**	(16,986)
Non-controlling interests		**–**	–
		(76,203)	(16,986)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the parent		**(76,753)**	(16,843)
Non-controlling interests		**–**	–
		(76,753)	(16,843)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*9*		
Basic and diluted (RMB cents)		**15.24**	3.40

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 30 June 2021** ***RMB'000*** **(Unaudited)**	As at 31 December 2020 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**14,904**	16,663
Investment properties		**8,485**	8,485
Right-of-use assets		**18,273**	19,995
Intangible asset		**23**	28
Investments in associates		**59,130**	57,527
Deposits		**591**	911
Pledged deposits		**–**	4,428
Deferred tax assets		**893**	8,936
Total non-current assets		**102,299**	116,973
CURRENT ASSETS			
Trade and notes receivables	*11*	**26,098**	30,955
Prepayments, deposits and other receivables		**168,818**	219,707
Due from related parties		**258**	261
Pledged deposits		**18,994**	12,537
Financial assets at fair value through profit or loss		**–**	1,000
Cash and cash equivalents		**25,515**	22,106
Total current assets		**239,683**	286,566
CURRENT LIABILITIES			
Trade payables	*12*	**29,513**	13,129
Advance from customers, other payables and accruals		**49,818**	68,536
Interest-bearing bank borrowings	*13*	**206,500**	187,781
Lease liabilities		**3,780**	4,974
Tax payable		**4,787**	5,094
Total current liabilities		**294,398**	279,514
NET CURRENT (LIABILITIES)/ASSETS		**(54,715)**	7,052
TOTAL ASSETS LESS CURRENT LIABILITIES		**47,584**	124,025
NON-CURRENT LIABILITIES			
Lease liabilities		**18,262**	17,950
Net assets		**29,322**	106,075
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*14*	**4,398**	4,398
Reserves		**24,924**	101,677
Total equity		**29,322**	106,075

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

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

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

2. BASIS OF PREPARATION AND PRESENTATION

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

The Group's unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2020. The accounting policies adopted in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual financial statements for the year ended 31 December 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("**HKFRSs**") for the first time for the current period's financial information.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform — Phase 2*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)*

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

(a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("**RFR**"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

    The amendments did not have any impact on the financial position and performance of the Group.

(b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the 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 by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

    The Group has early adopted the amendment on 1 January 2021 and the amendment did not have any impact on the financial position and performance of the Group.

4. OPERATING SEGMENT INFORMATION

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

Geographical information

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

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

Information about a major customer

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

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the consideration to which the Group expects to be entitled in exchange for products and services sold net of value added tax and government surcharges during the Period.

An analysis of revenue and other income is as follows:

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	**36,619**	105,960
Other income		
Bank interest income	**82**	151
Government grants	**1,308**	2,019
Rental income on properties	**110**	300
Others	**496**	1,045
	1,996	3,515

Note:

(a) Disaggregation of revenue from contracts with customers

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Type of products and service		
Sales of package tours		
— Domestic	**33,796**	8,988
— Outbound	**–**	33,528
	33,796	42,516
Margin income from sales of FIT Products	**1,887**	19,703
Gross revenue from the sales of FIT products	**–**	43,227
Sales of ancillary travel related products and services	**936**	514
Total	**36,619**	105,960

6. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank loans and other loans	**4,880**	6,172
Interest on lease liabilities	**564**	640
	5,444	6,812

7. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of services provided	**32,610**	77,254
Depreciation of property, plant and equipment	**1,709**	1,669
Depreciation of right-of-use assets	**2,157**	2,923
Impairment of trade and notes receivables, net	**7,103**	9,540
Impairment of financial assets included in prepayments, deposits and other receivables	**46,640**	12,700
Amortisation of intangible asset	**5**	5
Staff cost	**8,067**	15,411

8. INCOME TAX EXPENSE/(CREDIT)

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

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

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

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

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

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current — PRC	**28**	4,133
Deferred	**8,043**	(8,718)
Total tax charge/(credit) for the Period	**8,071**	(4,585)

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

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

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

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Loss attributable to equity holders of the Company (RMB'000)	**76,203**	16,986
Weighted average number of ordinary shares in issue ('000)	**500,000**	500,000
Basic loss per share (RMB cents)	**15.24**	3.40

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

Diluted loss per share is/are the same as the basic loss per share as there were no potential dilutive ordinary shares outstanding during the six months ended 30 June 2020 and 2021.

