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Feiyang International Holdings Group Limited

飛揚國際控股(集團)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1901)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021**

FINANCIAL HIGHLIGHTS

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Revenue	77,471	143,495
Gross profit	7,961	31,276
Loss for the year	(137,477)	(86,369)

- Revenue decreased by RMB66.0 million or 46.0% year-on-year, due to the temporary suspension of certain business operations of the Group and continued suspension of all outbound tours as a result of the outbreak of COVID-19.
- Gross profit decreased by RMB23.3 million or 74.5% for the Year.
- Net loss of RMB137.5 million was recorded for the Year.

The board (the “**Board**”) of directors (the “**Directors**”) of Feiyang International Holdings Group Limited (the “**Company**”) hereby announces the consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2021, together with the comparative figures for the corresponding period of 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December	
		2021	2020
	<i>Notes</i>	<i>RMB’000</i>	<i>RMB’000</i>
REVENUE	5	77,471	143,495
Cost of sales		<u>(69,510)</u>	<u>(112,219)</u>
Gross profit		7,961	31,276
Other income and gains	5	3,849	14,912
Selling and distribution expenses		(13,371)	(16,816)
Administrative expenses		(22,240)	(29,558)
Impairment losses on financial assets, net		(96,206)	(72,992)
Other expenses		(3,179)	(2,028)
Share of losses of associates		(2,318)	(493)
Interest expenses	6	<u>(11,569)</u>	<u>(13,249)</u>
LOSS BEFORE TAX	7	(137,073)	(88,948)
Income tax (expense)/credit	8	<u>(404)</u>	<u>2,579</u>
LOSS FOR THE YEAR		<u>(137,477)</u>	<u>(86,369)</u>

	Year ended 31 December	
	2021	2020
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements	<u>(105)</u>	<u>(2,596)</u>
OTHER COMPREHENSIVE LOSS FOR THE YEAR	<u>(105)</u>	<u>(2,596)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>(137,582)</u>	<u>(88,965)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		
	9	
Basic and diluted	<u>RMB(27.07) cents</u>	<u>RMB(17.27) cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December 2021 <i>RMB'000</i>	As at 31 December 2020 <i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		14,249	16,663
Investment properties		6,255	8,485
Right-of-use assets		16,021	19,995
Intangible asset		18	28
Prepayments for property, plant and equipment		6,541	–
Investments in associates		57,504	57,527
Deposits	12	500	911
Pledged deposits		–	4,428
Deferred tax assets		8,532	8,936
		109,620	116,973
CURRENT ASSETS			
Trade receivables	11	13,047	30,955
Prepayments, deposits and other receivables	12	122,296	219,707
Due from related parties		2,073	261
Financial assets at fair value through profit or loss		13,174	1,000
Pledged deposits		4,079	12,537
Cash and cash equivalents		43,092	22,106
		197,761	286,566
CURRENT LIABILITIES			
Trade payables	13	12,136	13,129
Advance from customers, other payables and accruals		45,037	68,536
Interest-bearing bank and other borrowings	14	201,286	187,781
Lease liabilities		3,403	4,974
Tax payable		4,381	5,094
		266,243	279,514
NET CURRENT (LIABILITIES)/ASSETS		(68,482)	7,052
TOTAL ASSETS LESS CURRENT LIABILITIES		41,138	124,025
NON-CURRENT LIABILITIES			
Lease liabilities		14,543	17,950
Interest-bearing bank and other borrowings	14	2,436	–
		16,979	17,950
Net assets		24,159	106,075
EQUITY			
Issued capital	15	5,216	4,398
Reserves		18,943	101,677
		24,159	106,075

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

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

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

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

2. BASIS OF PRESENTATION AND PREPARATION

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

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9, HKAS 39 and
HKFRS 7, HKFRS 4 and HKFRS 16
Amendment to HKFRS 16

Interest Rate Benchmark Reform — Phase 2
Covid-19-Related Rent Concessions

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

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

The amendments are not expected to have any significant impact on the Group’s financial statements.

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the year ended 31 December 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the covid-19 pandemic. A reduction in the lease payments arising from the rent concessions of RMB66,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2021. There was no impact on the opening balance of equity as at 1 January 2021.

4. OPERATING SEGMENT INFORMATION

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

Geographical information

All external revenue of the Group during the years ended 31 December 2021 and 2020 was mainly attributable to customers established in the PRC, the place of domicile of the Group's operating entities.

