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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)**

### **DISCLOSEABLE TRANSACTION IN RELATION TO PURCHASE OF EQUIPMENT**

#### **PURCHASE OF EQUIPMENT**

The Board announces that Feiyang Metaverse Technology, an indirect non-wholly owned subsidiary of the Company, entered into the Purchase Agreement I, the Purchase Agreement II, the Purchase Agreement III, the Purchase Agreement IV and the Purchase Agreement V with Kai De Digital Asset on 22 December 2021, 13 June 2022, 15 June 2022, 22 July 2022 and 12 December 2022, respectively, for the purchase of equipment at an aggregate purchase price of HK\$47,368,400.

#### **LISTING RULES IMPLICATIONS**

Pursuant to Rule 14.22 of the Listing Rules, as the Purchase Agreements were entered into between the Group and Kai De Digital Asset within a 12-month period, all transactions contemplated under the Purchase Agreements are considered and be aggregated as one transaction.

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in relation of the transactions contemplated under the Purchase Agreements are more than 5% but all applicable percentage ratios are less than 25%, the transactions constitute discloseable transactions of the Company under Chapter 14 of the Listing Rules and are therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

## **INTRODUCTION**

The Board announces that Feiyang Metaverse Technology, an indirect non-wholly owned subsidiary of the Company, entered into the Purchase Agreement I, the Purchase Agreement II, the Purchase Agreement III, the Purchase Agreement IV and the Purchase Agreement V with Kai De Digital Asset on 22 December 2021, 13 June 2022, 15 June 2022, 22 July 2022 and 12 December 2022, respectively, for the purchases of equipment at an aggregate purchase price of HK\$47,368,400.

## **THE PURCHASE AGREEMENTS**

### **Purchase Agreement I**

#### **1. Date and Parties**

Date: 22 December 2021

Purchaser: Feiyang Metaverse Technology

Supplier: Kai De Digital Asset

#### **2. Equipment**

Pursuant to the Purchase Agreement I, Feiyang Metaverse Technology agreed to purchase 1,000 units of 16TB computing machines for virtual data storage purpose.

#### **3. Consideration**

The consideration for each computing machine is US\$3,080, and the total consideration for 1,000 units of computing machines was US\$3,080,000 (equivalent to approximately HK\$23,962,400), which was settled by cash.

The total consideration under the Purchase Agreement I was arrived after arm's length negotiations between Feiyang Metaverse Technology and Kai De Digital Asset on normal commercial terms with reference to the market price of the equipment of similar functions and capabilities. Having considered the market value and the functionality of the equipment, the Directors are of the view that the consideration for the equipment is fair and reasonable and in the interests of the Company as a whole.

### **Purchase Agreement II**

#### **1. Date and Parties**

Date: 13 June 2022

Purchaser: Feiyang Metaverse Technology

Supplier: Kai De Digital Asset

#### **2. Equipment**

Pursuant to the Purchase Agreement II, Feiyang Metaverse Technology agreed to purchase 200 units of cryptocurrency mining machines (ETH1660s) for cryptocurrency mining purpose.

### **3. Consideration**

The consideration for each cryptocurrency mining machine is HK\$34,900, and the total consideration for 200 units of cryptocurrency mining machines was HK\$6,980,000, which was settled by cash.

The total consideration under the Purchase Agreement II was arrived after arm's length negotiations between Feiyang Metaverse Technology and Kai De Digital Asset on normal commercial terms with reference to the market price of the equipment of similar functions and capabilities. Having considered the market value and the functionality of the equipment, the Directors are of the view that the consideration for the equipment is fair and reasonable and in the interests of the Company as a whole.

### **Purchase Agreement III**

#### **1. Date and Parties**

Date: 15 June 2022

Purchaser: Feiyang Metaverse Technology

Supplier: Kai De Digital Asset

#### **2. Equipment**

Pursuant to the Purchase Agreement III, Feiyang Metaverse Technology agreed to purchase 200 units of cryptocurrency mining machines (ETH1660s) for cryptocurrency mining purpose.

#### **3. Consideration**

The consideration for each cryptocurrency mining machine is HK\$39,800, and the total consideration for 200 units of cryptocurrency mining machines was HK\$7,960,000, which was settled by cash.

The total consideration under the Purchase Agreement III was arrived after arm's length negotiations between Feiyang Metaverse Technology and Kai De Digital Asset on normal commercial terms with reference to the market price of the equipment of similar functions and capabilities. The price difference of the same type of cryptocurrency mining machines in the amount of HK\$4,900 under the Purchase Agreement II and the Purchase Agreement III was due to the difference in delivery time. The delivery time of the cryptocurrency mining machines purchased under the Purchase Agreement II is three months from the date of agreement while the delivery time of the cryptocurrency mining machines purchased under the Purchase Agreement III is 14 days from the date of the agreement. Having considered the market value, the functionality of the equipment and the faster delivery time, the Directors are of the view that the consideration for the equipment is fair and reasonable and in the interests of the Company as a whole.