10. INTERIM DIVIDEND

The Board did not declare the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

11. TRADE AND NOTES RECEIVABLES

	As at 30 June 2021	As at 31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**86,287**	84,098
Less: Impairment	**(60,189)**	(53,143)
	26,098	30,955

The credit terms granted by the Group generally range up to two months, extending up to one year for certain customers. The Group seeks to maintain strict control over its outstanding receivables and overdue balances, which are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancement over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the gross trade receivables as at the end of each of the period, based on the transaction date, is as follows:

	As at 30 June 2021	As at 31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
1 to 60 days	**16,133**	8,675
61 to 180 days	**1,967**	2,485
181 to 360 days	**1,774**	23,073
1 to 2 years	**56,245**	49,865
Over 2 years	**10,168**	–
	86,287	84,098

12. TRADE PAYABLES

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

	As at 30 June 2021 *RMB'000* (Unaudited)	As at 31 December 2020 *RMB'000* (Unaudited)
1 to 60 days	**16,393**	4,257
61 to 180 days	**9,331**	3,345
181 to 360 days	**405**	3,394
Over 1 year	**3,384**	2,133
	29,513	13,129

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

13. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate *(%)*	Maturity	As at 30 June 2021 *RMB'000* (Unaudited)	As at 31 December 2020 *RMB'000* (Unaudited)
Current				
Bank loans — secured	4.40–5.66	2021	**179,380**	143,682
Bank loans — unsecured	4.57–5.22	2021	**16,000**	44,099
Discounted notes payable	4.80	2021	**11,120**	–
			206,500	187,781

	As at 30 June 2021 *RMB'000* (Unaudited)	As at 31 December 2020 *RMB'000* (Unaudited)
Analysed into:		
Bank loans repayable		
— within one year or on demand	**206,500**	187,781

Notes:

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

(i) mortgages over the Group's investment properties situated in Mainland China, which had an aggregate net carrying value of RMB8,485,000 and RMB8,485,000 as at 31 December 2020 and 30 June 2021, respectively; and

(ii) the pledge of certain of the Group's pledged time deposits amounting to RMB1,000,000 and RMB6,000,000 as at 31 December 2020 and 30 June 2021, respectively.

In addition, the Group's credit card facility amounting to nil (31 December 2020: RMB1,000,000) is secured by the pledge of certain of the Group's time deposits amounting to nil (31 December 2020: RMB500,000) as at 30 June 2021.

(b) Mr. He Binfeng, the Controlling Shareholder, and Ms. Qian Jie, the spouse of Mr. He Binfeng, have jointly guaranteed certain of the Group's bank loans of up to RMB227,950,000 and RMB226,950,000 as at 31 December 2020 and 30 June 2021, respectively; and

(c) Mr. Zhang Dayi, and Ms. Zhang Xiaoshan, the spouse of Mr. Zhang Dayi, have jointly guaranteed certain of the Group's bank loans of up to RMB19,950,000 and RMB19,950,000 as at 31 December 2020 and 30 June 2021, respectively.

(d) All borrowings are denominated in RMB.

14. SHARE CAPITAL

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Authorised:		
10,000,000,000 (As at 31 December 2020: 10,000,000,000) ordinary shares of HK$0.01 each	**HK$100,000,000**	HK$100,000,000
Issued and fully paid:		
500,000,000 (As at 31 December 2020: 500,000,000) ordinary shares of HK$0.01 each	**RMB4,398,000**	RMB4,398,000

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a well-established travel service provider based in Ningbo, Zhejiang Province of the PRC and offers diversified products that cater for different travellers' needs. The Group is principally engaged in (i) the design, development and sales of package tours which consist of traditional package tours and tailor-made tours; (ii) the sales of 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.

