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— 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)

PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY THREE (3) EXISTING SHARES HELD ON RECORD DATE

Joint financial advisers to the Company



RAINBOW CAPITAL (HK) LIMITED
溢博資本有限公司



SILVERBRICKS SECURITIES
元庫證券有限公司

Silverbricks Securities Company Limited

Underwriter of the Rights Issue



SILVERBRICKS SECURITIES
元庫證券有限公司

Silverbricks Securities Company Limited

PROPOSED RIGHTS ISSUE

The Company proposes to implement the Rights Issue on the basis of one (1) Rights Share for every three (3) existing Shares held on the Record Date at the Subscription Price of HK\$0.50 per Rights Share, to raise up to HK\$100 million (before expenses) by issuing up to 200,000,000 Rights Shares (assuming no change in the share capital of the Company on or before the Record Date) to the Qualifying Shareholders.

The net proceeds from the Rights Issue after deducting the expenses, which will be borne by the Company, are estimated to be not more than approximately HK\$96.3 million (assuming no change in the share capital of the Company on or before the Record Date). Assuming the net proceeds from the Rights Issue will amount to approximately HK\$96.3 million, the Company intends to apply the net proceeds from the Rights Issue as to (i) approximately HK\$48.2 million (approximately 50% of the net proceeds) for the repayment of the Group's trade payables and bank borrowings; (ii) approximately HK\$38.5 million (approximately 40% of the net proceeds) for the development of tourism-related businesses including operation and re-development of tourist attractions, provision of travel services to higher education institutions and provision of services related to retreats (including travel services) to staff of governmental authorities in the PRC; and (iii) approximately HK\$9.6 million (approximately 10% of the net proceeds) for general corporate and working capital purposes. In the event that there is an under-subscription of the Rights Issue, the net proceeds of the Rights Issue will be utilised in proportion to the above uses.

THE UNDERWRITING AGREEMENT

On 2 March 2022 (after trading hours), the Company entered into the Underwriting Agreement with the Underwriter, pursuant to which the Underwriter has conditionally agreed to underwrite, on a best effort basis, the Underwritten Shares up to 200,000,000 Right Shares (assuming no change in the share capital of the Company on or before the Record Date), subject to the terms and conditions set out in the Underwriting Agreement, in particular the fulfilment of the conditions precedent contained therein. Details of the major terms and conditions precedent of the Underwriting Agreement are set out in the section headed "The Underwriting Agreement" in this announcement.

The Rights Issue is only underwritten on a best effort basis. Pursuant to the Company's constitutional documents and the Companies Act, there are no requirements for minimum levels of subscription in respect of the Rights Issue. Subject to fulfilment or satisfaction of the conditions precedent of the Rights Issue, the Rights Issue shall proceed regardless of the ultimate subscription level.

In the event of under-subscription, any Rights Shares not taken up by the Qualifying Shareholders whether under PAL(s) or EAF(s), or transferees of nil-paid Rights Shares, and not subscribed by subscribers procured by the Underwriter (or either of them, whichever shall be appropriate) will not be issued, and hence, the size of the Rights Issue will be reduced accordingly. Investors are advised to exercise caution when dealing in the Shares.

LISTING RULES IMPLICATIONS

As the Company has not conducted any rights issue or open offer within the 12-month period prior to the date of this announcement and the Rights Issue will not increase the issued share capital or the market capitalisation of the Company by more than 50% within the 12-month period immediately preceding the date of this announcement and the Rights Issue is not underwritten by a Director, chief executive or substantial shareholder of the Company (or any of their respective close associates), the Rights Issue is not subject to Shareholders' approval under the Listing Rules.

GENERAL

Subject to the fulfillment of certain conditions of the Rights Issue, the Company will despatch the Prospectus Documents containing, among other matters, details of the Rights Issue, to the Qualifying Shareholders. The Company will despatch the Prospectus to the Excluded Shareholders for their information only, but the Company will not send the PALs and EAFs to the Excluded Shareholders.

WARNING OF THE RISKS OF DEALING IN SHARES AND THE NIL-PAID RIGHTS

Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon, among others, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the paragraph headed "Termination of the Underwriting Agreement" under the section headed "The Underwriting Agreement"). Accordingly, the Rights Issue may or may not proceed.

The Shares are expected to be dealt in on an ex-rights basis from Thursday, 17 March 2022. Dealings in the Rights Shares in nil-paid form are expected to take place from Wednesday, 30 March 2022 to Thursday, 7 April 2022 (both days inclusive). Any Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or Rights Shares in their nil-paid form is advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares.

Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s). Any Shareholder or other person dealing in the Shares or in the nil-paid Rights Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Underwriter's right of termination of the Underwriting Agreement ceases) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

PROPOSED RIGHTS ISSUE

The Company proposes to implement the Rights Issue on the basis of one (1) Rights Share for every three (3) existing Shares held on the Record Date at the Subscription Price of HK\$0.50 per Rights Share, to raise up to HK\$100 million (before expenses) by issuing up to 200,000,000 Rights Shares (assuming no change in the share capital of the Company on or before the Record Date) to the Qualifying Shareholders.

On 2 March 2022 (after trading hours), the Company entered into the Underwriting Agreement with the Underwriter, pursuant to which the Underwriter has conditionally agreed to underwrite, on a best effort basis, the Underwritten Shares up to 200,000,000 (assuming no change in the share capital of the Company on or before the Record Date), subject to the terms and conditions set out in the Underwriting Agreement, in particular the fulfilment of the conditions precedent contained therein. Details of the major terms and conditions precedent of the Underwriting Agreement are set out in the section headed “The Underwriting Agreement” in this announcement.

Further details of the Rights Issue are set out below:

Issue statistics

Basis of the Rights Issue	:	one (1) Rights Share for every three (3) existing Shares held on the Record Date
Subscription Price	:	HK\$0.50 per Rights Share
Number of existing Shares in issue as at the date of this announcement	:	600,000,000 Shares
Number of Rights Shares	:	Up to 200,000,000 Rights Shares (assuming no change in the share capital of the Company on or before the Record Date)
Aggregate nominal value of the Rights Shares	:	Up to HK\$2,000,000 (assuming no change in the share capital of the Company on or before the Record Date)
Number of Shares as enlarged by the allotment and issue of the Rights Shares	:	Up to 800,000,000 Shares (assuming no change in the share capital of the Company on or before the Record Date)
Maximum funds to be raised before expenses	:	Up to HK\$100 million (assuming no change in the share capital of the Company on or before the Record Date)
Right of excess applications	:	Qualifying Shareholders may apply for the Rights Shares in excess of their provisional entitlements

As at the date of this announcement, the Company had no outstanding derivatives, options, warrants, convertible or exchangeable securities carrying rights to subscribe for, convert or exchange into Shares. The Company has adopted a share option scheme (the “**Share Option Scheme**”) on 11 June 2019. No share options have been granted or exercised under the Share Option Scheme since its adoption. As at the date of this announcement, no options under the Share Option Scheme were outstanding.