## **Purchase Agreement IV**

### **1. Date and Parties**

Date: 22 July 2022

Purchaser: Feiyang Metaverse Technology

Supplier: Kai De Digital Asset

### **2. Equipment**

Pursuant to the Purchase Agreement IV, Feiyang Metaverse Technology agreed to purchase 300 units of 8TB computing machines for virtual data storage purpose.

### **3. Consideration**

The consideration for each computing machine is HK\$15,800, and the total consideration for 300 units of computing machines was HK\$4,740,000, which was settled by cash.

The total consideration under the Purchase Agreement IV was arrived after arm's length negotiations between Feiyang Metaverse Technology and Kai De Digital Asset on normal commercial terms with reference to the market price of the equipment of similar functions and capabilities. Having considered the market value and the functionality of the equipment, the Directors are of the view that the consideration for the equipment is fair and reasonable and in the interests of the Company as a whole.

## **Purchase Agreement V**

### **1. Date and Parties**

Date: 12 December 2022

Purchaser: Feiyang Metaverse Technology

Supplier: Kai De Digital Asset

### **2. Equipment**

Pursuant to the Purchase Agreement V, Feiyang Metaverse Technology agreed to purchase 450 units of 4TB computing machines for virtual data storage purpose.

### **3. Consideration**

The consideration for each computing machine is HK\$8,280, and the total consideration for 450 units of computing machines was HK\$3,726,000, which was settled by cash.

The total consideration under the Purchase Agreement V was arrived after arm's length negotiations between Feiyang Metaverse Technology and Kai De Digital Asset on normal commercial terms with reference to the market price of the equipment of similar functions and capabilities. Having considered the market value and the functionality of the equipment, the Directors are of the view that the consideration for the equipment is fair and reasonable and in the interests of the Company as a whole.

## **REASONS FOR AND BENEFITS OF THE TRANSACTIONS**

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 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; (iv) provision of information system development services; (v) sales of information technology products; (vi) sales of health products; (vii) sales of wines; and (viii) sales of digital assets products.

Following the Metaverse strategic arrangement initiated by the Group in the second half of 2021, the Group, has, through Feiyang Metaverse Technology, continued to strengthen its investment and business development in the underlying Metaverse technologies such as blockchain infrastructure platform and cloud storage services on blockchain computing machines. In this connection, the Group has emphasised on the unique competitive combining advantages of “digitalisation and physicalisation” of cultural and creative collectibles, which fully identify and explore industrial paths and innovative forms of “digitalisation + physicalisation” of cultural and creative collectibles to empower the real economy and original industries. The Group has been developing new businesses through fully utilising new technologies such as blockchain and Metaverse and new scenarios, as well as taking advantage of the existing large customer base and brand influence of the Group, so as to create more business opportunities and increase profit potential for the Group.

As disclosed in the interim results announcement of the Company for the six months ended 30 June 2023 published on 24 August 2023, the Group recorded revenue from provision of information system development services including cloud storage services, web hosting services, enterprise mailbox and website development and leasing of equipment including rental of data centres, servers, hard drivers, computing machines, mining machines and other storage devices, and the provision of such services requires the usage of the equipment purchased by the Group under the Purchase Agreements. In addition, the cryptocurrency mining machines purchased by the Group under the Purchase Agreement II and the Purchase Agreement III can support the Group’s businesses on sales of digital asset products.

Having considered the above, the Directors are of the view that the terms of the Purchase Agreements and the transactions contemplated thereunder respectively are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

## **INFORMATION RELATING TO KAI DE DIGITAL ASSET**

Kai De Digital Asset is a limited liability company incorporated under the laws of Hong Kong on 4 May 2017. Kai De Digital Asset is principally engaged in operating digital assets, platforms, blockchain technology development and research and development.

To the best of the Directors' knowledge, information and belief, the ultimate beneficial owner of Kai De Digital Asset is Mr. Yang Zhangxin (楊章鑫). The Group became acquainted with Mr. Yang through different industry conferences and seminars. Mr. Yang is an Independent Third Party and has extensive experience in blockchain technology and digital technology.

## **LISTING RULES IMPLICATIONS**

Pursuant to Rule 14.22 of the Listing Rules, as the Purchase Agreements were entered into between the Group and Kai De Digital Asset within a 12-month period, all transactions contemplated under the Purchase Agreements are considered and be aggregated as one transaction.

