

## THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Prospectus or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Feiyang International Holdings Group Limited, you should at once hand the Prospectus Documents to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

A copy of each of the Prospectus Documents, together with copies of the documents specified in the paragraph headed “13. Documents delivered to the Registrar of Companies” in Appendix III to this Prospectus, has been registered with the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Law of Hong Kong). The Registrar of Companies in Hong Kong, the Stock Exchange and the SFC take no responsibility for the contents of any of these documents. You should read the whole of the Prospectus Documents including the discussions of certain risks and other factors as set out in the paragraph headed “Warning of the Risks of Dealing in Shares and nil-paid Rights Shares” in the “Letter from the Board” in this Prospectus.

Subject to the granting of the listing of, and the 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 respective commencement dates of dealings in the Rights Shares (in both their nil-paid and fully-paid forms) on the Stock Exchange, or such other dates as determined by HKSCC and you should consult your stockbroker or other licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser for details of those settlement arrangements and how such arrangements may affect your rights and interests. 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.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and HKSCC take no responsibility for the contents of the Prospectus Documents, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of the Prospectus Documents.



**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



Underwriter of the Rights Issue



Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed “Definitions” in this Prospectus, unless otherwise stated.

**The Rights Issue is only underwritten on a best effort basis.** In the event of under-subscription, the Underwriter has no obligation to and may not subscribe for or procure the subscription of any Rights Share not being taken by the Qualifying Shareholders. 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. 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. The Rights Issue is conditional upon the Underwriting Agreement having become unconditional and the Underwriting Agreement contains provisions granting the Underwriter the right to terminate the obligations of the Underwriter thereunder on the occurrence of certain events including force majeure at or prior to the latest time for the Rights Issue to become unconditional (which is currently expected to be 4:00 p.m. on Wednesday, 13 April 2022). If the Underwriting Agreement does not become unconditional at or prior to the latest time for the Rights Issue to become unconditional, the Rights Issue will not proceed.

Dealings in the Rights Shares in the nil-paid form will take place from Wednesday, 30 March 2022 to Thursday, 7 April 2022 (both days inclusive). If the Underwriting Agreement does not become unconditional or the Underwriting Agreement is terminated by the Underwriter, the Rights Issue will not proceed. Any Shareholders or other persons contemplating any dealing in the Shares and/or the nil-paid Rights Shares shall accordingly bear the risk that the Rights Issue may not become unconditional and/or may not proceed. Any Shareholders or other persons contemplating any dealing in the Shares and/or the nil-paid Rights Shares are recommended to consult their own professional advisers and exercise caution.

The latest date and time for acceptance of and payment for the Rights Shares and application for and payment for the Excess Rights Shares is 4:00 p.m. on Tuesday, 12 April 2022. The procedures for acceptance and payment and/or transfer of the Rights Shares are set out on pages 17 and 18 of this Prospectus set out in the section headed “Letter from the Board — Proposed Rights Issue — Procedures for acceptance and payment or transfer” in this Prospectus.

28 March 2022

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<b>EXPECTED TIMETABLE</b>
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*The expected timetable for the implementation of the Rights Issue is set out below. The expected timetable is for indicative purpose only and may be subject to change, and any such change will be announced by the Company as and when appropriate. The expected timetable has been prepared on the assumption that all the conditions precedent of the Rights Issue will be fulfilled.*

<b>Event</b>	<b>Time and Date 2022</b>
First day of dealings in nil-paid Rights Shares .....	9:00 a.m. on Wednesday, 30 March
Latest time for splitting of PALs .....	4:30 p.m. on Friday, 1 April
Last day of dealings in nil-paid Rights Shares .....	Thursday, 7 April
Latest time for acceptance of and payment for the Rights Shares and application for and payment for the Excess Rights Shares .....	4:00 p.m. on Tuesday, 12 April
Latest time to terminate the Underwriting Agreement and for the Rights Issue to become unconditional .....	4:00 p.m. on Wednesday, 13 April
Announcement of results of the Rights Issue .....	Thursday, 21 April
Despatch of share certificates for fully-paid Rights Shares .....	Friday, 22 April
Despatch of refund cheques, if any, in respect of wholly or partially unsuccessful application for the Excess Rights Shares .....	Friday, 22 April
Commencement 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 the New Shares .....	9:00 a.m. on Monday, 25 April
Designated broker ceases to provide matching services for odd lots of the New Shares .....	4:00 p.m. on Friday, 13 May

## EXPECTED TIMETABLE

All times and dates stated in this Prospectus refer to Hong Kong local times and dates. Dates or deadlines specified in the expected timetable above are for indicative purpose only and may be extended or varied by the Company in agreement with the Underwriter and in accordance with the Listing Rules. 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 OR EXTREME CONDITIONS ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES AND APPLICATION FOR AND PAYMENT FOR THE EXCESS RIGHTS SHARES**

Whenever any part of the expected timetable of the Rights Issue as enlisted in the provisions of the Underwriting Agreement may be interrupted by a typhoon, a black rainstorm warning and/or Extreme Conditions caused by super typhoons as announced by the government of Hong Kong, the Company shall properly inform the Shareholders of the corresponding contingency arrangements, which contingency arrangements shall include the Latest Time for Acceptance not taking place on the time as scheduled:

- (a) if a tropical cyclone warning signal no. 8 or above, a black rainstorm warning and/or Extreme Conditions caused by super typhoons as announced by the government of Hong Kong is in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the day on which the Latest Time for Acceptance is initially scheduled to fall, the Latest Time for Acceptance be extended to 5:00 p.m. on the same Business Day; or
- (b) if a tropical cyclone warning signal no. 8 or above, a black rainstorm warning and/or Extreme Conditions caused by super typhoons as announced by the government of Hong Kong is in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the day on which the Latest Time for Acceptance is initially scheduled to fall, the Latest Time for Acceptance be extended 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 does not take place on or before 4:00 p.m. on Tuesday, 12 April 2022, the dates mentioned herein may be affected. The Company will notify the Shareholders by way of announcement(s) on any change to the expected timetable of the Rights Issue as soon as practicable.

## DEFINITIONS

*In this Prospectus, unless otherwise defined or the context otherwise requires, the following expressions have the following meanings:*

“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“Announcement”	the announcement of the Company dated 2 March 2022 in relation to the Rights Issue
“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 the Excess Rights Shares, being in such form as may be agreed between the Company and the Underwriter

## DEFINITIONS

“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 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 the Announcement
“Latest Practicable Date”	22 March 2022, being the latest practicable date prior to the printing of this Prospectus for the purpose of ascertaining certain information contained in this Prospectus

## DEFINITIONS

“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 the 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 Prospectus, 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

## DEFINITIONS

“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
“RMB”	the lawful currency of the People’s Republic of China excluding, for the purposes of this definition only, Hong Kong, Macau and Taiwan
“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

## DEFINITIONS

“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.

## TERMINATION OF THE UNDERWRITING AGREEMENT

### 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;

## TERMINATION OF THE UNDERWRITING AGREEMENT

- (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 the 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.**

LETTER FROM THE BOARD



**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)**

*Executive Directors:*

Mr. He Binfeng  
*(Chairman and Chief Executive Officer)*  
Mr. Huang Yu  
Mr. Wu Bin  
Mr. Chen Xiaodong  
Ms. Qiu Zheng  
Mr. Xiong Di

*Independent Non-executive Directors:*

Mr. Li Huamin  
Mr. Yi Ling  
Ms. Li Chengai

*Registered Office:*

Suite #4-210, Governors Square  
23 Lime Tree Bay Avenue  
PO Box 32311  
Grand Cayman KY1-1209  
Cayman Islands

*Principal place of business in the PRC:*

(1-140)  
30 Dashani Street, Haishu District  
Ningbo, Zhejiang, China

*Principal place of business in Hong Kong:*

4/F, Wah Yuen Building  
149 Queen's Road Central  
Hong Kong

28 March 2022

*To the Qualifying Shareholders, and for information only, to the Excluded Shareholders*

Dear Sir or Madam,

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

**INTRODUCTION**

Reference is made to the Announcement of the Company in relation to 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 Underwritten Shares are underwritten by the Underwriter on a best effort basis, pursuant to the terms of the Underwriting Agreement.

## LETTER FROM THE BOARD

The purpose of this Prospectus is to provide you with, among other things, further details on (i) the Rights Issue and the underwriting arrangement; (ii) the financial information of the Group; and (iii) the general information of the Group.

### 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 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 Prospectus.