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

Information about a major customer

No revenue from the Group's sales to a single customer amounted to 10% or more of the Group's revenue during the year ended 31 December 2021. Revenue from a major customer which accounted for 10% or more of the Group's revenue during the year ended 31 December 2020 is set out below:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Customer 1	N/A	31,867

5. REVENUE, OTHER INCOME AND GAINS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue from contracts with customers	77,471	143,495
Other income		
Bank interest income	491	284
Government grants	1,749	11,072
Rental income on properties	194	–
Others	481	1,010
	2,915	12,366
Gains		
Foreign exchange gains, net	–	2,135
Fair value gains, net:		
Financial assets at fair value through profit or loss		
— mandatorily classified as such, including those held		
for trading	924	–
Gain on disposal of leases	10	411
Total other income and gains	3,849	14,912

6. INTEREST EXPENSES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest on bank loans and other loans	10,432	11,901
Interest on lease liabilities	1,066	1,348
Interest on a loan from an employee	71	–
	<u>11,569</u>	<u>13,249</u>

7. LOSS BEFORE TAX

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Cost of services provided	61,306	106,038
Depreciation of property, plant and equipment	2,813	3,281
Depreciation of right-of-use assets	4,192	5,474
Amortisation of an intangible asset	10	9
Lease payments not included in the measurement of lease liabilities	588	522
Auditor's remuneration	1,974	1,707
Government grants	(1,749)	(11,072)
Bank interest income	(491)	(284)
Loss on disposal of items of property, plant and equipment	77	455
Gain on disposal of leases	(10)	(411)
Impairment of trade receivables	16,710	49,898
Impairment of financial assets included in prepayments, deposits and other receivables	79,496	23,094
Changes in fair value of investment properties	2,230	837
Covid-19-related rent concessions from lessors	(66)	(761)
Employee benefit expense (excluding directors' and the chief executive's remuneration):		
Wages and salaries	15,049	19,760
Pension scheme contributions	4,791	1,610
Staff welfare expenses	526	73
	<u>20,366</u>	<u>21,443</u>

8. INCOME TAX

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

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

Pursuant to the relevant tax law of the Hong Kong Special Administrative Region, Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. No provision for income tax has been made as the Group did not generate any assessable profits in Hong Kong during the year (2020: Nil).

During the year, except for one subsidiary of the Group which was entitled to a preferential income tax rate of 20% (2020: 20%) for small and micro enterprises with the first RMB1.0 million of annual taxable income eligible for 75% reduction and the income between RMB1.0 million and RMB3.0 million eligible for 50% reduction, the provision for Mainland China current income tax is based on the statutory rate of 25% (2020: 25%) of the assessable profits of the subsidiaries of Mainland China as determined in accordance with the Corporate Income Tax Law.

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current — Mainland China	—	3,791
Deferred	<u>404</u>	<u>(6,370)</u>
Total tax charge/(credit) for the year	<u><u>404</u></u>	<u><u>(2,579)</u></u>

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

The calculation of the basic loss per share amount is based on the loss attributable to ordinary equity of the parent of RMB137,477,000 (2020: RMB86,369,000), and the weighted average number of ordinary shares of 507,945,000 in issue during the year (2020: 500,000,000 ordinary shares).

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2021 and 2020 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2021 and 2020.

	2021	2020
Loss		
Loss for the year attributable to ordinary equity holders of the parent	<u>(137,477)</u>	<u>(86,369)</u>

	Number of shares	
	2021 <i>'000</i>	2020 <i>'000</i>
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	<u>507,945</u>	<u>500,000</u>

10. DIVIDENDS

At a meeting of the directors held on 30 March 2022, the directors resolved not to declare dividend.

11. TRADE RECEIVABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivables	82,864	84,098
Less: Impairment	<u>(69,817)</u>	<u>(53,143)</u>
	<u>13,047</u>	<u>30,955</u>

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

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
1 to 60 days	6,312	8,675
61 to 180 days	1,502	2,485
181 to 365 days	7,052	23,073
1 to 2 years	22,779	49,865
Over 2 years	<u>45,219</u>	<u>–</u>
	<u>82,864</u>	<u>84,098</u>

As at 31 December 2021, RMB800,000 (2020: Nil) of the Group's trade receivables was pledged to secure bank loans granted to the Group (note 14).

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Non-current:		
Rental deposits	<u>500</u>	<u>911</u>
Current:		
Prepayments	11,910	148,778
Deposits and other receivables	203,978	92,216
Prepaid expenses	344	243
Interest receivables	5	23
Value-added tax recoverable	<u>–</u>	<u>670</u>
	216,237	241,930
Impairment allowance	<u>(93,941)</u>	<u>(22,223)</u>
	<u>122,296</u>	<u>219,707</u>
	<u>122,796</u>	<u>220,618</u>

13. TRADE PAYABLES

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
1 to 60 days	4,197	4,257
61 to 180 days	3,770	3,345
181 to 365 days	281	3,394
Over 1 year	3,888	2,133
	<u>12,136</u>	<u>13,129</u>