Assuming no change in the share capital of the Company on or before the Record Date, 200,000,000 Rights Shares to be issued pursuant to the terms of the Rights Issue represents (i) approximately 33.33% of the total number of issued Shares as at the date of this announcement; and (ii) 25% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares.

As at the date of this announcement, the Company has not received any information from any Shareholders of their intention to take up the Rights Shares to be provisionally allotted to them under the Rights Issue.

The Rights Issue is only underwritten on a best effort basis. Pursuant to the Company’s constitutional documents and the Companies Act, there are no requirements for minimum levels of subscription in respect of the Rights Issue. Subject to fulfilment or satisfaction of the conditions precedent of the Rights Issue, the Rights Issue shall proceed regardless of the ultimate subscription level.

In the event of under-subscription, any Rights Shares not taken up by the Qualifying Shareholders whether under PAL(s) or EAF(s), or transferees of nil-paid Rights Shares, and not subscribed by subscribers procured by the Underwriter (or either of them, whichever shall be appropriate) will not be issued, and hence, the size of the Rights Issue will be reduced accordingly. Investors are advised to exercise caution when dealing in the Shares.

Subscription Price

The Subscription Price is HK\$0.50 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for Excess Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 56.52% to the closing price of HK\$1.15 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 55.75% to the average of the closing prices of approximately HK\$1.13 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 55.75% to the average of the closing prices of approximately HK\$1.13 per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day;

- (iv) a discount of approximately 52.38% to the average of the closing prices of approximately HK\$1.05 per Share as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 49.49% to the theoretical ex-rights price of approximately HK\$0.99 per Share as adjusted for the effect of the Rights Issue, based on the closing price of HK\$1.15 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (vi) a premium of approximately 751.79% over the net asset value per Share of approximately HK\$0.0587 (the “NAV per Share”) as at 30 June 2021, based on (a) the unaudited equity attributable to the Shareholders of approximately RMB29.3 million as at 30 June 2021; (b) 600,000,000 issued Shares as at the date of this announcement; and (c) an exchange rate of RMB1: HK\$1.2002 as at 30 June 2021 as extracted from Bloomberg; and
- (vii) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 13.91% to the theoretical diluted price of approximately HK\$0.99 per Share based on the benchmarked price of approximately HK\$1.15 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of the closing price on the Last Trading Day of HK\$1.15 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the Last Trading Day of approximately HK\$1.13 per Share).

The net price per Rights Share (i.e. the Subscription Price less cost and expenses incurred in the Rights Issue) upon full acceptance of the provisional allotment of Rights Shares will be approximately HK\$0.48.

The Subscription Price was set at a discount to the recent closing prices of the Shares aiming at lowering the further investment cost of the Shareholders so as to encourage them to take up their entitlements to maintain their shareholdings in the Company, thereby minimising dilution impact. The Subscription Price was determined after arm’s length negotiation between the Company and the Underwriter with reference to, among other things, (i) the market price of the Shares under the prevailing market conditions; (ii) the latest business performance and financial position of the Group; and (iii) the reasons for and benefits of the Rights Issue as discussed in the section headed “Reasons for and benefits of the Rights Issue” in this announcement.

The Directors (including the independent non-executive Directors) consider the terms of the Rights Issue, including the Subscription Price, to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole, after taking into account that (i) the Qualifying Shareholders who do not wish to take up their provisional entitlements under the Rights Issue are able to sell the nil-paid rights in the market; (ii) the Rights Issue allows the Qualifying Shareholders to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company and apply for Excess Rights Shares subject to the level of acceptance; (iii) the proceeds from the Rights Issue can fulfil the development plan and working capital requirement of the Group, details of which are set out in the section headed “Reasons for and benefits of the Rights Issue” in

this announcement; and (iv) the Subscription Price was determined with reference to the prevailing market prices and the recent business performance and financial position of the Group and represents a significant premium over the NAV per Share as at 30 June 2021.

Qualifying Shareholders

The Company will send the Prospectus Documents to the Qualifying Shareholders only. For the Excluded Shareholders, the Company will send copies of the Prospectus to them for their information only, but no PALs and EAFs will be sent to the Excluded Shareholders. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company and not be an Excluded Shareholder on the Record Date. As at the date of this announcement, the Shares were not eligible securities for Southbound Trading under Shanghai Connect and Shenzhen Connect. As a result, the PRC Southbound Trading Investors cannot participate in the Rights Issue through ChinaClear.

Shareholders whose Shares are held by nominee companies (or which are deposited in CCASS) should note that the Board will regard a nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Shareholders with their Shares held by nominee companies (or which are deposited in CCASS) are advised to consider whether they would like to arrange for registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date. Shareholders and investors of the Company should consult their professional advisers if they are in doubt.

In order to be registered as members of the Company on the Record Date, a Shareholder must lodge the relevant transfer(s) of Share(s) (with the relevant share certificates) with the Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on Friday, 18 March 2022.

The last day of dealing in the Shares on cum-rights basis is Wednesday, 16 March 2022. The Shares will be dealt with on an ex-rights basis from Thursday, 17 March 2022.

Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Excluded Shareholders should note that their shareholdings in the Company will be diluted.

Rights of Overseas Shareholders

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. Overseas Shareholder(s) may not be eligible to take part in the Rights Issue as explained below.

In compliance with the necessary requirements of the Listing Rules, the Company will make enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholder(s) (if any). If based on legal opinions provided by the legal advisers to the Company, the Directors consider that it is necessary or expedient not to offer the Rights Shares to the Overseas Shareholder(s) on account either of the legal restrictions under the laws of the relevant place(s) or the requirements of the relevant regulatory body or stock exchange in that (those) place(s), the Rights Issue will not be extended to such Overseas Shareholder(s). As at the date of this announcement, there are 13 Overseas Shareholders.

The basis for excluding the Excluded Shareholder(s), if any, from the Rights Issue will be set out in the Prospectus. The Company will send the Prospectus only (without the PALs and the EAFs) and a letter explaining the circumstances in which the Excluded Shareholders are not permitted to participate in the Rights Issue to the Excluded Shareholders for their information only.

Arrangements will be made for Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholder(s) to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses and stamp duty, of more than HK\$100 will be paid pro rata to the relevant Excluded Shareholder(s). The Company will retain individual amounts of HK\$100 or less for the benefit of the Company. Any unsold entitlement of Excluded Shareholder(s) to the Rights Shares and any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders will be made available for excess applications by Qualifying Shareholders under the EAF(s).

Overseas Shareholders should note that they may or may not be entitled to the Rights Issue subject to the results of the enquiries made by the Company pursuant to the Listing Rules. Accordingly, Overseas Shareholders should exercise caution when dealing in the securities of the Company.

Closure of register of members

The register of members of the Company will be closed from Monday, 21 March 2022 to Friday, 25 March 2022 (both dates inclusive) for determining the Shareholders' entitlements to the Rights Issue.