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 Latest Practicable Date	:	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)

## LETTER FROM THE BOARD

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 Latest Practicable Date, 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 Latest Practicable Date, 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 Latest Practicable Date; 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 Latest Practicable Date, 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 the 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;

## LETTER FROM THE BOARD

- (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 discount of approximately 47.37% to the closing price of HK\$0.95 per Share as quoted on the Stock Exchange as at the Latest Practicable Date;
- (vii) a premium of approximately 751.79% over the net asset value (“NAV”) per Share of approximately HK\$0.0587 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 Latest Practicable Date; and (c) an exchange rate of RMB1: HK\$1.2002 as at 30 June 2021 as extracted from Bloomberg; and
- (viii) 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. 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 worsening financial performance of the Group for the year ended 31 December 2020 and the six months ended 30 June 2021 as the travel restrictions imposed by the Chinese government and across the world have heavily

## LETTER FROM THE BOARD

disrupted the Group's business operations; and (iii) the financial position of the Group as at 30 June 2021 with the deteriorating gearing ratio over the years from approximately 97.3% as at 31 December 2019 to approximately 704.2% as at 30 June 2021. For details, please refer to the section headed "Reasons for and benefits of the Rights Issue" in this Prospectus.

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 the 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 Prospectus; 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 Rights Issue will only be available to the Qualifying Shareholders and will not be available to the Excluded Shareholders. The Company has despatched the Prospectus Documents to the Qualifying Shareholders on the Prospectus Posting Date and despatched the Prospectus (without the PAL or the EAF) to the Excluded Shareholders for their information only. 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 Latest Practicable Date, 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.

## LETTER FROM THE BOARD

**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.

Based on the register of members of the Company as the Latest Practicable Date, there were 13 Overseas Shareholder with registered addresses situated in the British Virgin Islands and the PRC with the following shareholding structure:

<b>Jurisdiction</b>	<b>Number of Overseas Shareholders</b>	<b>Aggregate number of Shares held by Overseas Shareholders in the jurisdiction</b>	<b>Approximate percentage of shareholdings</b>
The PRC	5	10,240,000	1.71%
British Virgin Islands	8	317,760,700	52.96%
Total	13	328,000,700	54.67%

Pursuant to Rule 13.36(2) of the Listing Rules, the Company has made enquiry in respect of the legal restrictions under the laws of the relevant places and the requirements of the relevant regulatory body or stock exchange in those places for the Company to extend the Rights Issue to the Overseas Shareholders. Based on the relevant legal advice on the laws of the PRC and British Virgin Islands, the Board is of the view that it is not necessary or expedient to exclude the Overseas Shareholders with the registered address in the PRC or British Virgin Islands. In particular, under the currently effective legislations of these jurisdictions, there is no regulatory restriction or requirement of any regulatory body or stock exchange with respect to the extending of the Rights Issue by the Company to the Overseas Shareholders in the relevant jurisdictions, provided that such Overseas Shareholders shall comply with and fulfill the provisions of the relevant laws and regulations as well as the policies and requirements of the relevant government authorities.

Accordingly, the Rights Issue will be extended to such Overseas Shareholders in the British Virgin Islands and the PRC and there are no Excluded Shareholders for the Rights Issue as at the Latest Practicable Date. Save for the aforesaid Overseas Shareholders, all Shareholders on the Company's register of members as the Latest Practicable Date have Hong Kong registered addresses.

## **LETTER FROM THE BOARD**

The Company will continue to ascertain whether there are any other Overseas Shareholders as at the Record Date and will make further enquiries with legal advisers in other overseas jurisdictions regarding the feasibility of extending the Rights Issue to such Overseas Shareholder as at the Record Date.

It is the responsibility of the Qualifying Shareholders outside Hong Kong wishing to make an application for the Rights Shares to satisfy himself/herself/itself before acquiring any rights to subscribe for the Rights Shares as to the observance of the laws and regulations of all relevant territories, including the obtaining of any governmental or other consents, and to pay any taxes and duties required to be paid in such territory in connected therewith. Any acceptance of or application for Rights Shares by any person will be deemed to constitute a representation and warranty from such person to the Company that these local laws and requirements have been fully complied with. If you are in doubt as to your position, you should consult your own professional advisers. The Company reserves the right to refuse to accept any application for the Rights Shares where it believes that doing so would violate the applicable securities or other laws or regulations of any jurisdiction. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited will give, or be subject to, any of the above representation and warranty.

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).

### **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.

## LETTER FROM THE BOARD

### **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 the 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.

### **Application for the Rights Shares**

The PALs and the EAFs relating to the Rights Shares will be enclosed with this Prospectus entitling the Qualifying Shareholders to whom it is addressed to subscribe for the Rights Shares as shown therein and application by Qualifying Shareholders shall be made by completing such form(s) and lodging the same with separate remittance for the Rights Shares being applied for with the Registrar of the Company by the Latest Time for Acceptance.

### **Procedures for acceptance and payment or transfer**

Qualifying Shareholders should find enclosed with this Prospectus a PAL which entitles the Qualifying Shareholders to whom it is addressed to subscribe for the number of Rights Shares shown therein. If the Qualifying Shareholders wish to accept all the Rights Shares provisionally allotted to them as specified in the PALs, they must lodge the PALs in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Registrar, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong by no later than 4:00 p.m. on Tuesday, 12 April 2022. All remittances must be made in Hong Kong dollars by cheques which must be drawn on an account with, or by banker’s cashier orders which must be issued by, a licensed bank in Hong Kong and made payable to “TRICOR INVESTOR SERVICES LIMITED — A/C NO. 035” and crossed “ACCOUNT PAYEE ONLY”.

It should be noted that unless the duly completed PAL, together with the appropriate remittance, has been lodged with the Registrar by not later than 4:00 p.m. on Tuesday, 12 April 2022, whether by the original allottee or any person to whom the provisional allotment has been validly transferred, the relevant provisional allotment and all rights and entitlements thereunder will be deemed to have been declined and will be cancelled and such Rights Shares will be available for application under the EAFs by the Qualifying Shareholders. The Company is not obliged to but may, at its sole and absolute discretion, treat a PAL as valid and binding

## LETTER FROM THE BOARD

on the person(s) by whom or on whose behalf it is lodged even if the PAL is not completed in accordance with the relevant instructions. The Company may require such incomplete PAL to be completed by the relevant applicants at a later stage.

If a Qualifying Shareholder wishes to accept only part of the provisional allotment or transfer part of his/her/its rights to subscribe for the Rights Shares provisionally allotted to him/her/it under the PAL or to transfer part or all of his/her/its rights to more than one person, the original PAL must be surrendered and lodged for cancellation by not later than 4:30 p.m. on Friday, 1 April 2022 to the Registrar, who will cancel the original PAL and issue new PALs in the denominations required which will be available for collection from the Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, after 9:00 a.m. on the second Business Day after the surrender of the original PAL. It should be noted that stamp duty is payable in connection with a transfer of rights to subscribe for the Rights Shares. Completion and return of the PAL will constitute a warranty and representation to the Company that all registration, legal and regulatory requirements of all relevant jurisdictions in connection with the PAL and any acceptance of it have been, or will be, duly complied with. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited will give or be subject to any of the above representations and warranties. The Company reserves the right to refuse to accept any application for Rights Shares where it believes that doing so would violate the applicable securities legislation or other laws or regulations of any jurisdiction.

The PAL contains further information regarding the procedures to be followed for acceptance and/or transfer of the whole or part of the provisional allotment of the Rights Shares by the Qualifying Shareholders. All cheques or banker's cashier orders will be presented for payment following receipt and all interest earned on such monies will be retained for the benefit of the Company. Completion and return of the PAL together with a cheque or a banker's cashier order, whether by a Qualifying Shareholder or by any nominated transferee(s), will constitute a warranty by the applicant that the cheque or the banker's cashier order will be honoured on first presentation. Without prejudice to the other rights of the Company in respect thereof, the Company reserves the right to reject any PAL in respect of which the cheque or banker's cashier order is dishonoured on first presentation, and in that event the provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

If the Underwriter exercise the right to terminate or rescind the Underwriting Agreement or if the condition precedent of the Rights Issue as set out in the paragraph headed "Condition of the Rights Issue" below is not fulfilled at or before 4:00 p.m. on Wednesday, 13 April 2022 (or such later time or date as may be agreed between the Company and the Underwriter in writing), the monies received in respect of acceptances of the Rights Shares will be returned to the Qualifying Shareholders or such other persons to whom the Rights Shares in their nil-paid form have been validly transferred or, in the case of joint acceptances, to the first-named person without interest, by means of cheques despatched by ordinary post at the risk of such Qualifying Shareholders to their registered addresses by the Registrar on or before Friday, 22 April 2022.

No receipt will be issued in respect of any PAL and/or remittances received.

## LETTER FROM THE BOARD

### 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 the 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 the 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 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 the 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 applied for;
- (ii) reference will only be made to the number of the 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 the Excess Rights Shares applied for through the EAFs, the Company will allocate to each Qualifying Shareholder who applies for the Excess Rights Shares in full application; and

## LETTER FROM THE BOARD

(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.