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

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate (%)	Maturity	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current				
Bank loans — secured	4.40–5.655	2021	–	143,682
Bank loans — unsecured	4.5675–5.655	2021	–	44,099
Bank loans — secured	3.85–5.655	2022	181,204	–
Bank loans — unsecured	5.655	2022	18,028	–
A loan from an employee	5.60	2022	2,054	–
			<u>201,286</u>	<u>187,781</u>
Non-current				
A loan from an employee	5.60	2023–2024	2,436	–
			<u>203,722</u>	<u>187,781</u>

Notes:

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

- (i) mortgages over the Group's investment properties situated in Mainland China with a net carrying amount of RMB6,255,000 (2020: RMB8,485,000);
- (ii) the pledge of certain of the Group's trade receivables amounting to RMB800,000 (2020: Nil) (note 11); and
- (iii) the pledge of certain of the Group's pledged time deposits amounting to nil (2020: RMB1,000,000).

In addition, the Group's credit card facility amounting reduced to nil (2020: RMB1,000,000) as at 31 December 2021.

- (b) During the year ended 31 December 2021, the Controlling Shareholders have jointly guaranteed certain of the Group's banking facilities of up to RMB236,000,000 (2020: RMB227,950,000).
- (c) Mr. Zhang Dayi, and Ms. Zhang Xiaoshan, the spouse of Mr. Zhang Dayi, have jointly guaranteed certain of the Group's banking facilities of up to RMB46,000,000 as at 31 December 2021 (2020: RMB19,950,000).
- (d) A loan from an employee is unsecured, bears interest at a rate of 5.60% per annum and is repayable by 30 monthly instalments commencing in October 2021.
- (e) All loans are denominated in RMB.

15. SHARE CAPITAL

	2021 RMB'000	2020 RMB'000
Issued and fully paid: 600,000,000 (2020: 500,000,000) ordinary shares of HKD0.01 each	<u>5,216</u>	<u>4,398</u>

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

	Number of shares in issue	Issued capital RMB'000	Share premium RMB'000
Issued and fully paid:			
At 1 January 2020 and 31 December 2020	500,000,000	4,398	97,470
Placing of shares on 2 December 2021 (<i>note (a)</i>)	<u>100,000,000</u>	<u>818</u>	<u>54,848</u>
At 31 December 2021	<u><u>600,000,000</u></u>	<u><u>5,216</u></u>	<u><u>152,318</u></u>

Note:

- (a) On 2 December 2021, pursuant to the general mandate granted to the directors by the shareholders at the annual general meeting of the Company held on 9 June 2021, an aggregate of 100,000,000 shares were placed to ten places at the price of HK\$0.70 per share.

16. EVENTS AFTER REPORTING PERIOD

On 2 March 2022, the Company announced a proposal to implement a rights issue on the basis of one rights share for every three existing shares held on 25 March 2022 at an subscription price of HK\$0.50 per rights share, to raise up to HK\$100,000,000 (before expenses) by issuing up to 200,000,000 rights shares (assuming no change in the share capital of the Company on or before 25 March 2022) to the qualifying shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a well-established travel service provider based in Ningbo, Zhejiang Province of the PRC and offers diversified products that cater for different travellers' needs. The Group is principally engaged in (i) the design, development and sales of package tours which consist of traditional package tours and tailor-made tours; (ii) the sales of free independent traveller products (the “**FIT Products**”) which mainly include provision of air tickets and/or hotel accommodation; (iii) the provision of ancillary travel-related products and services, including but not limited to visa application processing, admission tickets to tourist attractions, conferencing services and arranging purchase of travel insurance for the customers; and (iv) provision of information system development services.

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 2020. On 14 July 2020, the General Office of the Ministry of Culture and Tourism (文化和旅遊部辦公廳) issued the Notice on Matters Relating to the Promotion of Expanding the Resumption of Business Operations of Tourism Enterprises (關於推進旅遊企業擴大復工復業有關事項的通知) which is still in effect up to the date of this announcement. Pursuant to which certain operations of tourism enterprises, including cross-provincial package tours and sales of “air ticketing and hotel booking” in the PRC (except for high- and medium-risk areas), are allowed to be carried out, whilst all outbound tours continue to be suspended. As a result, the Group has partially resumed its local package tours operation and sales of “air ticketing and hotel booking” products.

During the year ended 31 December 2021 (the “**Year**”), the Group has been taking initiatives to diversify its business with an objective to broaden its income stream and expand into targeting segments.