No transfer of Shares will be registered during the above book closure periods.

Basis of provisional allotments

The basis of the provisional allotment shall be one (1) Rights Share for every three (3) existing Shares in issue and held by the Qualifying Shareholders at the close of business on the Record Date at the Subscription Price payable in full on acceptance and otherwise on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents.

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by lodging a duly completed PAL and a cheque or a banker's cashier order for the sum payable for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance. Any holdings (or balance of holdings) of less than three (3) Shares will not entitle their holders to be provisionally allotted a Rights Share. Please refer to the arrangement as referred to in the paragraph headed "Fractional entitlements of the Rights Shares" below.

Fractional entitlements of the Rights Shares

The Company will not provisionally allot fractions of Rights Shares in nil-paid form to the Qualifying Shareholders. All fractions of Rights Shares will be aggregated (and rounded down to the nearest whole number) and all nil-paid Rights Shares arising from such aggregation will be sold in the market for the benefit of the Company if a premium (net of expenses) can be achieved. Any unsold fractions of Rights Shares will be made available for excess application by the Qualifying Shareholders under the EAF(s) as described in the paragraph headed “Application for Excess Rights Shares” below.

Status of the Rights Shares

The Rights Shares, when allotted and issued, shall rank *pari passu* in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment of the Rights Shares in their fully-paid form.

Share certificates and refund cheques for the Rights Issue

Subject to the fulfillment of the conditions of the Rights Issue, certificates for all fully paid Rights Shares are expected to be posted to those entitled thereto by ordinary post at their own risk on or before Friday, 22 April 2022. Refund cheques in respect of wholly or partially unsuccessful applications for Excess Rights Shares (if any) are expected to be posted on or before Friday, 22 April 2022 by ordinary post to the applicants at their own risk, to their registered addresses. Each Shareholder will receive one share certificate for all allotted Shares.

Application for Excess Rights Shares

The Company shall make the Excess Rights Shares available for subscription by the Qualifying Shareholders by means of EAF, and the Excess Rights Shares represent:

- (i) any nil-paid Rights Shares provisionally allotted but not validly accepted by any of the Qualifying Shareholders or otherwise subscribed for by transferees of nil-paid Rights Shares prior to the Latest Time for Acceptance;
- (ii) subject to the provisions of the Underwriting Agreement, any entitlements of the Excluded Shareholders provisionally allotted to a nominee of the Company which are left unsold; and
- (iii) any of the Rights Shares created from the aggregation of fractions of the Rights Shares.

Application for Excess Rights Shares can be made by the Qualifying Shareholders only and by duly completing and signing an EAF (in accordance with the instructions printed therein) and lodging the same with a separate remittance for the Excess Rights Shares being applied for with the Registrar by no later than 4:00 p.m. on Tuesday, 12 April 2022.

The Directors will, upon consultation with the Underwriter, allocate any Excess Rights Shares at their discretion on a fair and equitable basis on the following principles:

- (i) any Excess Rights Shares will be allocated to Qualifying Shareholders who apply for them on a pro rata basis by reference to the number of the Excess Rights Shares being applied for;
- (ii) reference will only be made to the number of Excess Rights Shares being applied for but no reference will be made to the Rights Shares subscribed through applications by PALs or the existing number of Shares held by Qualifying Shareholders;
- (iii) if the aggregate number of Rights Shares not taken up by the Qualifying Shareholders and/or transferees of nil-paid Rights Shares under the PALs is greater than the aggregate number of Excess Rights Shares applied for through the EAFs, the Company will allocate to each Qualifying Shareholder who applies for Excess Rights Shares in full application; and
- (iv) no preference will be given to topping up odd-lots to whole board lots.

Shareholders with their Shares held by a nominee company (or which are deposited in CCASS) should note that the Board will regard such nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Accordingly, Shareholders should note that the aforesaid arrangement in relation to the allocation of the Excess Rights Shares will not be extended to the relevant beneficial owners individually save and except for the beneficial owner(s) which the Company may permit in its absolute discretion. Shareholders with their Shares held by a nominee company (or which are held in CCASS) are advised to consider whether they would like to arrange for the registration of the relevant Shares under their own names on or prior to the Record Date for the purpose of the Rights Issue. Shareholders who would like to have their names registered on the register of members of the Company on the Record Date, must lodge all necessary documents with the Registrar for registration by no later than 4:30 p.m. on Friday, 18 March 2022. Shareholders and investors of the Company should consult their professional advisers if they are in doubt as to their status.

Rights Issue on a best effort underwritten basis

Pursuant to the Underwriting Agreement, as the Rights Issue is only underwritten by the Underwriter on a best effort basis. Any Shareholder who applies to take up all or part of his entitlement under the PAL or apply for excess Rights Shares under the EAF may also unwittingly incur an obligation to make a general offer under the Takeovers Code.

Accordingly, the Rights Issue will be made on terms that the Company will provide for the Shareholders (other than HKSCC Nominees Limited) to apply on the basis that if the Rights Shares are not fully taken up, the application of any Shareholder for his assured entitlement under the Rights Issue will be scaled down to a level which does not trigger an obligation on the part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance to the note to Rule 7.19(5)(b) of the Listing Rules. Investors are advised to exercise caution when dealing in the Shares. There is no minimum amount to be raised under the Rights Issue.

Arrangement on odd lots trading

In order to facilitate the trading of odd lots (if any) of the Shares, the Company will appoint a designated broker to arrange for matching service on a best effort basis regarding the sale and purchase of odd lots of the Shares for a limited period of time. Shareholders should note that matching of the sale and purchase of odd lots of the Shares is not guaranteed. Any Shareholder who is in any doubt about the odd lots arrangement is recommended to consult his/her/its own professional advisers. Further details in respect of the odd lots trading arrangement will be set out in the Prospectus.

Application for listing of the Rights Shares

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Rights Shares, in both their nil-paid and fully-paid forms.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement dates of the dealings in the Rights Shares in both their nil-paid and fully-paid forms or such other dates as may be determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Dealing in the Rights Shares in both their nil-paid and fully-paid forms which are registered in the register of members of the Company in Hong Kong will be in the board lots of 2,000 Rights Shares and will be subject to the payment of stamp duty, Stock Exchange trading fee, SFC transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

Shareholders are advised to consult their professional advisers if they are in doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the fully-paid Rights Shares and, regarding Excluded Shareholders, their receipt of the net proceeds, if any, from sales of the nil-paid Rights Shares on their behalf.

Condition of the Rights Issue

The Rights Issue is conditional upon the Underwriting Agreement having become unconditional and not being terminated in accordance with the terms thereof.

THE UNDERWRITING AGREEMENT

The Underwriting Agreement

On 2 March 2022 (after trading hours), the Company entered into the Underwriting Agreement with the Underwriter, pursuant to which the Underwriter has conditionally agreed to underwrite, on a best effort basis, the Underwritten Shares up to 200,000,000 Rights Shares (assuming no change in the share capital of the Company on or before the Record Date), subject to the terms and conditions set out in the Underwriting Agreement, in particular the fulfilment of the conditions precedent contained therein.