Application for the Excess Rights Shares can be made only by duly completing and signing an EAF (in accordance with the instructions printed therein) and lodging the same with a separate cheque or banker's cashier order for the amount payable for the Excess Rights Shares being applied for with the Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, by not later than 4:00 p.m. on Tuesday, 12 April 2022. All remittances must be made in Hong Kong dollars by cheques which must be drawn on a bank account with, or by banker's cashier orders which must be issued by, a licensed bank in Hong Kong and made payable to "TRICOR INVESTOR SERVICES LIMITED — A/C NO. 037" and crossed "ACCOUNT PAYEE ONLY".

An announcement of results of acceptance of and excess applications for the Rights Issue will be published on the websites of the Stock Exchange and the Company on Thursday, 21 April 2022. If no Excess Rights Shares are allotted to a Qualifying Shareholder who has applied for the Excess Rights Shares, the amount tendered on application is expected to be returned by refund cheque to that Qualifying Shareholder in full without interest by ordinary post by the Registrar at his/her/its own risk on or before Friday, 22 April 2022. If the number of the Excess Rights Shares allotted to a Qualifying Shareholder is fewer than that applied for, the surplus application monies without interest are also expected to be returned by refund cheque to that Qualifying Shareholder by ordinary post by the Registrar at his/her/its own risk on or before Friday, 22 April 2022.

All cheques or banker's cashier orders will be presented for payment following receipt and all interest earned on such monies will be retained for the benefit of the Company. Completion and return of the EAF will constitute a warranty and representation to the Company that all registration, legal and regulatory requirements of all relevant jurisdictions in connection with the EAF and any acceptance of it have been, or will be, duly complied with. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited will give or be subject to any of the above representations and warranties. The Company reserves the right to

## LETTER FROM THE BOARD

refuse to accept any application for the Excess Rights Shares where it believes that doing so would violate the applicable securities legislation or other laws or regulations of any jurisdiction.

Completion and return of the EAF together with a cheque or a banker's cashier order in payment for the Excess Rights Shares applied for will constitute a warranty by the applicant that the cheque or the banker's cashier order will be honoured on first presentation. Without prejudice to the other rights of the Company in respect thereto, the Company reserves the right to reject any EAF in respect of which the accompanying cheque or banker's cashier order is dishonoured on first presentation, and in that event, all rights thereunder will be deemed to have been declined and will be cancelled.

The EAF is for use only by the Qualifying Shareholders to whom it is addressed and is not transferable. All documents, including cheques or banker's cashier orders for amounts due, will be sent by ordinary post at the risk of the persons entitled thereto to their registered addresses by the Registrar. The Company may, at its discretion, treat an EAF as valid and binding on the person(s) by whom or on whose behalf it is lodged even if the EAF is not completed in accordance with the relevant instructions. The Company may require such incomplete EAF to be completed by the relevant applicants at a later stage.

If the Underwriters exercise the right to terminate or rescind the Underwriting Agreement or if the conditions precedent of the Rights Issue as set out in the paragraph headed "Condition of the Rights Issue" below is not fulfilled or waived (as applicable) at or before 4:00 p.m. on Wednesday, 13 April 2022 (or such later time or date as may be agreed between the Company and the Underwriters in writing), the monies received in respect of application for the Excess Rights Shares will be returned to the Qualifying Shareholders or, in the case of joint acceptances, to the first-named person without interest, by means of cheques despatched by ordinary post at the risk of such Qualifying Shareholders to their registered addresses by the Registrar on or before Friday, 22 April 2022.

It should be noted that no receipt will be issued in respect of any EAF and/or remittances received.

### **Rights Issue on a best effort underwritten basis**

Pursuant to the Underwriting Agreement, the Rights Issue is only underwritten by the Underwriter on a best effort basis. In the event of under-subscription, the Underwriter has no obligation to and may not subscribe for or procure the subscription of any Rights Share not being taken by the Qualifying Shareholders. Any Shareholder who applies to take up all or part of his entitlement under the PAL or apply for the 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

## **LETTER FROM THE BOARD**

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.

### **Taxation**

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 Overseas Shareholders, their receipt of the net proceeds, if any, from sales of the nil-paid Rights Shares on their behalf. It should be noted that none of the Company, the Directors nor any other parties involved in the Rights Issue accepts responsibility for any tax effects on, or liabilities of, any person resulting from subscribing for, purchasing, holding, disposal of, dealings in or exercising any rights in relation to the Shares or the Rights Shares in both their nil-paid and fully-paid forms.

### **Arrangement on odd lots trading**

In order to facilitate the trading of odd lots (if any) of the Shares, the Company has appointed Silverbricks Securities Company Limited to stand in the market to match the purchase and sale of odd lots of the Shares at the relevant market price, on a best effort basis. Holders of odd lots of the Shares who wish to take advantage of this facility either to dispose of their odd lots of the Shares or to top up to a full board lot may contact Mr. Wayne Wong at 3998-5127 during the period from Monday, 25 April 2022 at 9:00 a.m. to Friday, 13 May 2022 at 4:00 p.m., both days inclusive. Holders of the odd lots of the Shares should note that the 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 lot facility, is recommended to consult his/her/ its own professional advisers.

### **Application for listing of the Rights Shares**

The Company has made an application 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.

## LETTER FROM THE BOARD

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

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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 pursuant to the terms of the Underwriting Agreement. In the event of under-subscription, the Underwriter has no obligation to and may not subscribe for or procure the subscription of any Rights Share not being taken by the Qualifying Shareholders. The Underwriter shall commence procuring subscribers upon the despatch of this Prospectus and procure subscribers for all (or as many as possible) of those Untaken Shares by not later than Wednesday, 13 April 2022 on a best effort basis. After 4:00 p.m. on Tuesday, 12 April 2022, being the latest time for acceptance and payment for the Rights Shares and for application and payment for the excess Rights Shares, the Company shall confirm the number of acceptance and payment for the Rights Shares and application and payment for the excess Rights Shares. In the event that the Rights Issue is undersubscribed, the Company shall make written request to inform the Underwriter the number of Untaken Shares and to underwrite the Untaken Shares, by not later than Wednesday, 13 April 2022, subject to the clearance of the cheques received by the Registrar on the same date. The Underwriter shall make written notice to the Company about the aggregate number of the Underwritten Shares, among other things, any Underwritten Shares will be allocated to subscribers on a pro rata basis by reference to the number of Rights Shares applied by the subscribers. The allocated Rights Shares to the subscribers will be commenced dealings at 9:00 a.m. on Monday, 25 April 2022.

The Company had approached several potential underwriters. Given (i) the prevailing volatile market conditions; (ii) the impact caused by the COVID-19 pandemic; (iii) the political instability in Eastern Europe area; (iv) the Subscription Price; and (v) the trading volume and the closing price of the Shares within the last twelve (12) months, all of the aforesaid potential underwriters refused to underwrite the Rights Shares on a fully-underwritten basis. Only the Underwriter expressed its interest in acting as the underwriter of the Rights Issue on a best effort basis instead of a fully-underwritten basis among all of the aforesaid potential underwriters. Under the terms of the Underwriting Agreement, there is no minimum underwriting commission charged by the Underwriter. If no subscriber is procured by the Underwriter, the Company is not required to pay any commission fee to the Underwriter. Given the Rights Issue on a best effort basis is conducting without any minimum underwriting commission and with reference to historical performance of the Underwriter, acting as the underwriter or the placing agent of fund-raising activities of other listed issuers, the Board is of the view that the Underwriter is capable of procuring subscriber(s). The Rights Issue which is underwritten by the Underwriter on a best effort basis may secure a higher level of the net proceeds to be received by the Company comparing to the rights issue conducting on non-underwritten basis. In light of the above, the Board decided to conduct the Rights Issue on a best effort basis.

## LETTER FROM THE BOARD

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. As at the Latest Practicable Date, the Underwriter has not procured any sub-underwriter and/or subscriber. Any sub-underwriter procured by the Underwriter shall meet the requirement under Rule 7.19(1) of the Listing Rules and shall be third party independent of and not connected with the Company and its connected persons.

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. Given (i) the underwriting commission is based on the number of Rights Shares subscribed and/or procured by the Underwriter so that there is no minimum fee charged by the Underwriter; and (ii) the underwriting commission fee of 2.5% is in line with the market rate, 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;

## LETTER FROM THE BOARD

- (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.

## LETTER FROM THE BOARD

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.

As at the Latest Practicable Date, the condition precedent (i) has been satisfied, and none of the other conditions precedent above has been satisfied or fulfilled. Further, condition precedent (viii) has not been waived by the Underwriter and the Company as at the Latest Practicable Date.

### **Termination of the Underwriting Agreement**

Terms in relation to the termination of the Underwriting Agreement (“**Terms**”) are summarised in the section headed “Termination of the Underwriting Agreement” in this Prospectus.