In March 2021, Zhejiang Ninglv Feiyang Cultural Tourism Development Co., Ltd.* (浙江寧旅飛揚文旅發展有限公司) (“**Ninglv Feiyang**”), an associated company of the Group, and a state-owned company under the Government of Beilun District, Ningbo entered into a cooperation agreement for setting up Ningbo Qingning Cultural Tourism Development Co., Ltd.* (寧波市青寧文旅發展有限公司) (“**Ningbo Qingning**”), a joint venture company which is principally engaged in the development and operation of cultural tourism projects located in Beilun District, Ningbo, the PRC. Ningbo Qingning is currently investing in the operation and re-development of Jiufeng Mountain Scenic Area* (九峰山景區) (National 4A Tourist Attractions) located in Ningbo (the “**Jiufeng Project**”) and plans to increase the attractiveness of the Jiufeng Project and therefore its revenue stream through enhancement of the equipment and facilities of the Jiufeng Project.

In July 2021, the Group launched an intelligent travel SaaS system for higher education institutions (the “**SaaS System**”) to provide intelligent travel services to higher education institutions in China and increase the Group’s presence in the travel service market for higher education institutions. The SaaS System is a big-data artificial intelligence travel engine system, which can be directly connected to or embedded in the financial system of higher education institutions and their reimbursement channels for automatic operation to achieve intelligent and paperless travel management and services. As at the date of this announcement, the Group entered into travel service agreement with more than 10 higher education institutions in the PRC, including prestigious universities in the PRC.

The Group recorded a net loss of RMB137.5 million and RMB86.4 million for the Year and the year ended 31 December 2020 (the “**Previous Year**”) respectively, which was mainly due to (i) the suspension of the Group’s local group packaged tours operation, sales of “air ticketing and hotel booking” products and all outbound tours; and (ii) the impairment loss on financial assets in aggregate of RMB96.2 million (Previous Year: RMB73.0 million) due to the significant increase in the credit risk on financial assets as a result of the outbreak of the COVID-19.

PROSPECTS

According to the Ministry of Culture and Tourism, amid the impacts of COVID-19 pandemic, domestic travel volume in China saw a year-on-year increase of 12.8% in 2021, with around 3.25 billion domestic tourist trips was recorded, representing about 54% of that in 2019. Tourism-related revenue from domestic travel generated in 2021 also recorded a year-on-year increase by RMB690 billion or 31%, reaching about RMB2.92 trillion. Facing this challenging and tough period, the Group has been taking initiatives to diversify its income stream during the Year.

In addition to the establishment of Ningbo Qingning in March 2021, which is expected to provide more business opportunities to the Group by enhancing the sales network and customer base on domestic tourism in the PRC, the Group has also been enhancing the application of digital information technology and taking external orders and expected to increase efforts on market development for the digital information application business. The Group will, through the SaaS System, further expand business in the travel service market for higher education institutions on the sales side and at the same time continue to compile, screen and access suppliers with various high-quality resources on the supply side, including services of provision of air tickets, train tickets and hotel booking, insurance booking, pick-up services, car rental and visa services, so as to achieve automatic supply, comparative quotation, automatic ticketing, automatic refund and automatic reimbursement by combining the financial system of higher education institutions and their reimbursement channels.

In December 2021, the Group and 3all FinTech Limited entered into the cooperation agreement, pursuant to which the Group and 3all FinTech Limited have agreed to inject HK\$30 million into Feiyang Metaverse Technology Limited (飛揚元宇宙科技有限公司) (“**Feiyang Metaverse Technology**”), a joint-venture company which is principally engaged in the development of an ETD Metaverse foundation platform, provision of data-storage services under the platform, and development of Metaverse games, hardware equipment for virtual reality technology. It is expected that Feiyang Metaverse Technology will integrate the Metaverse technology with the Group’s tourism business and develop tourism service business in Metaverse, which will be launched in 2022.

The tourism market has endured the severe shock brought on by the COVID-19 pandemic since 2020. However, domestic tourism is in an undulating recovery, and it holds a prudent but positive attitude toward the market’s development in 2022 thanks to government’s strict prevention and control measures and its experience containing the pandemic. The China Tourism Academy expects domestic travel to rebound by 16% to 4.0 billion domestic tourist trips during 2022, while domestic tourism revenue will increase by 27% to RMB3.8 trillion.

The evolving pandemic will remain the biggest uncertainty the tourism industry will face in 2022, and it is necessary to prepare for any related risks and problems that may appear. The Group will closely monitor the development of the COVID-19 pandemic and measures implemented by relevant government authorities and adopt necessary measures and strategies.