Principal terms of the Underwriting Agreement

Date	:	2 March 2022 (after trading hours)
Underwriter	:	Silverbricks Securities Company Limited
Number of Rights Shares to be underwritten	:	Up to 200,000,000 Rights Shares (assuming no change in the share capital of the Company on or before the Record Date) underwritten by the Underwriter on a best effort basis pursuant to the terms and conditions of the Underwriting Agreement
Underwriting Commission	:	2.5% of the aggregate subscription amount in respect of such number of the Rights Shares actually subscribed and/or procured by the Underwriter and/or its sub-underwriters

The Underwriter is a company incorporated in Hong Kong with limited liability and a corporation licensed to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts) and Type 6 (advising on corporate finance) regulated activities under the SFO whose ordinary course of business includes securities brokerage and underwriting and placing of securities. To the best of the Directors' knowledge, information and belief, the Underwriter and its ultimate beneficial owner(s) are Independent Third Parties.

The Rights Issue is underwritten by the Underwriter on a best effort basis on the terms of the Underwriting Agreement.

The Underwriter may enter into sub-underwriting arrangement with sub-underwriter(s) on its behalf for the purpose of arranging for the subscription of the Underwritten Shares with selected subscribers with such authority and rights as the Underwriter have pursuant to its appointment under the Underwriting Agreement.

The terms of the Underwriting Agreement, including the underwriting commission rate, were determined after arm's length negotiation between the Company and the Underwriter with reference to the existing financial position of the Group, the size of the Rights Issues, and the current and expected market condition. The Directors consider the entering into of the Underwriting Agreement with the Underwriter and the terms of the Underwriting Agreement (including the underwriting commission) to be fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Save for the Underwriting Agreement, the Company has not entered into any agreement, arrangement, understanding or undertaking in regard of the Rights Issue with the Underwriter or any of its connected persons and their respective associate.

Conditions of the Underwriting Agreement

The Underwriting Agreement is conditional upon the following conditions being fulfilled or waived (as appropriate):

- (i) the passing of all necessary resolution(s) by the Board to approve the Rights Issue;
- (ii) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their attorneys or agents duly authorised in writing) in accordance with section 342C of the Companies (WUMP) Ordinance as having been approved by resolutions of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules, the Companies Ordinance, and the Companies (WUMP) Ordinance not later than the Prospectus Posting Date;
- (iii) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and a letter in the agreed form to the Excluded Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue on or before the Prospectus Posting Date;
- (iv) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of and permission to deal in the Rights Shares (in their nil-paid and fully-paid forms) by no later than the first day of dealings in the nil-paid Rights Shares (or such other date as may be agreed between the Company and the Underwriter in writing), and such listing and permission not being withdrawn or revoked prior to the Latest Time for Termination;
- (v) each condition to enable the Rights Shares (in their nil-paid and fully-paid forms) to be admitted as eligible securities for deposit, clearance and settlement in CCASS (other than the listing approval) having been satisfied not later than the Business Day prior to the first day of dealings in the nil-paid Rights Shares as set out in the Prospectus and no notification having been received by the Company from HKSCC by such date that such admission or facility for holding and settlement has been or is to be refused;
- (vi) the Shares remaining listed on the Stock Exchange at all times prior to the Latest Time for Termination and the current listing of the Shares not having been withdrawn and no indication being received before the Latest Time for Termination from the Stock Exchange to the effect that such listing may be withdrawn or objected to (or conditions will or may be attached thereto) including but not limited to as a result of the Rights Issue or in connection with the terms of the Underwriting Agreement or for any other reason;
- (vii) the Underwriting Agreement not being terminated by the Underwriter pursuant to the terms thereof prior to the Latest Time for Termination;

- (viii) compliance with and performance by the Company of all undertakings and obligations under the terms of the Underwriting Agreement by the times specified; and
- (ix) all relevant consents and approvals having been obtained from all relevant governmental and regulatory authorities (where applicable) as the case may require in connection with the Rights Issue by the relevant time that such consents and approvals are required and such consents and approvals not being withdrawn or revoked prior to the Latest Time for Termination.

The conditions as set out in (i), (ii), (iii), (iv), (v), (vi), (vii) and (ix) (where applicable) are incapable of being waived. In the event of the above conditions not being fulfilled or waived on or before the respective dates specified therefor (or if no time or date is specified, no later than 13 April 2022, or such later date or dates as may be agreed between the Company and the Underwriter in writing), the Underwriting Agreement may be rescinded by the Underwriter, under which all obligations of the Underwriter and the Company thereunder shall cease and determine and no party shall have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement and the Company shall not be liable to pay any underwriting commission. Rescission or termination of the Underwriting Agreement shall be without prejudice to any rights of any party in respect of any breach by the other prior to such rescission or termination and in respect of any costs, fees and other reasonable out-of-pocket expenses of the Underwriter, which will be borne by the Company.

Termination of the Underwriting Agreement

If prior to the Latest Time for Termination:

- (i) the Underwriter shall become aware of the fact that, or shall have reasonable cause to believe that any of the warranties or undertakings in the Underwriting Agreement being untrue, inaccurate, misleading or breached, or there is any matter which would reasonably be expected to give rise to a material breach or claim, and in each case the same is (in the absolute opinion of the Underwriter) material in the context of the Rights Issue; or
- (ii) there shall be:
 - (a) any introduction of any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority, whether in Hong Kong or elsewhere;
 - (b) any event, series of events or circumstances resulting in or likely to result in (whether or not foreseeable) any change in (whether or not permanent) local, national or international, financial, political, military, industrial, economic, legal, fiscal, taxation, regulatory or securities market matters or conditions or currency exchange rates or exchange controls in the PRC, Hong Kong and the Cayman Islands which develop, occur, happen, come into effect, exist or come to the knowledge of the Underwriter;

- (c) any event or circumstance in the nature of force majeure (including, without limitation, any act of government, any local, national or international event or change of a political, military, financial, economic or other nature, any local, national or international outbreak or escalation of hostilities or armed conflict affecting local securities markets, economic sanctions, strike or lock-out (whether or not covered by insurance), riot, fire, explosion, flooding, earthquake, civil commotion, act or declaration of war, outbreak or escalation of hostilities (whether or not war is or has been declared), act of terrorism (whether or not responsibility has been claimed), act of God, pandemic, epidemic, outbreak of infectious disease, declaration of a state of emergency or calamity or crisis), in the PRC, Hong Kong and the Cayman Islands;
- (d) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction of trading in securities) occurs;
- (e) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out occurred after the signing of the Underwriting Agreement;
- (f) any material adverse change in the circumstances of the Company or any member of the Group;
- (g) any moratorium, suspension or material restriction on trading of the Shares on the Stock Exchange occurs due to exceptional financial circumstances or otherwise;
- (h) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than seven consecutive Business Days, excluding any suspension in connection with the clearance of this announcement or the Prospectus Documents or other announcements in connection with the Rights Issue or for such events as required under the Listing Rules not caused by any default or breach of the Listing Rules by the Company;
- (i) the occurrence of any Specified Event which is incapable of being waived by the Underwriter; or
- (j) any change or development involving a prospective change in taxation or exchange controls in Hong Kong or elsewhere,

which is or are, in the sole and absolute opinion of the Underwriter:

- (1) likely to have a material adverse effect on the business, financial position or prospects of the Group taken as a whole; or
- (2) likely to have a material adverse effect on the success of the Rights Issue or the level of Rights Shares to be taken up; or
- (3) so material as to make it inappropriate, inadvisable or inexpedient to proceed further with the Rights Issue,

then the Underwriter may, by notice in writing given to the Company on or before the Latest Time for Termination, rescind the Underwriting Agreement and the Rights Issue shall not proceed.