**The Rights Issue is conditional upon the Underwriting Agreement becoming unconditional and not being terminated in accordance with its terms. If the Underwriting Agreement does not become unconditional or in the event the Underwriter exercises its rights to rescind or terminate the Underwriting Agreement prior to the Latest Time for Termination, the Rights Issue will not proceed, and all obligation and liabilities of the parties to the Underwriting Agreement will cease and determine and no party will have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement (save in respect of any antecedent breach of any obligation under the Underwriting Agreement and in respect of any costs, fees and other expenses incurred in connection with the Rights Issue (other than any underwriting commission) which will be borne by the Company). In such event, the Company will make a further announcement as and when appropriate.**

## LETTER FROM THE BOARD

### EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

For illustration purposes only, set out below is the shareholding structure of the Company as at the Latest Practicable Date, 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 Latest Practicable Date		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 and all the unsubscribed Rights Shares were subscribed for through the Underwriter)		Immediately after completion of the Rights Issue (assuming none of the Qualifying Shareholders have taken up any entitled Rights Shares and none of the unsubscribed Rights Shares were subscribed for through the Underwriter)	
	Number of issued Shares	Approximate %	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	9,172,000	1.53
HHR Group Holdings Limited (Note 1)	48,062,000	8.01	64,082,667	8.01	48,062,000	6.01	48,062,000	8.01
Michael Group Holdings Limited (Note 1)	187,420,000	31.23	249,893,333	31.23	187,420,000	23.43	187,420,000	31.23
KVN Holdings Limited (Note 1)	36,750,000	6.12	49,000,000	6.12	36,750,000	4.60	36,750,000	6.12
DY Holdings Limited (Note 1)	25,544,700	4.26	34,059,600	4.26	25,544,700	3.19	25,544,700	4.26
QJ Holdings Limited (Note 2)	29,864,000	4.98	39,818,667	4.98	29,864,000	3.73	29,864,000	4.98
<b>Sub-total</b>	<b>336,812,700</b>	<b>56.13</b>	<b>449,083,600</b>	<b>56.13</b>	<b>336,812,700</b>	<b>42.11</b>	<b>336,812,700</b>	<b>56.13</b>
QZ Holdings Limited (Note 3)	3,468,000	0.58	4,624,000	0.58	3,468,000	0.43	3,468,000	0.58
WB Holdings Group Limited (Note 4)	3,468,000	0.58	4,624,000	0.58	3,468,000	0.43	3,468,000	0.58
CXD Holdings Limited (Note 5)	3,468,000	0.58	4,624,000	0.58	3,468,000	0.43	3,468,000	0.58
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	252,783,300	42.13
<b>Total</b>	<b>600,000,000</b>	<b>100.00</b>	<b>800,000,000</b>	<b>100.00</b>	<b>800,000,000</b>	<b>100.00</b>	<b>600,000,000</b>	<b>100.00</b>

*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.

## LETTER FROM THE BOARD

5. CXD Holdings Limited is owned by Mr. Chen Xiaodong, an executive Director.
6. 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.

Assuming there is no new Share being issued and no Share being repurchased by the Company on or before the Record Date, the shareholding in the Company held by the existing public Shareholders would be diluted from approximately 42.13% as at the Latest Practicable Date to approximately 31.60% if none of Qualifying Shareholders have taken up any entitled Rights Shares and all the unsubscribed Rights Shares were subscribed for through the Underwriter.

### INFORMATION ON THE 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.

### 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.

## LETTER FROM THE BOARD

### 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) (the “**Jiufeng Project**”) located in Ningbo, Zhejiang Province, the PRC. Under the cooperation agreement,

## LETTER FROM THE BOARD

Ninglv Feiyang shall contribute a maximum capital of not more than RMB77 million for the operation and re-development of the tourist attractions. As at the Latest Practicable Date, the Jiufeng Project was in operation and the JV Company has invested approximately RMB4.5 million and generated revenue of approximately RMB1.1 million from the date of its establishment (i.e. 6 April 2021). The JV Company plans to increase the attractiveness of the Jiufeng Project and therefore its revenue steam through enhancement of the equipment and facilities of the Jiufeng Project. 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/zfxxgkml/tjxx/202201/t20220124\\_930626.html](http://zwgk.mct.gov.cn/zfxxgkml/tjxx/202201/t20220124_930626.html)  
[https://www.mct.gov.cn/whzx/zsdw/zglyyjy/202201/t20220112\\_930388.html](https://www.mct.gov.cn/whzx/zsdw/zglyyjy/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 Group generates revenue by charging these higher education institutions service fees. The SaaS System is 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 Latest Practicable Date, 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 Directors 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.

## LETTER FROM THE BOARD

### *(iii) Staff retreat benefits provided by governmental organisations in the PRC*

The Group has been participating in the staff retreat contractor procurement projects initiated by governmental organisations (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 services related to retreats (including provision of air tickets, hotel accommodation and admission tickets to tourist attractions, and design of tailor-made tours based on customers’ preferences) to staff of the Tenderees for a term until 31 December 2023 (subject to renewal). Given that the services provided by the Group to the Tenderees are the same as the existing principal businesses of the Group, the Group has the capability to provide such services.

The Group’s customers primarily comprise retail customers and corporate and institutional customers such as local enterprises, corporations and governmental organisations. As compared with retail customers, corporate and institutional customers generally have stable demand for the Group’s travel services given (i) they and the Group will generally enter into service agreements with fixed terms; and (ii) such stable demand is backed by their wider group of potential consumers (e.g. staff of corporation and governmental organisations). The Group is therefore expected to generate stable income from the provision of travel services to these corporate and institutional customers including higher education institutions and governmental organisations and eventually develop and diversify its tourism-related businesses.

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 organisations in the PRC with a wide group of potential consumers (i.e. students of higher education institutions and staff of governmental organisations); and (vi) that advance payments are usually required to be made by the Group to its suppliers for providing the relevant travel services to higher education institutions and governmental organisations before receiving sale proceeds from them since they generally settle their payments with the Group monthly in arrears, 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, including (i) the development and operation of the Jiufeng Project; and (ii) the advance payments to be made by the Group for the provision of travel services to, higher education institutions and governmental organisations as staff retreat benefits as mentioned above. Save as disclosed above, the Company has not identified any new projects as at the Latest Practicable Date.

## LETTER FROM THE BOARD

### *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 has been used for repayment of loans and approximately HK\$34.04 million has been used for replenishment of working capital and general business operation as intended, respectively. 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, including but not limited to payments of rental and staff salaries and reimbursement.

In the event that the Underwriter does not subscribe for or procure the subscription of any Rights Shares not being taken up by the Qualifying Shareholders, the amount of proceeds to be raised from the Rights Issue will be scaled down accordingly based on the amount of Rights Shares actually subscribed by the Qualifying Shareholders under PALs and EAFs.

The Directors, having considered the existing cash and cash equivalents, successful renewal of bank loans, available banking facilities and the net proceeds from the Rights Issue, confirm that after completion of the Rights Issue, the Group will have sufficient working capital for its present requirements for the next 12 months from the date of this Prospectus. In the event that the Company may conduct further debt or equity financings to support the business operations of the Group in unforeseen circumstances, the Company will make further announcement in this regard in accordance with the Listing Rules as and when appropriate. In addition, the Group would endeavor to diversify its businesses in providing travel services to higher education institutions and governmental organisations in the PRC, with the aim to expand its income stream and enhance the Group’s working capital.

## LETTER FROM THE BOARD

### **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 deteriorating financial performance and position. Although the Directors have attempted to obtain further debt financing from its principal bankers, it is not feasible for the Company to obtain loan facilities in favourable terms and conditions in a timely manner given its current debt level. 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. Based on the above, the Directors consider that it is not commercially feasible for the Company to obtain further debt financing/bank borrowings.

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 addition, the Rights Issue, when compared with other forms of equity financing, would offer the existing Shareholders the chance to participate in the future growth of the Company as it allows the existing Shareholders to subscribe for Rights Shares in proportion to their existing shareholdings in the Company without having their relative shareholdings being diluted.

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 Latest Practicable Date, other than the Rights Issue, the Company did not have any other fund-raising plan.

## LETTER FROM THE BOARD

### 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 organisations 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.

### 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 Latest Practicable Date:

Date of announcement	Event	Net proceeds	Intended use of proceeds	Actual use of proceeds as at the Latest Practicable Date
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 as intended

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 Latest Practicable Date.

## LETTER FROM THE BOARD

### 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 the 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 the 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.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this Prospectus.

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

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 section headed "Termination of the Underwriting Agreement"). Accordingly, the Rights Issue may or may not proceed.

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.