FINANCIAL REVIEW

Revenue

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

	Year ended 31 December			
	2021		2020	
	Revenue	Percentage	Revenue	Percentage
	<i>RMB’000</i>	of revenue	<i>RMB’000</i>	of revenue
		%		%
Sales of package tours	70,285	90.7	69,744	48.6
Margin income from sales of FIT Products	4,690	6.1	21,955	15.3
Information system development services	1,316	1.7	–	–
Sales of ancillary travel-related products and services	1,180	1.5	2,047	1.4
Gross revenue from the sales of FIT Products	–	–	49,749	34.7
Total	77,471	100.0	143,495	100.0

The Group generated revenue from: (i) sales of package tours; (ii) margin income from sales of FIT Products; (iii) information system development services; (iv) sales of ancillary travel-related products and services; and (v) gross revenue from the sales of FIT Products. The Group's customers primarily comprised retail customers, and corporate and institutional customers. The Group's total revenue decreased significantly by RMB66.0 million or 46.0%, from RMB143.5 million for the Previous Year to RMB77.5 million for the Year, which was mainly due to the temporary suspension of certain business operations of the Group and the continued suspension of all outbound tours as a result of the outbreak of COVID-19.

Sales of package tours

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

Package tours by type

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

	Year ended 31 December			
	2021		2020	
	Revenue <i>RMB'000</i>	Percentage of revenue %	Revenue <i>RMB'000</i>	Percentage of revenue %
Tailor-made tours	48,197	68.6	27,974	40.1
Traditional package tours	22,088	31.4	41,770	59.9
Total	<u>70,285</u>	<u>100.0</u>	<u>69,744</u>	<u>100.0</u>

The sales of tailor-made tours and traditional package tours contributed 68.6% and 31.4% (Previous Year: 40.1% and 59.9%) of the Group's total sales of package tours for the Year, respectively. The Group's sales of package tours remained relatively stable at RMB69.7 million and RMB70.3 million for the Previous Year and for the Year, respectively. The increase in sales from tailor-made tours increased from RMB28.0 million for Previous Year to RMB48.2 million for the Year mainly contributed by increasing corporate customers' demand for flexible tours. The decrease in sales from traditional package tours from RMB41.8 million for the Previous Year to RMB22.1 million for the Year was mainly due to the suspension of certain business operations of the Group on package tours as a result of the outbreak of COVID-19.

Margin income from sales of FIT Products

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

FIT Products by type

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Air tickets		
Gross sales proceeds	91,132	265,820
Cost of air tickets	(88,123)	(249,686)
Revenue from sales of air tickets	3,009	16,134
Incentive commission	281	4,607
Margin income from sales of air tickets	3,290	20,741
Others		
Margin income from sales of other FIT Products	1,400	1,214
Total	4,690	21,955

The Group's total margin income from sales of FIT Products significantly decreased by RMB17.3 million or 78.6% from RMB22.0 million for the Previous Year to RMB4.7 million for the Year.

During the Year, the Group's gross sales proceeds from sales of air tickets decreased significantly by RMB174.7 million or 65.7%, from RMB265.8 million for the Previous Year to RMB91.1 million for the Year. Margin income from sales of air tickets decreased which was mainly due to the decrease in number of air tickets sold and the incentive commission received from airline operators, global distribution system ("GDS") service providers and ticketing agents as the sales of FIT Products were temporarily suspended as a result of the outbreak of COVID-19.

The Group's margin income from sales of other FIT Products remained relatively stable at RMB1.2 million and RMB1.4 million for the Previous Year and the Year, respectively.

Information system development services

During the Year, the Group launched an intelligent travel SaaS system for higher education institutions and expected to increase efforts on market development by taking external orders for the digital information application business. Revenue from information system development services amounted to RMB1.3 million for the Year (Previous Year: nil).

Sales of ancillary travel-related products and services

The Group also offered ancillary travel-related products and services to customers. The sales of ancillary travel-related products and services decreased by RMB0.8 million from RMB2.0 million for the Previous Year to RMB1.2 million for the Year as a result of the temporary suspension of certain business operations of the Group due to the outbreak of COVID-19.

Gross revenue from the sales of FIT Products

Gross revenue from the sales of FIT Products represented the sales of air tickets and hotel accommodations to customers which were recorded on a gross basis. No revenue was recognised for the gross sales of air tickets and hotel accommodations for the Year as a result of the outbreak of COVID-19 (Previous Year: RMB49.7 million).

Cost of sales

The Group's cost of sales mainly represented the direct costs incurred for the sales of package tours including land and cruise operation, air ticket and local transportation, hotel accommodation and others. Cost of sales decreased by RMB42.7 million from RMB112.2 million for the Previous Year to RMB69.5 million for the Year. Such decrease was generally in line with the decrease in the Group's total revenue.