Upon termination of the Underwriting Agreement by the Underwriter, all obligations of the Underwriter and the Company hereunder shall cease and determine and no party shall have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement and the Company shall not be liable to pay any underwriting commission. Rescission or termination of the Underwriting Agreement shall be without prejudice to any rights of any party in respect of any breach by the other prior to such rescission or termination and in respect of any costs, fees and other reasonable out-of-pocket expenses of the Underwriter, which will be borne by the Company.

If the Underwriter terminates the Underwriting Agreement, the Rights Issue will not proceed. A further announcement would be made by the Company if the Underwriting Agreement is terminated by the Underwriter.

EXPECTED TIMETABLE

Set out below is the expected timetable for the Rights Issue which is indicative only and has been prepared on the assumption that all the conditions of the Rights Issue will be fulfilled:

Event	2022
Publication of this announcement	Wednesday, 2 March
Last day of dealings in Shares on a cum-rights basis	Wednesday, 16 March
First day of dealings in the Shares on an ex-rights basis	Thursday, 17 March
Latest time for lodging transfer of Shares in order to qualify for the Rights Issue	4:30 p.m. on Friday, 18 March
Register of members of the Company closes (both days inclusive)	Monday, 21 March to Friday, 25 March
Record Date for determining entitlements to the Rights Issue	Friday, 25 March
Register of members of the Company re-opens	Monday, 28 March
Despatch of Prospectus Documents (in the case of Excluded Shareholders, the Prospectus only)	Monday, 28 March
First day of dealing in nil-paid Rights Shares	9:00 a.m. on Wednesday, 30 March
Latest time for splitting of the PAL	4:30 p.m. on Friday, 1 April
Last day of dealing in nil-paid Rights Shares	Thursday, 7 April

Event	2022
Latest Time for Acceptance of and payment for the Rights Shares and application and payment for excess Rights Shares	4:00 p.m. on Tuesday, 12 April
Latest Time for Termination of the Underwriting Agreement and for the Rights Issue to become unconditional (if applicable)	4:00 p.m. on Wednesday, 13 April
Announcement of allotment results	Thursday, 21 April
Despatch of certificates for fully-paid Rights Shares and refund cheques, if any, in respect of wholly or partially unsuccessful application for Excess Rights Shares	Friday, 22 April
Expected first day of dealings in fully-paid Rights Shares	9:00 a.m. on Monday, 25 April
Designated broker starts to stand in the market to provide matching services for odd lots of Shares	9:00 a.m. on Monday, 25 April
Designated broker ceases to stand in the market to provide matching services for odd lots of Shares	Friday, 13 May

Dates or deadlines specified in expected timetable above or in other parts of this announcement are indicative only and may be varied by agreement between the Company and the Underwriter. Any changes to the expected timetable will be published or notified to the Shareholders and the Stock Exchange as and when appropriate.

EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES

The latest time for acceptance of and payment for the Rights Shares will not take place if there is a tropical cyclone warning signal no. 8 or above, or a “black” rainstorm warning and/or Extreme Conditions caused by super typhoons is announced by the government of Hong Kong:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Tuesday, 12 April 2022. Instead, the latest time for acceptance of and payment for the Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Tuesday, 12 April 2022. Instead, the latest time for acceptance of and payment for the Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for the Rights Shares does not take place on or before 4:00 p.m. on Tuesday, 12 April 2022, the dates mentioned in this section may be affected. An announcement will be made by the Company in such event.

REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE

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 traveler products (“**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.

Circumstances leading to the Rights Issue

Deteriorating financial performance and position of the Group

The financial performance of the Group for the year ended 31 December 2020 (“**FY2020**”) and the six months ended 30 June 2021 (“**2021H1**”) has been adversely affected by the prolonged COVID-19 pandemic as the travel restrictions imposed by the Chinese government and across the world have heavily disrupted the Group’s business operations.

For FY2020 and 2021H1, the Group recorded a net loss of approximately RMB86.4 million (for the year ended 31 December 2019: a net profit of approximately RMB16.4 million) and RMB76.2 million (for the six months ended 30 June 2020: a net loss of approximately RMB17.0 million), respectively. This was primarily attributable to (i) the suspension of the Group’s local group package tours operation, sales of air ticketing and hotel booking products and all outbound tours as a result of the COVID-19 outbreak; and (ii) the increase in impairment losses on financial assets due to the significant increase in the credit risk on financial assets as a result of the COVID-19 outbreak. As disclosed in the interim report of the Company for 2021H1, the Group has partially resumed its local package tours operation and sales of air ticketing and hotel booking products. For FY2020 and 2021H1, sales of domestic package tours accounted for approximately 25.3% and 92.3% of the Group’s total revenue, respectively. It is expected that the demand for local tourist attractions will increase given the travel restrictions imposed as a result of the prolonged COVID-19 pandemic.

The Group is currently under liquidity pressure. As at 30 June 2021, the Group had net current liabilities of approximately RMB54.7 million, of which (i) trade payables and interest-bearing bank borrowings were approximately RMB29.5 million and RMB206.5 million, respectively, which were repayable within one year or on demand; and (ii) pledged deposits and cash and cash equivalents were approximately RMB19.0 million and RMB25.5 million, respectively. The gearing ratio of the Group, being borrowings divided by equity attributable to the Shareholders, was approximately 704.2% as at 30 June 2021, as compared to approximately 97.3% and 177.0% as at 31 December 2019 and 2020, respectively. The effective interest rates of the Group’s bank borrowings ranged from 4.40% to 5.66% as at 30 June 2021.