Yours faithfully,

By order of the Board

**Feiyang International Holdings Group Limited**

**He Binfeng**

*Chairman, Executive Director and Chief Executive Officer*



## 2. INDEBTEDNESS OF THE GROUP

As at the close of business on 31 January 2022, being the latest practicable date for the purpose of this indebtedness statement prior to the publication of the Prospectus, the Group had the following outstanding indebtedness:

### (a) Bank loans and overdrafts, debt securities and other borrowings

- (i) secured bank borrowings with the aggregate principal amount of RMB145.4 million as at 31 January 2022, which carry interest in the range from 3.850% to 5.500% per annum and are secured by (a) the Group's investment property which are located at No.188, 25-1, Yongjiang Avenue, Ningbo, Zhejiang, the PRC; (b) the land and buildings owned by He Binfeng, the director of the Company and one of the ultimate controlling shareholders of the Company, which are located at Room 801, No.26, Yangshan Alley, Jiangbei District, Ningbo, Zhejiang, the PRC; (c) corporate guarantees given by Zhejiang Feiyang Travel Agency Co., Ltd., Zhejiang Feiyang Lianchuang Travel Co., Ltd., Ningbo Shengda Feiyang Commercial Management Co., Ltd., Ningbo Feiyang Commercial Management Co., Ltd., Zhejiang Feiyang International Travel Group Co., Ltd., Zhejiang Feiyang Commercial Management Co., Ltd. and Ningbo Qihang Airplane Ticketing Co., Ltd., the subsidiaries of the Company operating in the PRC; (d) certain pledged trade receivables from customers amounted to RMB28.4 million as at 31 January 2022; (e) joint guarantees given by Zhang Dayi, a director of certain subsidiaries of the Company, and Zhang Xiaoshan, the spouse of Zhang Dayi; and (f) joint guarantees given by He Binfeng, a director of the Company, and Qian Jie, the spouse of He Binfeng, collectively the ultimate controlling shareholders of the Company;
- (ii) secured bank borrowings with the aggregate principal amount of RMB5.0 million as at 31 January 2022, which carries interest at 5.100% per annum, which are secured by joint guarantees given by He Binfeng and Qian Jie;
- (iii) bank borrowings with the aggregate principal amount of RMB28.0 million as at 31 January 2022, which carry interest at range from 5.100% to 5.655% per annum, which are unsecured and unguaranteed; and
- (iv) amount due to a related party, Zhang Dayi with the aggregate balance of RMB2.5 million as at 31 January 2022, which are unsecured, unguaranteed, non-interest bearing and repayable on demand.

### (b) Lease payables

- (i) The Group leased certain premises for office and retail purpose and certain motor vehicles. The Group had outstanding payments for these lease payables amounted to an aggregate of RMB21.9 million as at 31 January 2022, which are unsecured and unguaranteed.

Save as disclosed above and apart from intra-group liabilities, the Group did not have any bank loans, bank overdrafts and liabilities under acceptance (other than normal trade bills) or other similar indebtedness, debenture or other loan capital, mortgages, charges, finance lease or hire purchase commitments, guarantees or other material contingent liabilities at the close of business on 31 January 2022.

### 3. WORKING CAPITAL STATEMENT

The Directors, after due and careful enquiry, are of the opinion that, after taking into account the existing cash and cash equivalents, successful renewal of bank loans, available banking facilities and subject to the successful subscription of the entire Rights Issue with estimated net proceeds of approximately HK\$96.3 million, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this Prospectus.

### 4. MATERIAL ADVERSE CHANGE

The financial performance of the Group has been adversely affected by the prolonged COVID-19 pandemic and the continued suspension of all outbound tours. The Group has recorded a net loss of approximately RMB76.2 million for the six months ended 30 June 2021, as compared with a net loss of approximately RMB17.0 million for the six months ended 30 June 2020. As at 30 June 2021, the Group had net current liabilities of approximately RMB54.7 million, of which (i) trade payables and 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. All these indicate that the Group is currently under liquidity pressure.

Saved as disclosed, as at the Latest Practicable Date, the Directors were not aware of any other material adverse change in the financial or trading position of the Group since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up.

### 5. FINANCIAL AND TRADING PROSPECT OF THE GROUP

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.

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告). 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 financial performance of the Group for FY2020 and 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. 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.

Since the outbreak of the COVID-19, the Group has been taking initiatives in diversifying its business with an objective to broaden its income stream. Apart from striving to restore its existing travel services and air ticketing agency businesses, the Group has been actively exploring the business of development and operation of cultural and tourist attractions, leveraging on its expertise and operational experience in the tourism market. Meanwhile, leveraging on the capabilities of its technology team, the Group is committed to enhancing the application of digital information technology and taking external orders. The Group plans to increase its efforts on market development for its digital information application business, with an aim to diversify and upgrade the Group’s businesses.

The demand for domestic travel remains one of the key drivers for the tourism industry as supported by the government’s effort to boost domestic travel. The Board believes that the pandemic will eventually subside and the tourism industry is set to bounce back strongly. 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.

**1. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP**

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is prepared in accordance with paragraph 4.29 of the Listing Rules and is set out to illustrate the effect of the Rights Issue on the unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2021 as if the Rights Issue had taken place on that date.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group have been prepared for illustrative purpose only, and because of its hypothetical nature, it may not give a true picture of the unaudited consolidated net tangible assets of the Group had the Rights Issue been completed as at 30 June 2021 or at any future date.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is prepared based on the unaudited consolidated net assets of the Group attributable to owners of the Company as at 30 June 2021 derived from the unaudited condensed consolidated statement of the financial position of the Group as at 30 June 2021, as set out in the published interim report of the Company for the six months ended 30 June 2021, and adjusted as described below:

	<b>Unaudited adjusted consolidated net tangible assets of the Group attributable to owners of the Company before completion of Rights Issue</b>	<b>Estimated net proceeds from the Rights Issue</b>	<b>Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company immediately after completion of the Rights Issue</b>
	<i>RMB'000</i> (Note 1)	<i>RMB'000</i> (Note 2)	<i>RMB'000</i> (Note 3)
Based on 200,000,000 Rights Shares to be issued at the subscription price of HK\$0.50 each	<u>85,125</u>	<u>78,683</u>	<u>163,808</u>

RMB cents  
per Share

Unaudited adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share before completion of the Rights Issue ( <i>Note 4</i> )	14.2
Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share immediately after completion of the Rights Issue ( <i>Note 5</i> )	20.5

*Notes:*

- The unaudited adjusted consolidated net tangible assets of the Group attributable to owners of the Company of RMB85,125,000 is calculated based on the unaudited consolidated net assets of the Group attributable to owners of the Company as at 30 June 2021, which represents the equity attributable to owners of the Company of RMB29,322,000 as at that date, as derived from the Group's condensed consolidated statement of financial position contained in the Company's published interim report for the six months ended 30 June 2021, and is adjusted as follows:

	<i>RMB'000</i>
Unaudited consolidated net assets of the Group attributable to owners of the Company as at 30 June 2021	29,322
Less: Intangible assets ( <i>Note (a)</i> )	<u>23</u>
Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2021	29,299
Add: Net proceeds from allotment and issue of 100,000,000 shares of the Company ( <i>Note (b)</i> )	<u>55,826</u>
Unaudited adjusted consolidated net tangible assets of the Group attributable to owners of the Company before completion of the Rights Issue	<u><u>85,125</u></u>

*Notes:*

- The intangible assets of the Group of RMB23,000 at 30 June 2021 is derived from the condensed consolidated statement of financial position of the Group as at that date contained in the Company's published interim report for the six months ended 30 June 2021.
  - On 2 December 2021, the Company allotted and issued 100,000,000 shares by way of share placing arrangement, which gave rise to net proceeds of approximately HK\$68,080,000 (equivalent to RMB55,826,000). This share placement has been included in the calculation of the unaudited adjusted consolidated net tangible assets of the Group attributable to owners of the Company before completion of the Rights Issue. The exchange rate adopted for the exchange translation to the net proceeds in Renminbi is RMB1 : HK\$1.2195, being the exchange rate prevailing at the date of shares issued.
- The estimated net proceeds from the Rights Issue of approximately HK\$96,300,000 (equivalent to RMB78,683,000) are based on 200,000,000 Rights Shares to be issued at HK\$0.5 per share, after deduction of the estimated related expenses of approximately HK\$3,700,000. The exchange rate adopted for the exchange translation of the estimated net proceeds to Renminbi is RMB1 : HK\$1.2239, being the exchange rate prevailing at the latest practicable date.

3. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company immediately after completion of the Rights Issue of approximately RMB163,808,000 represents the aggregate of the unaudited adjusted consolidated net tangible assets of the Group attributable to owners of the Company before completion of the Rights Issue of RMB85,125,000 as set out in Note 1 and the estimated net proceeds from the Rights Issue of approximately RMB78,683,000 as set out in Note 2.
4. The calculation of the unaudited adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share before completion of the Rights Issue is based on the unaudited adjusted consolidated net tangible assets of the Group attributable to owners of the Company before completion of the Rights Issue of approximately RMB85,125,000 as set out in Note 1 above and 600,000,000 Shares in issue (comprising 500,000,000 Shares in issue at 30 June 2021 and 100,000,000 Shares issued on 2 December 2021 pursuant to the Share placing arrangement as set out in Note 1(b) above).
5. The calculation of the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share immediately after completion of the Rights Issue is based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company immediately after completion of the Rights Issue of approximately RMB163,808,000 set out in Note 3 above, and 800,000,000 Shares in issue and issuable (comprising 600,000,000 Shares issued (Note 4 above) and 200,000,000 Shares to be issued pursuant to the Rights Issue).
6. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2021 except for the share placing arrangement as set out in Note 1(b) above.

## 2. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION



### To the Directors of Feiyang International Holdings Group Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Feiyang International Holdings Group Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company, and related notes as set out on pages 41 to 43 of the prospectus issued by the Company dated 28 March 2022 (the “**Prospectus**”) in connection with the rights issue on the basis of one rights share for every three shares held (the “**Rights Issue**”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages 41 to 43 to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Rights Issue on the Group’s consolidated net tangible assets as at 30 June 2021 as if the Rights Issue had taken place on 30 June 2021. As part of this process, information about the Group’s financial position has been extracted by the Directors from the interim report of the Company for the six months ended 30 June 2021.

### Directors’ Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

### Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a

comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Reporting Accountant's Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the Directors have complied the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of the unaudited pro forma financial information included in the Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2021 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29 (1) of the Listing Rules.

**CCTH CPA Limited**  
*Certified Public Accountants*  
Hong Kong  
28 March 2022

**Lee Chi Hang**  
Practising certificate number: P01957

## 1. RESPONSIBILITY STATEMENT

This Prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this Prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Prospectus misleading.

## 2. SHARE CAPITAL AND SHARE OPTIONS

### (i) Share capital

The authorised and issued share capital of the Company (a) as at the Latest Practicable Date; and (b) immediately after completion of the Rights Issue are set out as follows:

#### (a) As at the Latest Practicable Date

<i>Authorised:</i>	<i>HK\$</i>
<u>10,000,000,000</u> Shares of HK\$0.01	<u>100,000,000</u>

#### *Issued and fully paid up:*

<u>600,000,000</u> Shares of HK\$0.01	<u>6,000,000</u>
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#### (b) Immediately after completion of the Rights Issue (assuming (i) no change in the share capital of the Company from the Latest Practicable Date up to and including the date of completion of the Rights Issue (save for the issue of Rights Shares) and (ii) all Qualifying Shareholders have taken up the Rights Shares to which they are entitled)

<i>Authorised:</i>	<i>HK\$</i>
<u>10,000,000,000</u> Shares of HK\$0.01	<u>100,000,000</u>

#### *Issued and fully paid up:*

600,000,000 Shares of HK\$0.01	6,000,000
<u>200,000,000</u> Rights Shares to be allotted and issued	<u>2,000,000</u>
<u>800,000,000</u> Total	<u>8,000,000</u>

All the existing Shares in issue are fully-paid and rank *pari passu* in all respects including all rights as to dividends, voting and return of capital. The Rights Shares (when allotted, fully paid or credited as fully paid) will rank *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Rights Shares. Holders of the Rights Shares in their fully paid form will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Rights Shares.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

### (ii) Share options

As at Latest Practicable Date, 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 Latest Practicable Date, no options under the Share Option Scheme were outstanding.

As at the Latest Practicable Date, there was no arrangement under which future dividends are waived or agreed to be waived.

## 3. DISCLOSURE OF INTERESTS

### (i) Directors’ and chief executives’ interests and short positions in Share, underlying Shares and debentures

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

#### (a) Long positions in ordinary shares of the Company

Name of Director	Nature of interest and capacity	Number of Shares held/ interested	Approximate percentage of shareholding
Mr. He Binfeng (“ <b>Mr. He</b> ”) (Note 1)	Beneficial owner, interest in controlled corporation and interest held jointly with another person	336,812,700	56.13%

Name of Director	Nature of interest and capacity	Number of Shares held/ interested	Approximate percentage of shareholding
Ms. Qiu Zheng ("Ms. Qiu") (Note 2)	Interest in controlled corporation	3,468,000	0.58%
Mr. Wu Bin ("Mr. Wu") (Note 3)	Interest in controlled corporation	3,468,000	0.58%
Mr. Chen Xiaodong ("Mr. Chen") (Note 4)	Interest in controlled corporation	3,468,000	0.58%

## Notes:

1. Mr. He (i) directly owned 9,172,000 Shares or approximately 1.53% of the issued share capital of the Company; (ii) directly owned 100% of each of HHR Group Holdings Limited, Michael Group Holdings Limited, KVN Holdings Limited and DY Holdings, which in aggregate held 297,776,700 Shares or approximately 49.62% of the issued share capital of the Company; and (iii) was deemed to own 29,864,000 Shares or approximately 4.98% of the issued share capital of the Company in which Mr. He and Ms. Qian Jie ("Ms. Qian") (the spouse of Mr. He) are parties acting in concert.
2. Ms. Qiu directly owned 100% of QZ Holdings Limited which held 3,468,000 Shares or approximately 0.58% of the issued share capital of the Company.
3. Mr. Wu directly owned 100% of WB Holdings Group Limited which held 3,468,000 Shares or approximately 0.58% of the issued share capital of the Company.
4. Mr. Chen directly owned 100% of CXD Holdings Limited which held 3,468,000 Shares or approximately 0.58% of the issued share capital of the Company.

## (b) Long positions in the associated corporations of the Company

Name of Director	Name of associated corporation	Nature of interest and capacity	Number of Shares held/ interested	Approximate percentage of shareholding/ equity interest
Mr. He (Notes 1 and 2)	Zhejiang Feiyang International Travel Group Co., Ltd. (浙江飛揚國際旅遊集團股份有限公司) (“ <b>Feiyang International</b> ”)	Beneficial owner, interest in controlled corporation and interest held jointly with another person	44,440,000	95.28%
	Zhejiang Feiyang Lianchuang Travel Co., Ltd. (浙江飛揚聯創旅遊有限公司) (“ <b>Feiyang Lianchuang</b> ”)	Interest in controlled corporation and interest held jointly with another person	— (Note 2)	95.28%
	Ningbo Qihang Airplane Ticketing Co., Ltd. (寧波啟航航空票務有限公司) (“ <b>Ningbo Qihang</b> ”)	Interest in controlled corporation and interest held jointly with another person	— (Note 2)	95.28%
	Zhejiang Feiyang Commercial Management Co., Ltd. (浙江飛揚商務管理有限公司) (“ <b>Feiyang Commercial</b> ”)	Interest in controlled corporation and interest held jointly with another person	— (Note 2)	95.28%
Mr. Wu (Notes 2 and 3)	Feiyang International	Beneficial owner	440,000	0.94%
	Feiyang Lianchuang	Interest in controlled corporation	— (Note 2)	0.94%
	Ningbo Qihang	Interest in controlled corporation	— (Note 2)	0.94%
	Feiyang Commercial	Interest in controlled corporation	— (Note 2)	0.94%
Mr. Chen (Notes 2 and 4)	Feiyang International	Beneficial owner	440,000	0.94%
	Feiyang Lianchuang	Interest in controlled corporation	— (Note 2)	0.94%
	Ningbo Qihang	Interest in controlled corporation	— (Note 2)	0.94%
	Feiyang Commercial	Interest in controlled corporation	— (Note 2)	0.94%

*Notes:*

1. Feiyang International is directly owned as to 17.92% by Mr. He, 1.89% by Ms. Qian and 75.47% by Ningbo Feiyang Business Management Company Limited, which is in turn held as to 91.73% by Mr. He and 8.27% by Ms. Qian. Mr. He and Ms. Qian are parties acting in concert.
2. Each of Feiyang Lianchuang, Feiyang Commercial and Ningbo Qihang is a limited liability company established in the PRC and a wholly-owned subsidiary of Feiyang International.
3. Feiyang International is directly owned as to 0.94% by Mr. Wu.
4. Feiyang International is directly owned as to 0.94% by Mr. Chen.