The unexpected outbreak of the COVID-19 has brought unprecedented impact to the world economy. The Group's business operations have been heavily disrupted by the travel restrictions imposed by nations of its own and across the world since the year of 2020. On 14 July 2020, the General Office of the Ministry of Culture and Tourism (文化和旅遊部辦公廳) issued the Notice on Matters Relating to the Promotion of Expanding the Resumption of Business Operations of Tourism Enterprises (關於推進旅遊企業擴大復工復業有關事項的通知) which is still in effect up to the date of this announcement. Pursuant to which certain operations of tourism enterprises, including cross-provincial package tours and sales of "air ticketing and hotel booking" in the PRC (except for high- and medium-risk areas), are allowed to be carried out, whilst all outbound tours continue to be suspended. As a result, the Group has partially resumed its local package tours operation and sales of "air ticketing and hotel booking" products.

The Group recorded a net loss of RMB76.2 million for the Period, as compared with a net loss of RMB17.0 million for the six months ended 30 June 2020, which was mainly attributable to (i) the decrease in revenue of RMB69.3 million due to the suspension of local group package tours operation, sales of "air ticketing and hotel booking" products and all outbound tours as a result of the outbreak of COVID-19; and (ii) the increase in impairment loss on financial assets of RMB31.5 million due to the significant increase in the credit risk on financial assets as a result of the outbreak of the COVID-19.

PROSPECTS

The Group has been taking initiatives to diversify the business of the Group with an objective to broaden its income stream. 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 Ningbo Qingning Cultural Tourism Development Co., Ltd.* (寧波青寧文旅發展有限公司), a joint venture company which is principally engaged in the development and operation of cultural tourism projects located in Beilun District, Ningbo, the PRC and investment 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 could provide more business opportunities to the Group by generating stable income from tourist attractions in the PRC.

In July 2021, the Group launched an intelligent travel SaaS system for higher education institutions (the "**SaaS System**") to provide intelligent travel services to higher education institutions in China and increase the Group's presence in the travel service market for higher education institutions. As at the date of this announcement, the Group has entered into travel service agreements with eight higher education institutions in China, including several prestigious universities in China. Having considered the stable demand and characteristics of travel services for higher education institutions in China, the Board believes that by facilitating the cooperation with higher education institutions in China, the launch of the SaaS System will not only expand the customer base and revenue source of the Group, but also allow the Group to further explore the travel service market of China so as to satisfy the greater rebound in the demand for tourism and business travel under the current good control of the pandemic in China.

The Group will closely monitor the development of the COVID-19 pandemic and measures implemented by relevant government authorities and adopt necessary measures and strategies.

FINANCIAL REVIEW

Revenue

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

	Six months ended 30 June			
	2021		2020	
	Revenue *RMB'000* **(Unaudited)**	**Percentage of revenue** *%*	Revenue *RMB'000* (Unaudited)	Percentage of revenue *%*
Sales of package tours	**33,796**	**92.3**	42,516	40.1
Margin income from sales of FIT Products	**1,887**	**5.2**	19,703	18.6
Sales of ancillary travel-related products and services	**936**	**2.5**	514	0.5
Gross revenue from the sales of FIT Products	**–**	**–**	43,227	40.8
Total	**36,619**	**100.0**	105,960	100.0

The Group generated revenue from: (i) sales of package tours; (ii) margin income from sales of FIT Products; (iii) sales of ancillary travel-related products and services; and (iv) gross revenue form the sales of FIT Products. The Group's customers primarily comprised retail customers, and corporate and institutional customers. The revenue of the Group decreased by RMB69.3 million from RMB106.0 million for the six months ended 30 June 2020 to RMB36.6 million for the Period, which was mainly due to the temporary suspension of the Group's certain operations and the continued suspension of all outbound tours as a result of the outbreak of COVID-19.