Diversification into tourism-related businesses with growth potential

(i) Domestic cultural business

Given the negative impact brought by COVID-19 to the tourism industry in the PRC and the operation and financial performance of the Group, the Group has been taking the initiative in diversifying its business with an objective to broaden its income stream. In March 2021, an associated company of the Group (“**Ninglv Feiyang**”) and 寧波經濟技術開發區新世紀旅遊發展有限公司 (Ningbo Economic and Technological Development Zone New Century Tourism Development Co., Ltd.) (“**Ningbo New Century Tourism**”) entered into a cooperation agreement for setting up a joint venture company (the “**JV 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 九峰山景區 (Jiufeng Mountain Scenic Area) (National 4A Tourist Attractions) located in Ningbo, Zhejiang Province, the PRC. Under the cooperation agreement, Ninglv Feiyang shall contribute a maximum capital of not more than RMB77 million for the operation and re-development of the tourist attractions. The Directors consider there will be an increasing demand for local tourist attractions given the travel restrictions imposed as a result of the COVID-19 pandemic. By leveraging on the experience of the Group and Ningbo New Century Tourism, the JV Company can cater for the demand for domestic travel through managing and developing local tourist attractions, enhancing the sales network and customer base of the Group in the PRC.

There is a growth potential in the domestic tourism industry. According to 中華人民共和國文化和旅遊部 (Ministry of Culture and Tourism), in 2021, the number of domestic tourists in the PRC amounted to approximately 3.2 billion with revenue of approximately RMB2,920.0 billion, representing an increase of approximately 12.8% and 31.0%, respectively, as compared to the previous year. As set out in 《2021年旅遊經濟運行分析與2022年發展預測》(Analysis of Tourism Economic Operation in 2021 and Development Forecast in 2022) issued by 中國旅遊研究院(文化和旅遊部數據中心) (China Tourism Academy (Data Center of the Ministry of Culture and Tourism)) of 中華人民共和國文化和旅遊部 (Ministry of Culture and Tourism), the domestic tourism industry in 2022 is expected to recover to 70% of the pre-pandemic level in 2019, and the number of Chinese domestic tourists and revenue are estimated to reach approximately 4.0 billion and RMB3,810.0 billion, representing a year-on-year growth of approximately 22.6% and 30.5%, respectively.

(Source: http://zwgk.mct.gov.cn/zfxgkml/tjxx/202201/t20220124_930626.html
https://www.mct.gov.cn/whzx/zsdw/zglyyjjy/202201/t20220112_930388.html)

(ii) Travel service market for higher education institutions in the PRC

In July 2021, the Group launched an intelligent travel SaaS system (the “**SaaS System**”) for higher education institutions to provide intelligent travel services (including provision of air tickets, train tickets and hotel booking, insurance booking, pick-up services, car rental and visa services) to higher education institutions in the PRC. The SaaS System a big-data artificial intelligence travel engine system, which can be directly connected to or embedded in the financial systems of higher education institutions and their reimbursement channels for automatic operation to achieve

intelligent and paperless travel management and services. As at the date of this announcement, the Group entered into travel services agreements with more than 10 higher education institutions in the PRC, including several prestigious universities in the PRC.

The Director consider that the cooperation with higher education institutions, which provides stable demand for the Group's travel services, allows the Group to expand its customer and revenue source by leveraging on the rebound in the domestic tourism market under the containment of the COVID-19 pandemic in the PRC.

(iii) Staff retreat benefits provided by governmental authorities in the PRC

The Group has been participating in the staff retreat contractor procurement projects in initiated by governmental authorities (the “**Tenderees**”) since early 2022 to provide travel services to the staff of the Tenderees as staff benefits. As disclosed in the announcement of the Company dated 4 January 2022, the Group has been awarded a tender for a staff retreat contractor procurement project in Ningbo, Zhejiang Province, through a tendering process by the relevant local authorities in the PRC, to provide retreatment services (including travel services) to staff of the Tenderees for a term until 31 December 2023 (subject to renewal).

Taking into account (i) the Group's imminent need to diversify its business and broaden its income stream given the worsening financial performance of the Group since the outbreak of COVID-19 in early 2020; (ii) the increasing demand for local tourist services given the travel restrictions imposed as a result of the COVID-19 pandemic, as evidenced by the increasing revenue contribution from sales of domestic package tours of the Group; (iii) the growth potential of the domestic tourism industry as the COVID-19 pandemic fades, as mentioned above; (iv) the capital requirement of the domestic cultural business for the operation and re-development of tourist attractions; (v) the stable demand for the Group's travel services from higher education institutions and governmental authorities in the PRC with a wide group of potential consumers (i.e. students of higher education institutions and staff of governmental authorities); and (vi) that advance payments are usually required to be made by the Group to provide the relevant travel services to higher education institutions and governmental authorities before receiving sale proceeds from them, the Company intends to apply approximately HK\$38.5 million (approximately 40% of the net proceeds from the Rights Issue) for the development of tourism-related businesses as mentioned above.

Continued reduction of debts and replenishment of working capital

As mentioned above, as at 30 June 2021, the Group had (i) trade payables and interest-bearing bank borrowings were approximately RMB29.5 million and RMB206.5 million, respectively; and (ii) pledged deposits and cash and cash equivalents were approximately RMB19.0 million and RMB25.5 million, respectively.

On 2 December 2021, the Company completed a placing of 100,000,000 new Shares (the “**Placing**”) under general mandate at a placing price of HK\$0.70 per Share to raise net proceeds of approximately HK\$68.08 million, of which approximately HK\$34.04 million will be used for repayment of loans and approximately HK\$34.04 million will be used for replenishment of working capital and general business operation. On 22 December 2021, an indirect wholly-owned subsidiary of the Company and an Independent Third Party entered into a cooperation agreement and agreed to inject HK\$24 million and HK\$6 million by way of cash contribution into a joint venture company, respectively, for the development of business related to Metaverse technology for integration into the Group’s existing tourism business.

Taking into account (i) the financial resources and debt position of the Group as at 30 June 2021; (ii) the deteriorating gearing ratio of the Group over the years from approximately 97.3% as at 31 December 2019 to approximately 704.2% as at 30 June 2021; and (iii) other working capital requirements of the Group including selling and distribution expenses, administrative expenses and finance costs which amounted to approximately RMB19.8 million for 2021H1 (or approximately RMB39.6 million on an annualised basis), the Directors consider that the current financial resources of the Group (including the net proceeds from the Placing) are not sufficient to meet its current indebtedness and operating requirements. As such, the Company intends to apply approximately HK\$48.2 million (approximately 50% of the net proceeds from the Rights Issue) for repayment of the Group’s trade payables and bank borrowings and approximately HK\$9.6 million (approximately 10% of the net proceeds from the Rights Issue) for general corporate and working capital purposes.

Alternative means of fund raising

The Directors have considered other alternative means of fund raising, such as debt financing/bank borrowings and placing of new Shares, before resolving to the Rights Issue. The Company has considered the pros and cons of different fund-raising options. In respect of debt financing, the Directors consider it is difficult to obtain any debt financing at terms that are acceptable to the Company given its current financial performance and position. In addition, the Directors do not consider debt financing to be desirable given the requirement of interest payments and the impact on the Group’s gearing position.