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

**(ii) Substantial shareholders' interests and short positions in the Shares and underlying Shares**

As at the Latest Practicable Date, so far as known to any Director or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or as otherwise recorded in the register required to be kept under section 336 of the SFO:

Name of substantial shareholder	Nature of interest and capacity	Number of Shares held/ interested	Long or short position	Approximate percentage of shareholding/ equity interest
Mr. He (Notes 1 and 2)	Beneficial owner, interest in controlled corporation and interest held jointly with another person	336,812,700	Long	56.13%
Mr. Qian (Note 2)	Interest in controlled corporation and interest held jointly with another person	336,812,700	Long	56.13%

Name of substantial shareholder	Nature of interest and capacity	Number of Shares held/ interested	Long or short position	Approximate percentage of shareholding/ equity interest
HHR Group Holdings Limited ( <i>Note 1</i> )	Beneficial owner and interest held jointly with another person	336,812,700	Long	56.13%
Michael Group Holdings Limited ( <i>Notes 1 and 2</i> )	Beneficial owner and interest held jointly with another person	336,812,700	Long	56.13%
KVN Holdings Limited ( <i>Note 1</i> )	Beneficial owner and interest held jointly with another person	336,812,700	Long	56.13%
DY Holdings Limited ( <i>Note 1</i> )	Beneficial owner and interest held jointly with another person	336,812,700	Long	56.13%
QJ Holdings Limited ( <i>Note 1</i> )	Beneficial owner and interest held jointly with another person	336,812,700	Long	56.13%

*Notes:*

- Mr. He (i) directly owned 9,172,000 Shares or approximately 1.53% of the issued share capital of the Company; (ii) directly owned 100% of each of HHR Group Holdings Limited, Michael Group Holdings Limited, KVN Holdings Limited and DY Holdings, which in aggregate held 297,776,700 Shares or approximately 49.62% of the issued share capital of the Company; and (iii) was deemed to own 29,864,000 Shares or approximately 4.98% of the issued share capital of the Company in which Mr. He and Ms. Qian are parties acting in concert.
- Mr. Qian (i) directly owned 100% of QJ Holdings Limited, which held 29,864,000 Shares or approximately 4.98% of the issued share capital of the Company, and (ii) was deemed to own 297,776,700 Shares or approximately 49.62% of the issued share capital of the Company in which Mr. He and Ms. Qian are parties acting in concert.

As at the Latest Practicable Date, so far as known to any Director or chief executive of the Company, no other persons were interested in 10% or more of any class of share capital carrying rights to vote in all circumstances at general meetings of any of the subsidiaries.

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the Shares or underlying Shares of the Company

which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

#### 4. DIRECTORS' INTERESTS IN CONTRACTS

As at the Latest Practicable Date:

- (i) none of the Directors had entered, or proposed to enter into a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation;
- (ii) none of the Directors had any interest, direct or indirect, in any assets which had been, since 31 December 2020, being the date to which the latest published audited consolidated accounts of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group; and
- (iii) save for the contractual arrangements (the “**Contractual Arrangements**”) as disclosed in the prospectus of the Company dated 18 June 2019, none of the Directors and their respective associates was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and was significant in relation to the business of the Group. Since certain of the Group’s businesses are subject to foreign investment restrictions and legal impediments and impracticalities, in order to comply with such laws and regulations while maintaining effective control over its operations, on 18 January 2019, the Group entered into the Contractual Arrangements, pursuant to which, Ningbo Feiyang Commercial Management Co., Ltd. (寧波飛揚商業管理有限公司), being an indirect wholly-owned subsidiary of the Company, has acquired effective control over the financial and operational policies of Feiyang International, Feiyang Lianchuang, Feiyang Commercial and Ningbo Qihang and has become entitled to all the economic benefits derived from their operations.

#### 5. DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors was considered to have interests in any business apart from the Group’s business, which competes or is likely to compete, either directly or indirectly, with the business of the Group pursuant to the Listing Rules.

#### 6. LITIGATION

As at the Latest Practicable Date, the Company was not involved in any material litigation or arbitration and no material litigation or arbitration were pending or threatened or made against the Company so far as the Directors are aware.

## 7. MATERIAL CONTRACTS

Save for the following, there were no material contracts (not being contract(s) entered into in the ordinary course of business) which had been entered into by any member of the Group within two years immediately preceding the Latest Practicable Date and are or may be material:

- (i) the investment cooperation agreement dated 18 June 2020 entered into among Ningbo Feiyang Lianchuang Cultural Tourism Development Co., Ltd. (寧波飛揚聯創文旅發展有限公司) (the “**Ningbo Feiyang Lianchuang**”), an indirect wholly-owned subsidiary of the Company, Ningbo Zhongcheng Business Management Co., Ltd. (寧波中程商業管理有限公司) and Ningbo Tiantuo Material Co., Ltd. (寧波天拓物資有限公司) in relation to the formation of a joint venture company which shall be principally engaged in the management and development of tourist attractions in the PRC. Pursuant to the investment cooperation agreement, Ningbo Feiyang Lianchuang agreed to make capital contribution of RMB57 million;
- (ii) the cooperation agreement dated 22 March 2021 entered into between Zhejiang Ninglv Feiyang Cultural Tourism Development Co., Ltd. (浙江寧旅飛揚文旅發展有限公司) (the “**Ninglv Feiyang**”), an associated company of the Company, 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遊發展有限公司) in relation to the formation of a joint venture company for the purpose of investing 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. Pursuant to the cooperation agreement, Ninglv Feiyang would make a capital contribution of not more than RMB77 million;
- (iii) the placing agreement dated 8 November 2021 entered into between the Company as the issuer and Cheong Lee Securities Limited as the placing agent in relation to the placing of up to 100,000,000 placing shares at a placing price of HK\$0.70 per placing share. The placing agent would receive a placing commission of 2.5% of the aggregate placing price of the placing shares. The net proceeds from the placing, after deduction of the placing commission and other related expenses, amounted to approximately HK\$68.08 million;
- (iv) the equity cooperation agreement dated 22 December 2021 entered into between DS Wellness & Health Management Limited (德斯尚康薈健康管理有限公司) (the “**DS Wellness**”), an indirect wholly-owned subsidiary of the Company, and 3all FinTech Limited (三生萬物金融科技信息服務有限公司) in relation to inject HK\$30 million by way of cash contribution into a joint venture company. Pursuant to the equity cooperation agreement, DS Wellness would make a capital contribution of HK\$24 million;
- (v) the non-legally binding strategic investment cooperation framework agreement dated 10 February 2022 entered into between the Company and Xiamen Shiyi Technology Co., Ltd. (廈門視奕科技有限公司) in relation to carry out strategic investment cooperation in the global health industry; and

(vi) the Underwriting Agreement.

## 8. PARTICULARS OF DIRECTORS AND SENIOR MANAGEMENT

### Executive Directors

**Mr. He Binfeng (何斌鋒)**, aged 49, executive Director, chairman of the Board and chief executive officer. He was appointed as a Director on 18 October 2018 and re-designated as an executive Director on 16 January 2019. Mr. He is also the chairman of the nomination committee of the Company and a member of the remuneration committee of the Company. Mr. He is the founder of the Group. Mr. He is responsible for formulating corporate strategy, planning, business development and supervising the overall operation of the Group. Mr. He is also the director of the Company's subsidiaries, namely, Bird Investment Group Limited, Feiyang HK Group Limited, Ningbo Shengda Feiyang Commercial Management Co., Ltd. ("**Shengda Feiyang**"), Ningbo Feiyang Commercial Management Co., Ltd., Ningbo Feiyang Expo Services Co., Ltd. and Zhejiang Feiyang International Travel Group Co., Ltd. ("**Feiyang International**").

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

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

**Mr. Huang Yu (黃宇)**, aged 34, executive Director and chief technology officer. He was appointed as a Director on 18 October 2018 and re-designated as an executive Director on 16 January 2019. Mr. Huang joined the Group on 22 December 2014 as a chief technology officer. Mr. Huang is responsible for the technology system development of the Group. Mr. Huang is also a director of one of the subsidiaries of the Company, namely Zhejiang Hengyue Information Technology Co., Ltd.

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

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

**Mr. Wu Bin (吳濱)**, aged 53, executive Director and duty general manager. He was appointed as a Director on 18 October 2018 and re-designated as an executive Director on 16 January 2019. Mr. Wu joined the Group on 1 December 2006 as a joint chief executive officer. Mr. Wu is responsible for the sales and customers service functions of the Group. Mr. Wu is also a director of the Company's subsidiaries, namely Zhejiang Feiyang Travel Agency Co., Ltd, Shengda Feiyang and Feiyang International.

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

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

**Mr. Chen Xiaodong (陳曉冬)**, aged 54, executive Director and deputy general manager. He was appointed as a Director on 18 October 2018 and re-designated as an executive Director on 16 January 2019. Mr. Chen joined the Group on 6 March 2012 as a deputy general manager. Mr. Chen is responsible for the product development and procurement functions of the Group. Mr. Chen is also a director of the Company's subsidiaries, namely, Feiyang International and Ningbo Qihang Airplane Ticketing Co., Ltd.

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

2003 to June 2011, Mr. Chen served as a deputy general manager in Ningbo Zhelun Overseas Travel Co Ltd (寧波浙侖海外旅遊有限公司) (currently known as Ningbo Zhelun Overseas Travel Industry Group Limited (寧波浙侖海外旅業集團有限公司)).