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in relation of the transactions contemplated under the Purchase Agreements are more than 5% but all applicable percentage ratios are less than 25%, the transactions constitute discloseable transactions of the Company under Chapter 14 of the Listing Rules and are therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

## **BREACH OF THE LISTING RULES AND REMEDIAL ACTIONS**

During approval of the transactions contemplated under the Purchase Agreements, the Directors considered that they were part of the Group's ordinary and usual course of business and would therefore be exempt from compliance with the requirements under Chapter 14 of the Listing Rules. After having consulted with its legal advisers, the Company acknowledged that the transactions contemplated under the Purchase Agreements should have constituted discloseable transactions for the Company, and regrettably admitted that it had unintentionally breached Rules 14.34 of the Listing Rules. To prevent the re-occurrence of similar incident in the future, the Company shall implement the following remedial actions:

1. enhancing trainings provided to the Directors (including the chief financial officer of the Group), senior management and staff of the Group, including inviting external legal advisers to give seminars on the compliance requirements and practical knowledge of notifiable transactions;
2. reminding its management and the respective person in charge of the Group business units to report transactions which may potentially constitute notifiable transactions to the Board for approval before entering into those transactions; and
3. maintaining close cooperation with its professional advisers in relation to regulatory compliance, consulting them on a regular basis whenever potential transactions arise and seeking their advices to confirm the Group's understanding of the Listing Rules before entering into those transactions.

## CLARIFICATION REGARDING THE 2022 ANNUAL REPORT

It was disclosed in the annual report of the Company for the year ended 31 December 2022 that “the Board and the Audit Committee are of the view that there are no material internal control defects noted. All recommendations suggested are properly followed up to ensure that they are implemented within a reasonable period of time. The Board and the Audit Committee therefore considered that the Group’s risk management and internal control systems are effective and adequate” (the “**Relevant Disclosure**”). Considering the breach of Listing Rules as set out in this announcement, the Board wishes to clarify that the Relevant Disclosure should be modified. Due to the non-compliance incident as mentioned in this announcement, the Company has revised the internal control measures and is of the view that the then internal control measures might not be sufficient. With the enhanced internal control measures as set out above (the “**Enhanced Internal Control Measures**”), the Board is of the view that the risk management and internal control systems of the Company have been effective and adequate since the adoption of the Enhanced Internal Control Measures.

### DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it in the Listing Rules;
“Board”	the board of Directors;
“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 as ascribed thereto under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“DS Wellness & Health Management”	DS Wellness & Health Management Limited (德斯尚康薈健康管理有限公司), a limited liability company incorporated in Hong Kong, which is an indirect wholly-owned subsidiary of the Company;
“Feiyang Metaverse Technology”	Feiyang Metaverse Technology Limited (飛揚元宇宙科技有限公司), a limited liability company incorporated under the laws of Hong Kong on 21 December 2021, which is an indirect non-wholly owned subsidiary of the Company and owned as to 80% by DS Wellness & Health Management;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;

“Independent Third Party(ies)”	independent third party(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and Directors, chief executives, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates;
“Kai De Digital Asset”	Kai De Digital Asset Holding Limited (凱德數字資產控股有限公司) is a limited liability company incorporated under the laws of Hong Kong on 4 May 2017;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“PRC”	the People’s Republic of China which, for the purposes of this announcement, excludes Hong Kong, Macau and Taiwan;
“Purchase Agreement I”	the purchase agreement dated 22 December 2021 entered into between Feiyang Metaverse Technology as purchaser and Kai De Digital Asset as seller, pursuant to which Feiyang Metaverse Technology agreed to purchase certain equipment from Kai De Digital Asset;
“Purchase Agreement II”	the purchase agreement dated 13 June 2022 entered into between Feiyang Metaverse Technology as purchaser and Kai De Digital Asset as seller, pursuant to which Feiyang Metaverse Technology agreed to purchase certain equipment from Kai De Digital Asset;
“Purchase Agreement III”	the purchase agreement dated 15 June 2022 entered into between Feiyang Metaverse Technology as purchaser and Kai De Digital Asset as seller, pursuant to which Feiyang Metaverse Technology agreed to purchase certain equipment from Kai De Digital Asset;
“Purchase Agreement IV”	the purchase agreement dated 22 July 2022 entered into between Feiyang Metaverse Technology as purchaser and Kai De Digital Asset as seller, pursuant to which Feiyang Metaverse Technology agreed to purchase certain equipment from Kai De Digital Asset;
“Purchase Agreement V”	the purchase agreement dated 12 December 2022 entered into between Feiyang Metaverse Technology as purchaser and Kai De Digital Asset as seller, pursuant to which Feiyang Metaverse Technology agreed to purchase certain equipment from Kai De Digital Asset;

“Purchase Agreements”	the Purchase Agreement I, the Purchase Agreement II, the Purchase Agreement III, the Purchase Agreement IV and the Purchase Agreement V;
“Share(s)”	the ordinary share(s) of par value of HK\$0.01 each in the issued share capital of the Company;
“Shareholder(s)”	the holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“US\$”	United States dollars, the lawful currency of the United States; and
“%”	per cent.

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

Ningbo, the PRC, 4 September 2023

*As at the date of this announcement, the Board comprises Mr. He Binfeng, Mr. Xiong Di, Mr. Huang Yu, Mr. Wu Bin, and Ms. Chen Huiling as executive Directors; Mr. Shen Yang as non-executive Director; and Mr. Li Huamin, Mr. Yi Ling and Ms. Zhao Caihong as independent non-executive Directors.*

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