The Company has conducted a placing of new Shares on 8 November 2021 which was completed on 2 December 2021. The Company has fully utilised the general mandate granted to the Directors by the Shareholders at the previous annual general meeting of the Company held on 9 June 2021 to allot and issue new Shares and the Company cannot conduct further placing of new Shares unless the Shareholders approve the refreshment of general mandate at an extraordinary general meeting of the Company or the Company conducts further placing of new Shares by way of specific mandate.

In comparison, the Rights Issue is pre-emptive in nature, allowing Qualifying Shareholders to maintain their respective pro-rata shareholding through their participation in the Rights Issue. The Rights Issue allows the Qualifying Shareholders to (i) increase their respective interests in the shareholding of the Company by acquiring additional rights entitlement in the open market (subject to the availability); or (ii) reduce their respective interests in the shareholding of the Company by disposing of their rights entitlements in the open market (subject to the market demand). As an open offer does not allow the trading of rights entitlements, rights issue is preferred. Accordingly, the Directors consider that fund raising through the Rights Issue is in the interests of the Company and the Shareholders as a whole.

As at the date of this announcement, other than the Rights Issue, the Company did not have any other fund-raising plan.

INTENDED USE OF PROCEEDS

The net proceeds from the Rights Issue after deducting the expenses are estimated to be approximately HK\$96.3 million (assuming no change in the number of Shares in issue on or before the Record Date).

The Company intends to apply the net proceeds from the Rights Issue as to:

- (i) approximately HK\$48.2 million (approximately 50% of the net proceeds) for the repayment of the Group's trade payables and bank borrowings;
- (ii) approximately HK\$38.5 million (approximately 40% of the net proceeds) for the development of tourism-related businesses including operation and re-development of tourist attractions, provision of travel services to higher education institutions and provision of services related to retreats (including travel services) to staff of governmental authorities in the PRC; and
- (iii) approximately HK\$9.6 million (approximately 10% of the net proceeds) for general corporate and working capital purposes.

In the event that there is an under-subscription of the Rights Issue, the net proceeds of the Rights Issue will be utilised in proportion to the above uses.

CHANGE IN THE SHAREHOLDING STRUCTURE OF THE COMPANY ARISING FROM THE RIGHTS ISSUE

For illustration purposes only, set out below is the shareholding structure of the Company as at the date of the announcement, and the effect on the shareholding structure of the Company upon completion of the Rights Issue in the manner contemplated under the Underwriting Agreement (assuming there is no new Share being issued and no Share being repurchased by the Company on or before the Record Date):

Name of Shareholders	As at the date of this announcement		Immediately after completion of the Rights Issue (assuming all Shareholders have taken up all their entitled Rights Shares)		Immediately after completion of the Rights Issue (assuming none of the Qualifying Shareholders have taken up any entitled Rights Shares)	
	Number of issued Shares	Approximate %	Number of issued Shares	Approximate %	Number of issued Shares	Approximate %
Mr. He Binfeng	9,172,000	1.53	12,229,333	1.53	9,172,000	1.15
HHR Group Holdings Limited (Note 1)	48,062,000	8.01	64,082,667	8.01	48,062,000	6.01
Michael Group Holdings Limited (Note 1)	187,420,000	31.23	249,893,333	31.23	187,420,000	23.43
KVN Holdings Limited (Note 1)	36,750,000	6.12	49,000,000	6.12	36,750,000	4.60
DY Holdings Limited (Note 1)	25,544,700	4.26	34,059,600	4.26	25,544,700	3.19
QJ Holdings Limited (Note 2)	29,864,000	4.98	39,818,667	4.98	29,864,000	3.73
Sub-total	336,812,700	56.13	449,083,600	56.13	336,812,700	42.11
QZ Holdings Limited (Note 3)	3,468,000	0.58	4,624,000	0.58	3,468,000	0.43
WB Holdings Group Limited (Note 4)	3,468,000	0.58	4,624,000	0.58	3,468,000	0.43
CXD Holdings Limited (Note 5)	3,468,000	0.58	4,624,000	0.58	3,468,000	0.43
The Underwriter and/or the subscriber(s) procured by it (Note 6)	—	—	—	—	200,000,000	25.00
Other public Shareholders	252,783,300	42.13	337,044,400	42.13	252,783,300	31.60
Total	600,000,000	100.00	800,000,000	100.00	800,000,000	100.00

Notes:

- Each of HHR Group Holdings Limited, Michael Group Holdings Limited, KVN Holdings Limited and DY Holdings Limited is owned by Mr. He Binfeng, an executive Director.
- QJ Holdings Limited is owned by Ms. Qian Jie, the spouse of Mr. He Binfeng.
- QZ Holdings Limited is owned by Ms. Qiu Zheng, an executive Director.
- WB Holdings Group Limited is owned by Mr. Wu Bin, an executive Director.
- CXD Holdings Limited is owned by Mr. Chen Xiaodong, an executive Director.
- Pursuant to the Underwriting Agreement, the Underwriter has undertaken to the Company that (i) it shall use its best endeavours to procure that each of the subscribers of the Untaken Shares procured by it (including any direct and indirect sub-underwriters) shall be a third party independent of, not acting in concert with and not connected with the directors, chief executive or substantial shareholders of the Company (within the meaning of the Listing Rules) or any of its subsidiaries and their respective associates; (ii) it will procure each and any of the subscribers of the Untaken Shares procured by it

(including any direct and indirect sub-underwriters) not to, together with any party acting in concert (within the meaning of the Takeovers Code) with it or its associates, hold thirty per cent (30%) or more of the voting rights of the Company immediately upon completion of the Rights Issue; (iii) it will underwrite solely on a best effort basis, and not in a fully underwritten basis. In any event, the Underwriter will not underwrite to the extent, together with any party acting in concert (within the meaning of the Takeovers Code) or its associates, hold thirty per cent (30%) or more of the voting rights of the Company immediately upon completion of the Rights Issue; and (iv) in the event that there is insufficient public float of the Company within the meaning of the Listing Rules immediately upon completion of the Rights Issue solely because of the Underwriter's performance of its obligations under the Underwriting Agreement, it agrees to take appropriate steps together with the other sub-underwriters as may be reasonably required to maintain the minimum public float for the Shares in compliance with Rule 8.08(1) of the Listing Rules.

FUND RAISING ACTIVITIES INVOLVING ISSUE OF SECURITIES IN THE PAST 12 MONTHS

The Company has conducted the following equity fund raising activities in the past twelve months immediately before the date of this announcement:

Date of announcement	Event	Net proceeds	Intended use of proceeds	Actual use of proceeds as at the date of this announcement
8 November 2021 and 2 December 2021	Placing of new Shares under general mandate	Approximately HK\$68.08 million	Approximately HK\$34.04 million for repayment of loans and the remaining balance of approximately HK\$34.04 million for replenishment working capital and general business operation	Fully utilised

Save as disclosed in the above, the Company had not conducted any fund-raising activities involving issue of its securities in the past twelve months immediately preceding the date of this announcement.