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

**Ms. Qiu Zheng (裘鄭)**, aged 42, graduated from the Open University of China (國家開放大學) with an associate degree in Administrative Management in July 2020. Ms. Qiu has over 19 years of experience in tourism industry and has served in various positions at Feiyang International. Ms. Qiu started working at Feiyang International as a travel agency operator from March 2001 to December 2001 and was promoted to a travel agency operator manager in January 2002. From August 2005 to March 2010, she served as a domestic centre manager. She then served as the aviation centre general manager from April 2010 to June 2017. From June 2017 to October 2019, Ms. Qiu served as an assistant to the chief executive officer, and has served as a deputy general manager since October 2019. Ms. Qiu is also a supervisor of various subsidiaries of the Group, including Feiyang International, Shengda Feiyang, Ningbo Commercial, Zhejiang Feiyang Lianchuang Travel Co., Ltd. (浙江飛揚聯創旅遊有限公司) and Zhejiang Feiyang Travel Agency Co., Ltd. (浙江飛揚旅行社有限公司).

**Mr. Xiong Di (熊笛)**, aged 48, has over 15 years of experience in financial management. From March 2003 to February 2011, he served as a finance manager at Ningbo Junsheng Group Co., Ltd (寧波均勝集團股份有限公司). From March 2011 to April 2013, he served as the chief financial officer of Canghai Group Co., Ltd (滄海集團股份有限公司). From September 2013 to May 2018, he served as the chief financial officer and secretary to the board of directors of Feiyang International. From July 2018 to April 2021, he served various positions (including deputy general manager, chief financial officer and chief administrative officer) at Ningbo Anchuang Electronic Technology Co., Ltd. (寧波安創電子科技有限公司). He has rejoined Feiyang International and worked as the chief financial officer and secretary to the board since April 2021.

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

#### **Independent non-executive Directors**

**Mr. Li Huamin (李華敏)**, aged 44, was appointed as an independent non-executive Director on 29 April 2019 and is the chairman of the remuneration committee of the Company and a member of the audit committee and nomination committee of the Company.

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

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

**Mr. Yi Ling (易凌)**, aged 61, was appointed as an independent non-executive Director on 29 April 2019 and is a member of the audit committee and nomination committee of the Company.

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

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

**Ms. Li Chengai (李成艾)**, aged 42, was appointed as an independent non-executive Director on 29 April 2019 and is a chairlady of the audit committee of the Company and a member of the remuneration committee of the Company.

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

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

## 9. EXPERT'S CONSENT AND QUALIFICATION

The following sets out the qualification of the expert who has given opinions, letters or advices included in this Prospectus:

<b>Name</b>	<b>Qualification</b>
CCTH CPA Limited	Certified Public Accountants

CCTH CPA has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion herein of its report and reference to its name in the form and context in which it respectively appears. As at the Latest Practicable Date, CCTH CPA Limited did not have any shareholding, directly or indirectly, in any member of the Group nor did CCTH CPA Limited have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, CCTH CPA Limited did not have any direct or indirect interest in any assets which had been, since 31 December 2020 (the date to which the latest published audited financial statements of the Group were made up), acquired, or disposed of by or leased to, or were proposed to be acquired, disposed of by or leased to any member of the Group.

The accountant's report of CCTH CPA Limited on the unaudited pro forma financial information of the Group is given as at the date of this Prospectus for incorporation herein.

## 10. CORPORATE INFORMATION AND PARTIES TO THE RIGHTS ISSUE

Registered office of the Company:	Suite #4-210, Governors Square 23 Lime Tree Bay Avenue PO Box 32311 Grand Cayman KY1-1209 Cayman Islands
Head office and principal place of business of the Company in the PRC:	(1-140) 30 Dashani Street, Haishu District Ningbo, Zhejiang, China
Principle place of business of the Company in Hong Kong:	4/F Wah Yuen Building 149 Queen's Road Central Hong Kong
Underwriter:	Silverbricks Securities Company Limited Units 1005-1006, 10/F. Shun Tak Centre, China Merchants Tower 168-200 Connaught Road Central Sheung Wan, Hong Kong
Legal adviser to the Company as to the Rights Issue:	Fangda Partners 26/F, One Exchange Square 8 Connaught Place Central Hong Kong
Legal adviser to the Company as to the PRC law:	Patrick Mak & Tse Rooms 901-905 9th Floor, Wing On Centre 111 Connaught Road Central Hong Kong

Legal adviser to the Company as to the British Virgin Islands law:	Appleby Suites 4201-03 & 12, 42/F, One Island East, Taikoo Place, 18 Westlands Road, Quarry Bay, Hong Kong
Hong Kong branch share registrar and transfer office:	Tricor Investor Services Limited Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Joint financial advisers to Company:	Rainbow Capital (HK) Limited Room 5B, 12/F, Tung Ning Building No. 2 Hillier Street Sheung Wan, Hong Kong  Silverbricks Securities Company Limited Units 1005-1006, 10/F. Shun Tak Centre, China Merchants Tower 168-200 Connaught Road Central Sheung Wan, Hong Kong
Auditors:	Ernst & Young <i>(Certified Public Accountants and Registered Public Interest Entity Auditor)</i> 22/F, CITIC Tower 1 Tim Mei Avenue Central Hong Kong
Reporting accountants:	CCTH CPA Limited <i>(Certified Public Accountants)</i> Unit 1510-1517, 15/F. Tower 2, Kowloon Commerce Centre No. 51 Kwai Cheong Road Kwai Chung, New Territories, Hong Kong
Principal bankers:	China Merchants Bank Co., Ltd, Ningbo Tianyi sub-branch 137 Zhongshan East Road Haishu District, Ningbo Zhejiang, PRC  China CITIC Bank Corporation Limited, Jiangbei sub-branch 66-68 Huaishu Road Jiangbei District, Ningbo Zhejiang, PRC

China Zheshang Bank Co., Ltd., Ningbo branch  
Block B, Ningxing Tianrun Shangzuo  
737 Zhongxing Road  
Yinzhou District, Ningbo  
Zhejiang, PRC

Company secretary: Mr. Tam Chun Wai Edwin, *CPA*  
4/F, Wah Yuen Building  
149 Queen's Road Central  
Hong Kong

Authorised  
representatives: Mr. He Binfeng  
Room 201, No. 28, Block 12  
Lanyuan Residential Community  
Yening Street  
Fuming Sub-district  
Yinzhou District, Ningbo  
Zhejiang, PRC

Mr. Tam Chun Wai Edwin, *CPA*  
4/F, Wah Yuen Building  
149 Queen's Road Central  
Hong Kong

## 11. EXPENSES

Expenses in relation to the Rights Issue (including the underwriting commission, financial advisory fee, printing, translation, registration, legal, accounting, levy, and documentation charges) are estimated to be approximately HK\$3.7 million, which are payable by the Company.

## 12. BINDING EFFECT

This Prospectus, the PAL and the EAF, and all acceptances of any offer or application contained in such documents, are governed by and shall be construed in accordance with the laws of Hong Kong. Where an application is made in pursuance of any such documents, the relevant document(s) shall have the effect of rendering all persons concerned bound by the provisions, other than the penal provisions, of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), so far as applicable.

**13. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

A copy of each of the Prospectus Documents and the written consent as referred to under the paragraph headed “9. EXPERT’S CONSENT AND QUALIFICATION” in this appendix, have been registered with the Registrar of Companies in Hong Kong pursuant to section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong).

**14. DOCUMENTS ON DISPLAY**

The following documents will be available on (i) the website of the Company (<https://www.iflying.com/>); and (ii) the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) during a period of 14 days from the date of this Prospectus (both days inclusive):

- (i) the memorandum of association and the articles of association of the Company;
- (ii) the annual reports of the Company for the two financial years ended 31 December 2019 and 2020, the interim report of the Company for the six months ended 30 June 2021, and the prospectus of the Company dated 18 June 2019;
- (iii) the letter issued by the reporting accountants regarding the unaudited pro forma financial information of the Group as set out in Appendix II to this Prospectus;
- (iv) the written consent referred to in the paragraph headed “9. EXPERT’S CONSENT AND QUALIFICATION” in this appendix;
- (v) the material contracts of the Company referred to item (i) – (iv) and (vi) in the paragraph headed “7. MATERIAL CONTRACTS” in this appendix; and
- (vi) the Prospectus Documents.

**15. LANGUAGE**

In case of any inconsistency between the English and Chinese versions of this Prospectus, the English version will prevail.

**16. MISCELLANEOUS**

- (i) As at the Latest Practicable Date, there was no restriction affecting the remittance of profit or repatriation of capital of the Company into Hong Kong from outside Hong Kong.
- (ii) As at the Latest Practicable Date, the Company has no significant exposure to foreign exchange liabilities.
- (iii) The business address of all Directors and authorised representatives of the Company is 4/F, Wah Yuen Building, 149 Queen’s Road Central, Hong Kong.