Sales of package tours

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

Package tours by type

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

	Six months ended 30 June			
	2021		2020	
	Revenue *RMB'000* **(Unaudited)**	**Percentage of revenue** *%*	Revenue *RMB'000* (Unaudited)	Percentage of revenue *%*
Tailor-made tours	**19,644**	**58.1**	8,853	20.8
Traditional package tours	**14,152**	**41.9**	33,663	79.2
Total	**33,796**	**100.0**	42,516	100.0

The sales of tailor-made tours and traditional package tours contributed 58.1% and 41.9% (six months ended 30 June 2020: 20.8% and 79.2%) of the Group's total sales of package tours for the Period, respectively. The Group's sales of package tours decreased by RMB8.7 million or 20.5% from RMB42.5 million for the six months ended 30 June 2020 to RMB33.8 million for the Period, which was mainly due to the suspension of the Group's operation on package tours as a result of the outbreak of COVID-19.

Margin income from sales of FIT Products

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

FIT Products by type

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

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Air tickets		
Gross sales proceeds	**64,186**	205,231
Cost of air tickets	**(62,565)**	(187,773)
Revenue from sales of air tickets	**1,621**	17,458
Incentive commission	**12**	2,008
Margin income from sales of air tickets	**1,633**	19,466
Others		
Margin income from sales of other FIT Products	**254**	237
Total	**1,887**	19,703

The Group's total margin income from sales of FIT Products decreased by RMB17.8 million or 90.4% from RMB19.7 million for the six months ended 30 June 2020 to RMB1.9 million for the Period.

During the Period, the Group's gross sales proceeds from sales of air tickets decreased significantly by RMB141.0 million or 68.7%, from RMB205.2 million for the six months ended 30 June 2020 to RMB64.2 million for the Period. Margin income from sales of air tickets decreased was mainly due to the decrease in number of air tickets sold and the incentive commission received from airline operators, 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 remained relatively stable at RMB0.2 million and RMB0.3 million for the six months ended 30 June 2020 and for the Period, respectively.

Sales of ancillary travel-related products and services

The Group also offered other ancillary travel-related products and services to the customers. The sales of ancillary travel-related products and services remained relatively stable at RMB0.5 million and RMB0.9 million for the six months ended 30 June 2020 and the Period, respectively.

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. No revenue was recognised for the gross sales of air tickets and hotel accommodations for the Period mainly due to the temporary suspension of the Group's operations as a result of the outbreak of COVID-19 (six months ended 30 June 2020: RMB43.2 million).

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 RMB44.6 million or 57.8% from RMB77.3 million for the six months ended 30 June 2020 to RMB32.6 million for the Period. Such decrease was in line with the decrease in the Group's total revenue.

Gross profit and gross profit margin

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

	Six months ended 30 June			
	2021		2020	
	Gross profit/ (loss) *RMB'000* **(Unaudited)**	**Gross profit margin** *%*	Gross profit *RMB'000* (Unaudited)	Gross profit margin *%*
Package tours				
— Tailor-made	**2,112**	**10.8**	467	5.3
— Traditional	**1,989**	**14.1**	3,401	10.1
	4,101	**12.1**	3,868	9.1
Margin income from sales of FIT Products	**(72)**	**–**	16,276	82.6
Ancillary travel-related products and services	**(20)**	**–**	486	94.6
Gross revenue from the sales of FIT Products	**–**	**–**	8,076	18.7
Total	**4,009**	**10.9**	28,706	27.1

The Group recorded gross profit of RMB28.7 million and RMB4.0 million, representing gross profit margin of 27.1% and 10.9% for the six months ended 30 June 2020 and the Period, respectively. The decrease in the overall gross profit was in line with the decrease in revenue.