Gross profit and gross profit margin

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

	Year ended 31 December			
	2021		2020	
	Gross profit <i>RMB'000</i>	Gross profit margin %	Gross profit <i>RMB'000</i>	Gross profit margin %
Package tours				
— Tailor-made	4,697	9.7	2,700	9.7
— Traditional	3,396	15.4	2,872	6.9
	8,093	11.5	5,572	8.0
Margin income from sales of FIT Products	732	15.6	17,515	79.8
Information system development services	(1,813)	—	—	—
Ancillary travel-related products and services	949	80.4	1,250	61.1
Gross revenue from the sales of FIT Products	—	—	6,939	13.9
Total	7,961	10.3	31,276	21.8

The Group recorded gross profit of RMB8.0 million and RMB31.3 million, representing gross profit margin of 10.3% and 21.8% for the Year and the Previous Year, respectively. The decrease in the overall gross profit was mainly due to (i) decrease in margin income from sales of FIT Products and gross revenue from sales of FIT Products by RMB16.8 million and RMB6.9 million respectively; and (ii) gross loss from information system development services of RMB1.8 million as it is newly launched during the Year and still at its early development stage.

The overall gross profit margin decreased by 11.5 percentage points from 21.8% for the Previous Year to 10.3% for the Year, which was mainly attributable by the decrease in proportion of overall revenue generated from margin income from sales of FIT Products from 15.3% for the Previous Year to 6.1% for the Year as revenue for FIT Products are recognised on a net basis.

The overall gross profit margin of package tours increased by 3.5 percentage points from 8.0% for the Previous Year to 11.5% for the Year was mainly due to decrease in the number of package tours being cancelled contributed by the temporary suspension of inbound and outbound travelling during the Year, which led to decrease in direct costs for handling cancellation. The gross profit margin of FIT Products significantly decreased from 79.8% for the Previous Year to 15.6% for the Year due to margin income from sales of FIT Products for outbound travelling with relatively higher profit margin continued to be suspended during the Year.

Other income and gains

Other income and gains mainly represented government grants, foreign exchange gain and fair value gain on financial assets at fair value through profit or loss. Other income and gains significant decreased by RMB11.1 million from RMB14.9 million for the Previous Year to RMB3.8 million for the Year mainly due to decrease in government grant by RMB9.3 million during the Year. The government grants are non-recurring which subject to the discretion of the government, with no unfulfilled conditions of contingencies.

Selling and distribution expenses

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

The Group's selling and distribution expenses decreased by RMB3.4 million or 20.5% from RMB16.8 million for the Previous Year to RMB13.4 million for the Year mainly attributable to (i) the decrease in staff costs of RMB1.1 million as a result of headcount reduction due to temporary suspension of certain business operations of the Group; and (ii) the decrease in advertising and marketing expenses of RMB1.4 million as travelling activities were suspended during the Year.

Administrative expenses

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

Administrative expenses decreased by RMB7.3 million or 24.8% from RMB29.6 million for the Previous Year to RMB22.2 million for the Year, which was mainly due to (i) decrease in legal and professional fee of RMB3.0 million from RMB8.1 million for Previous Year to RMB5.0 million for the Year; (ii) decrease in staff costs by RMB1.9 million as a result of headcount reduction due to the suspension of certain business operations of the Group; and (iii) decrease of depreciation of right-of-use assets by RMB1.2 million due to termination of certain tenancy agreements for office premises during the Year.

Impairment losses on financial assets, net

During the Year, the Group recorded provision for impairment on trade receivables and prepayments, deposits and other receivables of RMB16.7 million and RMB79.5 million, respectively (Previous Year: RMB49.9 million and RMB23.1 million). The increase was mainly due to the increase in the credit risk on trade receivables and prepayments, deposits and other receivables as a result of the outbreak of COVID-19.

Interest expenses

The Group's interest expenses mainly represented interest expenses on bank and other borrowings and lease liabilities. The decrease in interest expenses of RMB1.6 million from RMB13.2 million for the Previous Year to RMB11.6 million for the Year was mainly due to the decrease in average borrowings during the Year.

Income tax credit/(expense)

Income tax expenses amounted to RMB0.4 million for the Year, and income tax credit amounted to RMB2.6 million for the Previous Year. The income tax expenses for the Year was mainly attributed by the recognition of deferred tax assets/(liabilities) in relation to lease liabilities and right-of-use assets.

Loss for the year attributable to the owners of the Company

As a result of the foregoing, loss for the Year attributable to the owners of the Company was RMB137.5 million (Previous Year: RMB86.4 million).

Prepayments, deposits and other receivables, net

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

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Non-current:		
Rental deposits	<u>500</u>	<u>911</u>
Current:		
Deposit and other receivables, net	65,918	69,993
Refund from suppliers	44,119	–
Prepayments	11,910	148,778
Prepaid expenses	344	243
Interest receivables	5	23
Value-added tax recoverable	<u>–</u>	<u>670</u>
	<u>122,296</u>	<u>219,707</u>
Total	<u>122,796</u>	<u>220,618</u>

The prepayments, deposits and other receivables decreased by RMB97.8 million from RMB220.6 million as at 31 December 2020 to RMB122.8 million as at 31 December 2021, which was primarily attributable to the increase in provision for impairment on deposit and other receivables due to increase in credit risk as a result of the outbreak of COVID-19.