LISTING RULES IMPLICATIONS

As the Company has not conducted any rights issue or open offer within the 12-month period prior to the date of this announcement and the Rights Issue will not increase the issued share capital or the market capitalisation of the Company by more than 50% within the 12-month period immediately preceding the date of this announcement and the Rights Issue is not underwritten by a Director, chief executive or substantial shareholder of the Company (or any of their respective close associates), the Rights Issue is not subject to Shareholders' approval under the Listing Rules.

GENERAL

Subject to the fulfillment of certain conditions of the Rights Issue, the Company will despatch the Prospectus Documents containing, among other matters, details of the Rights Issue, to the Qualifying Shareholders. The Company will despatch the Prospectus to the Excluded Shareholders for their information only, but the Company will not send the PALs and EAFs to the Excluded Shareholders.

WARNING OF THE RISKS OF DEALING IN SHARES AND THE NIL-PAID RIGHTS

Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon, among others, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the paragraph headed “Termination of the Underwriting Agreement” under the section headed “The Underwriting Agreement”). Accordingly, the Rights Issue may or may not proceed.

The Shares are expected to be dealt in on an ex-rights basis from Thursday, 17 March 2022. Dealings in the Rights Shares in nil-paid form are expected to take place from Wednesday, 30 March 2022 to Thursday, 7 April 2022 (both days inclusive). Any Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or Rights Shares in their nil-paid form is advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares.

Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s). Any Shareholder or other person dealing in the Shares or in the nil-paid Rights Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Underwriter’s right of termination of the Underwriting Agreement ceases) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

DEFINITIONS

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

“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“associates”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day on which licensed banks in Hong Kong are generally open for business, other than a Saturday or a Sunday or a day on which a black rainstorm warning or tropical cyclone warning signal number 8 or above is issued in Hong Kong and/or Extreme Conditions caused by super typhoons is announced by the government of Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not cancelled at or before 12:00 noon
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Act”	the Companies Act (Revised) of the Cayman Islands
“Companies Ordinance”	The Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented and modified from time to time
“Companies (WUMP) Ordinance”	The Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented and modified from time to time
“Company”	Feiyang International Holdings Group Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1901)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	director(s) of the Company
“EAF(s)”	the form(s) of application for use by the Qualifying Shareholders who wish to apply for Excess Rights Shares, being in such form as may be agreed between the Company and the Underwriter

“Excess Rights Shares”	any nil-paid Rights Share(s) provisionally allotted but not accepted by any of the Qualifying Shareholders or otherwise subscribed for by transferees of nil-paid Rights Shares prior to the Latest Time for Acceptance, any entitlements of the Excluded Shareholders provisionally allotted to a nominee of the Company which are left unsold, and shall include any of the Rights Shares created from the aggregation of fractions of the Rights Shares
“Excluded Shareholder(s)”	those Overseas Shareholder(s) whom the Directors, based on legal opinions provided by the Company’s legal advisers, consider it necessary or expedient not to offer the Rights Shares to such Overseas Shareholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of a relevant regulatory body or stock exchange in that place
“Extreme Conditions”	the extreme conditions as announced by any Hong Kong governmental department or body or otherwise, whether or not under or pursuant to the revised “Code of Practice in Times of Typhoons and Rainstorms” issued by the Labour Department in June 2019, in the event of serious disruption of public transport services, or government services, extensive flooding, major landslides or large-scale power outage after typhoons or incidents similar in seriousness or nature
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	third party(ies) independent of and not connected (as defined under the Listing Rules) with the Company and connected person(s) of the Company
“Last Trading Day”	2 March 2022, being the last trading day of the Shares on the Stock Exchange before the release of this announcement
“Latest Time for Acceptance”	4:00 p.m. on Tuesday, 12 April 2022 or such later time or date as may be agreed in writing between the Underwriter and the Company and described as the latest time for acceptance of and payment for the Rights Shares and application and payment for Excess Rights Shares as described in the Prospectus Documents

“Latest Time for Termination”	4:00 p.m. on Wednesday, 13 April 2022, being the following Business Day after the Latest Time for Acceptance, or such later time or date as may be agreed between the Underwriter and the Company in writing, being the latest time to terminate the Underwriting Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear on the register of members of the Company at the close of business on the Record Date and whose address(es) as shown on such register is/are in a place(s) outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) to be used in connection with the Rights Issue in such form as may be agreed between the Company and the Underwriter
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Prospectus”	the prospectus to be despatched to the Shareholders containing details of the Rights Issue in such form as may be agreed between the Company and the Underwriter
“Prospectus Documents”	the Prospectus, the PAL and the EAF
“Prospectus Posting Date”	Monday, 28 March 2022 or such other date as may be agreed in writing between the Company and the Underwriter, being the date of despatch of the Prospectus Documents to the Qualifying Shareholders and the Prospectus for information only to the Excluded Shareholders
“Qualifying Shareholders”	Shareholder(s), other than the Excluded Shareholder(s), whose name(s) appear(s) on the register of members of the Company as at the close of business on the Record Date
“Record Date”	the date by reference to which entitlements under the Rights Issue are expected to be determined, which is currently scheduled to be on Friday, 25 March 2022 or such later date as announced by the Company
“Registrar”	the branch share registrar and transfer office of the Company in Hong Kong, being Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong

“Rights Issue”	the proposed issue by way of rights on the basis of one (1) Rights Share for every three (3) existing Shares held by the Qualifying Shareholders on the Record Date at the Subscription Price on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents
“Rights Share(s)”	the new Share(s) proposed to be allotted and issued by the Company pursuant to the Rights Issue
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) in issue and unissued share capital of the Company
“Shareholder(s)”	the holder(s) of the issued Shares
“Specified Event”	an event occurring or matter arising on or after the date of execution of the Underwriting Agreement and prior to the Latest Time for Termination which, if it had occurred or arisen before the date of execution of the Underwriting Agreement, would have rendered any of the warranties and/or undertakings contained in the Underwriting Agreement untrue or incorrect in any material respect
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.50 per Rights Share
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	The Code on Takeovers and Mergers of Hong Kong
“Underwriter”	Silverbricks Securities Company Limited, a corporation licensed to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts) and Type 6 (advising on corporate finance) regulated activities under the SFO whose ordinary course of business includes securities brokerage and underwriting and placing of securities
“Underwriting Agreement”	the underwriting agreement dated 2 March 2022 (after trading hours) entered into between the Company and the Underwriter in relation to the underwriting arrangement in respect of the Rights Issue

“Underwritten Share(s)”	such number of untaken Rights Shares to be underwritten by the Underwriter on a best effort basis, pursuant to the terms of the Underwriting Agreement
“Untaken Shares”	all those Underwritten Shares not taken up by the Qualifying Shareholders on or before the Latest Time for Acceptance
“%”	per cent.

By order of the Board
Feiyang International Holdings Group Limited
He Binfeng
Chairman, Executive Director and Chief Executive Officer

Ningbo, the PRC, 2 March 2022

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.