The Group's gross profit margin decreased from 27.1% for the six months ended 30 June 2020 to 10.9% for the Period, which was due to the decrease in the proportion of overall revenue generated from margin income from sales of FIT Products from 18.6% for the six months ended 30 June 2020 to 5.2% for the Period as revenue for FIT Products are recognised on a net basis.

Other income and gains

Other income and gains mainly represented government grants. The amount decreased from RMB3.5 million for the six months ended 30 June 2020 to RMB2.0 million for the Period as there was a decrease in government grants received by RMB0.7 million as government grants are subject to the discretion of the government and non-recurring.

Selling and distribution expenses

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

The Group's selling and distribution expenses decreased by RMB2.1 million or 24.5% from RMB8.4 million for the six months ended 30 June 2020 to RMB6.3 million for the Period mainly attributable to (i) the decrease in staff costs by RMB1.0 million as a result of the headcount reduction due to the temporary suspension of business operations; and (ii) the decrease in advertising and marketing expenses by RMB1.0 million as travelling activities were suspended during the Period.

Administrative expenses

The Group's administrative expenses mainly consisted of (i) staff costs of administrative departments; (ii) office and utility expenses for our 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 decreased by RMB8.1 million or 50.3% during the Period was mainly due to the decrease in staff costs by RMB5.0 million as a result of the headcount reduction due to the suspension of business operations.

Other expenses

The Group's other expenses increased by RMB31.4 million from RMB22.5 million for the six months ended 30 June 2020 to RMB53.9 million for the Period, which was mainly due to the provisions made for impairment of trade and notes receivables and prepayments, deposits and other receivables.

Finance costs

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

Income tax expense/(credit)

Income tax credit amounted to RMB4.6 million for the six months ended 30 June 2020, and income tax expense amounted to RMB8.1 million for the Period. The income tax expense for the Period was mainly due to the reversal of deferred tax assets in relation to the tax loss.

Loss for the Period attributable to the owners of the Company

As a result of the foregoing, loss for the period attributable to the owners of the Company were RMB17.0 million for the six months ended 30 June 2020 and RMB76.2 million for the Period.

Prepayments, deposits and other receivables

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

	As at 30 June 2021 *RMB'000* **(Unaudited)**	As at 31 December 2020 *RMB'000* (Audited)
Non-current:		
Rental deposits	**591**	911
Current:		
Refund from suppliers	**79,633**	–
Prepayments	**69,679**	148,778
Deposit and other receivables, net	**19,448**	69,993
Value-added tax recoverable	**35**	670
Prepaid expenses	**–**	243
Interest receivables	**23**	23
	168,818	219,707
	169,409	220,618

The prepayments, deposits and other receivables decreased by RMB51.2 million from RMB220.6 million as at 31 December 2020 to RMB169.4 million as at 30 June 2021 primarily attributable to the increase in provision for impairment on deposits and other receivables. It was mainly due to the increase in the credit risk on deposits and other receivables as a result of the outbreak of COVID-19.

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 operations. The Group recorded refund from air ticket suppliers, land and cruise operators and other suppliers of RMB79.6 million as at 30 June 2021.

Prepayments

	As at 30 June 2021 ***RMB'000*** **(Unaudited)**	As at 31 December 2020 *RMB'000* (Audited)
Air tickets	**60,974**	143,771
Land and cruise operators	**4,190**	1,602
Hotel accommodation	**876**	908
Others	**3,639**	2,497
	69,679	148,778

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 decrease in prepayments by RMB79.1 million from RMB148.8 million as at 31 December 2020 to RMB69.7 million as at 30 June 2021 was mainly due to (i) the decrease in procurement of air tickets as a result of the outbreak of COVID-19; and (ii) the partial reclassification to refund from suppliers as mentioned above.