Deposits and other receivables, net

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Deposits — procurement of air tickets	63,691	66,436
Deposits — others	1,516	1,498
Other receivables	<u>711</u>	<u>2,059</u>
	<u>65,918</u>	<u>69,993</u>

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

The decrease in deposits and other receivables, net by RMB4.1 million from RMB70.0 million as at 31 December 2020 to RMB65.9 million as at 31 December 2021 was primarily due to increase in credit risk on deposits and other receivables as a result of the outbreak of COVID-19.

Refund from suppliers

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

Prepayments

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Air tickets	6,050	143,771
Land and cruise operators	3,701	1,602
Hotel accommodation	72	908
Others	2,087	2,497
	11,910	148,778

The Group's prepayments mainly represented prepayments for (i) procurement of air tickets for both of package tours and FIT Products which were required by the Group's air ticket suppliers; and (ii) package tours to land operators and cruise holiday packages to cruise operators which had not departed as at the end of reporting period.

The decrease in prepayments by RMB136.9 million from RMB148.8 million as at 31 December 2020 to RMB11.9 million as at 31 December 2021 was mainly due to (i) the decrease in procurement of air tickets as a result of the outbreak of COVID-19; and (ii) the partial reclassification to refund from suppliers as mentioned above.

Impairment assessment

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

LIQUIDITY AND FINANCIAL REVIEW

As at 31 December 2021, the Group's current assets and current liabilities were RMB197.8 million and RMB266.2 million (as at 31 December 2020: RMB286.6 million and RMB279.5 million), respectively, of which the Group maintained cash and bank balances of RMB43.1 million (as at 31 December 2020: RMB22.1 million) and pledged short-term deposits of RMB4.1 million (as at 31 December 2020: RMB12.5 million). As at 31 December 2021, the Group's current ratio was 0.7 times (as at 31 December 2020: 1.0 times).

As at 31 December 2021, all bank and other borrowings of the Group bore fixed interest rates, the maturity and currency profile are set out as follows:

	Within 1 year	2nd to 3rd year	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
RMB	<u>201,286</u>	<u>2,436</u>	<u>203,722</u>

The Group's gearing ratio as at 31 December 2021, which was calculated on the basis of total borrowings as a percentage of equity attributable to equity holders of the Company, was 843.3% (as at 31 December 2020: 177.0%). The increase in gearing ratio was mainly attributable to the decrease in total equity of the Group as a result of operating loss during the Year.

The average turnover days of trade receivables were 103.7 days and 251.1 days for the Year and the Previous Year, respectively. The decrease in average turnover days of trade receivables during the Year was mainly due to increase in provision of impairment on trade receivable during the Year. The average turnover days of trade payables for the Year decreased to 66.3 days (Previous Year: 85.9 days) as the Group settled the trade payables balance more quickly.

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

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

CAPITAL STRUCTURE

There is no material change in the capital structure of the Company since the date of the Listing. The capital of the Company comprises only ordinary shares.

FOREIGN EXCHANGE RISK MANAGEMENT

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

CHARGE ON ASSETS

As at 31 December 2021 and 2020, the Group’s bank loans are secured by:

- (i) mortgages over the Group’s investment properties situated in the PRC, which had an aggregate net carrying value of RMB6.3 million and RMB8.5 million as at 31 December 2021 and 2020, respectively;
- (ii) the pledge of certain of the Group’s trade receivables amounting to RMB0.8 million and nil as at 31 December 2021 and 2020, respectively; and
- (iii) the pledge of certain of the Group’s pledged time deposits amounting to nil and RMB1.0 million as at 31 December 2021 and 2020, respectively.

In addition, the Group’s credit card facility amounting to nil (2020: RMB1,000,000), of which nil had been utilised as at 31 December 2021 (2020: Nil), is secured by the pledge of certain of the Group’s time deposits amounting to nil (2020: RMB500,000).

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2021, the total number of employees of the Group was 189 (31 December 2020: 278). Staff costs (including Directors' emoluments) amounted to RMB22.1 million for the Year (Previous Year: RMB23.5 million). Remuneration of the employees includes salary and discretionary bonuses based on the Group's results and individual performance and the Group conducts regular performance reviews to assess the performance of the employees.

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

DIVIDEND

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

INVESTMENT IN ASSOCIATES

The Group's investments in associates are primarily represented by its interest in Ningbo Yinjiang Feiyang Cultural Tourism Development Co., Ltd.* (寧波鄞江飛揚文旅開發有限公司) and Ninglv Feiyang, which principally engaged in the management and development of tourist attractions. During the Year, the Group recorded share of losses of associates of RMB2.3 million (Previous Year: RMB0.5 million).