Deposits and other receivables, net

	As at 30 June 2021 *RMB'000* **(Unaudited)**	As at 31 December 2020 *RMB'000* (Audited)
Deposits — procurement of air tickets	**11,971**	66,436
Deposits — others	**2,294**	1,498
Other receivables	**5,183**	2,059
	19,448	69,993

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 RMB50.5 million from RMB70.0 million as at 31 December 2020 to RMB19.4 million as at 30 June 2021, primarily due to the increase in provision for impairment on deposits and other receivables. It was mainly due to the increase in the credit risk on deposits and other receivables as a result of the outbreak of COVID-19.

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, and allowance of impairment amounting to RMB46.6 million was provided for the Period as there is an increase 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 30 June 2021, the Group's current assets and current liabilities were RMB239.7 million and RMB294.4 million (as at 31 December 2020: RMB286.6 million and RMB279.5 million), respectively, of which the Group maintained cash and bank balances of RMB25.5 million (as at 31 December 2020: RMB22.1 million) and pledged short-term deposits of RMB19.0 million (as at 31 December 2020: RMB12.5 million). The Group's outstanding borrowings as at 30 June 2021 represented interest-bearing bank borrowings of RMB206.5 million (as at 31 December 2020: RMB187.8 million). Accordingly, the Group's gearing ratio as at 30 June 2021, which was calculated on the basis of outstanding borrowings as a percentage of equity attributable to equity holders of the Company, was 704.2% (as at 31 December 2020: 177.0%). The increase in gearing ratio was mainly attributable to the decrease in equity as a result of the loss for the Period.

The average turnover days of trade receivables were 141.0 days and 210.6 days for the six months ended 30 June 2020 and 2021, respectively. The decrease in average turnover days of trade receivables during the Period was mainly due to the decrease in trade and notes receivables as a result of the temporary suspensions of the Group's and certain of the customers' business operations in relation to the COVID-19 outbreak.

As at 30 June 2021, the Company had 500,000,000 Shares in issue. The Group adopts conservative treasury policies in cash and financial management. Cash is generally placed in current deposits mostly denominated in RMB and Hong Kong dollars. The Group's liquidity and financing requirements are reviewed regularly.

During the Period, the Group's primary source of funding included cash generated from operation, and the banking facilities provided by the Group's banks in the PRC. The Directors believe that the Group's current cash and bank balances, together with the unutilised banking facilities of approximately RMB32.5 million as at 30 June 2021 and the expected cash flow from operations, will be sufficient to satisfy its current operational and working capital requirements.

CAPITAL STRUCTURE

The Shares have been listed on the Main Board of the Stock Exchange since 28 June 2019. There is no material change in the capital structure of the Company during the Period. The capital of the Company comprises only ordinary shares.

FOREIGN EXCHANGE RISK MANAGEMENT

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

CHARGE ON ASSETS

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

(i) mortgages over the Group's investment properties situated in Mainland China, which had an aggregate net carrying value of RMB8,485,000 and RMB8,485,000 as at 31 December 2020 and 30 June 2021, respectively; and

(ii) the pledge of certain of the Group's pledged time deposits amounting to RMB1,000,000 and RMB6,000,000 as at 31 December 2020 and 30 June 2021, respectively.

In addition, the Group's credit card facility amounting to nil (31 December 2020: RMB1,000,000) is secured by the pledge of certain of the Group's time deposits amounting to nil (31 December 2020: RMB500,000) as at 30 June 2021.

(b) Mr. He Binfeng, the Controlling Shareholder, and Ms. Qian Jie, the spouse of Mr. He Binfeng, have jointly guaranteed certain of the Group's bank loans of up to RMB227,950,000 and RMB226,950,000 as at 31 December 2020 and 30 June 2021, respectively.

(c) Mr. Zhang Dayi, and Ms. Zhang Xiaoshan, the spouse of Mr. Zhang Dayi, have jointly guaranteed certain of the Group's bank loans of up to 19,950,000 and RMB19,950,000 as at 31 December 2020 and 30 June 2021, respectively.

(d) All borrowings are denominated in RMB.

INTERIM DIVIDEND

The Board did not declare the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

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

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 Ningbo Qingning Cultural Tourism Development Co., Ltd.* (寧波市青寧文旅發展有限公司), a joint venture company which is principally engaged in the development and operation of cultural tourism projects located in Beilun District, Ningbo, the PRC and investment 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 owns 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.

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

CONTINGENT LIABILITIES

As at 30 June 2021 and 31 December 2020, the Group did not have any significant contingent liabilities.

SUBSEQUENT EVENTS

In July 2021, the Group launched the SaaS System to provide intelligent travel services to higher education institutions in China and increase the Group's presence in the travel service market for higher education institutions. The SaaS System is a big-data artificial intelligence travel engine system, which can be directly connected to or embedded in the financial system of higher education institutions and their reimbursement channels for automatic operation to achieve intelligent and paperless travel management and services. The Group will, through the SaaS System, further expand business in the travel service market for higher education institutions on the sales side and at the same time continue to compile, screen and access suppliers with various high-quality resources on the supply side, including services of provision of air tickets, train tickets and hotel booking, insurance booking, pick-up services, car rental and visa services, so as to achieve automatic supply, comparative quotation, automatic ticketing, automatic refund and automatic reimbursement by combining the financial system of higher education institutions and their reimbursement channels. For further details, please refer to the announcement of the Company dated 21 July 2021.

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

USE OF PROCEEDS

The net proceeds from the Listing after deduction of the underwriting fees, commissions and expenses payable by the Group are approximately RMB72.1 million (approximately HK$81.9 million). Up to 30 June 2021, the Group had utilised HK$1.2 million to set up new retail branches and points of sales and refurbish existing retail branches, HK$28.7 million to pay deposits/prepayment for the procurement of air tickets, HK$6.1 million to upgrade the information technology system, HK$5.1 million to increase marketing effort in traditional media, HK$12.3 million to repay the bank borrowing, HK$8.2 million to use for general working capital and HK$3.0 million to invest in the management and development of tourist attractions in the PRC, respectively.

The unutilised proceeds will be used based on the strategies as disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus and the announcement of the Company dated 29 March 2021. However, the Board expects that the timeline of use of proceeds will be delayed due to the outbreak of COVID-19. The unutilised proceeds have been deposited in licensed banks in Hong Kong and the PRC as at 30 June 2021.

SHARE OPTION SCHEME

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

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2021, the total number of employees of the Group was 224 (31 December 2020: 278). Staff costs (including Directors' emoluments) amounted to RMB8.1 million for the Period (six months ended 30 June 2020: RMB15.4 million). Remuneration of the employees includes salary and discretionary bonuses based on the Group's results and individual performance. Retirement benefits schemes and inhouse training programmes are made available to all levels of personnel.

AUDIT COMMITTEE

As at the date of this announcement, the audit committee of the Company (the "**Audit Committee**") has three members comprising three independent non-executive Directors, namely Ms. Li Chengai (Chairlady), Mr. Li Huamin and Mr. Yi Ling. None of them are members of the former or existing auditors of the Company. The Board considers that the Audit Committee has extensive commercial experience in business, financial and legal matters. The primary duties of the Audit Committee include, among other matters, to review and monitor financial reporting and the judgment contained therein; to review financial and internal controls, accounting policies and practices with management and external auditors; and to review the Company's compliance with the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules.

The Audit Committee has reviewed and discussed with the management the accounting principles and practices adopted by the Group and auditing, internal controls and financial reporting matters, and the Company's policies and practices on corporate governance. The Audit Committee has also reviewed and discussed with the management the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2021.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

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

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

DIRECTORS' SECURITIES TRANSACTIONS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

FORWARD LOOKING STATEMENTS

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

APPRECIATION

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

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

Ningbo, the PRC, 25 August 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. Huang Yu, Mr. Wu Bin, Mr. Chen Xiaodong, Ms. Qiu Zheng and Mr. Xiong Di as executive Directors; and Mr. Li Huamin, Mr. Yi Ling and Ms. Li Chengai as independent non-executive Directors.

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