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

In March 2021, Ninglv Feiyang and a state-owned company under the Government of Beilun District, Ningbo entered into a cooperation agreement for setting up Ningbo Qingning, a joint venture company which is principally engaged in the development and operation of cultural tourism projects located in Beilun District, Ningbo, the PRC and investment in the Jiufeng Project. Ninglv Feiyang owns 70% of the registered capital of the joint venture company. For further details, please refer to the announcements of the Company dated 22 March 2021 and 29 March 2021.

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

CONTINGENT LIABILITIES

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

SUBSEQUENT EVENTS

On 2 March 2022, the Company announced a proposal to implement a rights issue on the basis of one rights share for every three existing shares held on 25 March 2022 at an subscription price of HK\$0.50 per rights share, to raise up to HK\$100,000,000 (before expenses) by issuing up to 200,000,000 rights shares (assuming no change in the share capital of the Company on or before 25 March 2022) to the qualifying shareholders. For further details of the rights issue, please refer to the prospectus of the Company dated 28 March 2022 and the announcement of the Company dated 2 March 2022.

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

USE OF PROCEEDS

The plan of use of proceeds has been set out in the prospectus of the Company dated 18 June 2019 (the “**Prospectus**”). After due and careful consideration of the current business environment and the development needs of the Group, the Board has determined to change the use of the proceeds of approximately HK\$15.2 million originally allocated for setting up new retail branches and points of sales and refurbishing existing retail branches to investing in the management and development of tourist attractions in the PRC. The analysis of the unutilised amount, the actual use of proceeds and the expected timeline for utilising the unutilised proceeds are set out as below:

Business objective	Planned use of proceeds as stated in the Prospectus HK\$'000	Unutilised amount as at 31 December 2020 HK\$'000	Change of allocation of the unutilised net proceeds HK\$'000	Actual use of proceeds for the Year HK\$'000	Unutilised amount as at 31 December 2021 HK\$'000	Expected timeline for utilising the unutilised proceeds
Set up new retail branches and points sales and refurbish existing of retail branches	16,380	15,176	(15,176)	-	-	Fully utilised
Increase deposits and prepayments to air ticket suppliers	28,665	-	-	-	-	Fully utilised
Upgrade the information technology system	8,190	2,725	-	2,725	-	Fully utilised
Increase marketing effort in traditional media	8,190	3,933	-	3,933	-	Fully utilised
Repay part of the bank borrowings	12,285	-	-	-	-	Fully utilised
Use as general working capital	8,190	-	-	-	-	Fully utilised
Invest in the management and development of tourist attractions in the PRC	-	-	15,176	1,953	13,223	By 31 December 2022
	<u>81,900</u>	<u>21,834</u>	<u>-</u>	<u>8,611</u>	<u>13,223</u>	

The Directors confirm that there is no material change in the nature of business of the Group and consider the above change in the use of proceeds is fair and reasonable as this allows the Group to deploy its financial resources more effectively to enhance the profitability of the Group and is in the interests of the Group and its shareholders as a whole. For further details, please refer to the announcement of the Company dated 29 March 2021. Save as disclosed above, the remaining unutilised proceeds will be used based on the strategies as disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus and the announcement of the Company dated 29 March 2021.

The unutilised proceeds as at 31 December 2021 have been deposited in licensed banks in the PRC.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Group are committed to maintaining a high standard of corporate governance which is reviewed and strengthened from time to time. The Company’s corporate governance practices are based on principles and code provisions as set out in the Corporate Governance Code (the “CG Code”) and Corporate Governance Report contained in Appendix 14 to the Listing Rules. Except for the deviation from provision C.2.1 of the CG Code, the Company’s corporate governance practices have complied with the CG Code for the year ended 31 December 2021.

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as its own code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code for the year ended 31 December 2021.

AUDIT COMMITTEE

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

The Audit Committee has reviewed and discussed with the management the accounting principles and practices adopted by the Group and auditing, internal controls and financial reporting matters, and the Company's policies and practices on corporate governance. The Audit Committee has also reviewed and discussed with the management the audited consolidated financial statements of the Group for the year ended 31 December 2021.

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

For the year ended 31 December 2021, neither the Company nor any of its subsidiaries or operating entities has purchased, sold or redeemed any of the Company's listed securities.

ANNUAL GENERAL MEETING

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

SCOPE OF WORK FOR ANNUAL RESULTS ANNOUNCEMENT BY AUDITORS

The financial information set out in this announcement does not constitute the Group's audited accounts for the year ended 31 December 2021, but represents an extract from the consolidated financial statements for the year ended 31 December 2021 which have been audited by the auditor of the Company, Ernst & Young, in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. The financial information has been reviewed by the audit committee of the Company and approved by the Board.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

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

APPRECIATION

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

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

Ningbo, the PRC, 30 March 2022

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

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

Website: <http://www.iflying.com>