飛揚集團
— FEIYANG TRAVEL GROUP —

Feiyang International Holdings Group Limited
飛揚國際控股(集團)有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1901)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

FINANCIAL HIGHLIGHTS

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Revenue	**534,303**	76,477
Gross profit	**54,333**	13,601
Loss for the year	**(11,565)**	(40,714)

- Revenue increased by RMB457.8 million or 598.6% year-on-year, due to increase in sales of the Group's travel related products and services with the recovery of the tourism industry in the PRC.

- Gross profit increased by RMB40.7 million or 299.5% for the Year.

- Net loss of RMB11.6 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 2023 (the "**Year**"), together with the comparative figures for the year ended 31 December 2022 (the "**Previous Year**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2023

	Notes	**2023** *RMB'000*	2022 *RMB'000*
REVENUE	*5*	**534,303**	76,477
Cost of sales		**(479,970)**	(62,876)
Gross profit		**54,333**	13,601
Other income and gains	*5*	**38,808**	5,028
Selling and distribution expenses		**(21,487)**	(9,129)
Administrative expenses		**(42,181)**	(24,079)
Impairment losses on financial assets (recognised)/reversed, net		**(18,978)**	13,021
Other expenses		**(7,871)**	(20,990)
Share of losses of associates		**(1,629)**	(1,646)
Share of losses of joint ventures		**(3)**	–
Finance costs	*6*	**(10,832)**	(8,348)
LOSS BEFORE INCOME TAX	*7*	**(9,840)**	(32,542)
Income tax expenses	*8*	**(1,725)**	(8,172)
LOSS FOR THE YEAR		**(11,565)**	(40,714)

	Note	2023 *RMB'000*	2022 *RMB'000*
OTHER COMPREHENSIVE (LOSSES)/ INCOME			
Item that will not be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements		**(32,151)**	20,624
OTHER COMPREHENSIVE (LOSSES)/ INCOME FOR THE YEAR		**(32,151)**	20,624
TOTAL COMPREHENSIVE LOSSES FOR THE YEAR		**(43,716)**	(20,090)
LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		**(9,575)**	(39,503)
Non-controlling interests		**(1,990)**	(1,211)
		(11,565)	(40,714)
TOTAL COMPREHENSIVE LOSSES ATTRIBUTABLE TO:			
Owners of the Company		**(42,426)**	(19,262)
Non-controlling interests		**(1,290)**	(828)
		(43,716)	(20,090)

	Note	2023 *RMB cent*	2022 *RMB cent*
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	*9*		
Basic		**(1.17)**	(5.20)
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**39,192**	44,159
Investment properties		**6,586**	6,467
Right-of-use assets		**11,516**	14,205
Intangible assets		**2,607**	8
Finance lease receivables		**4,874**	–
Advance payments for acquisition of property, plant and equipment		**11,781**	16,954
Investments in associates		**56,166**	55,858
Investments in joint ventures		**454**	–
Deposits	*12*	**473**	1,898
Deferred tax assets		**381**	361
		134,030	139,910
CURRENT ASSETS			
Inventories		**5,250**	4,817
Trade receivables	*11*	**201,071**	18,430
Prepayments, deposits and other receivables	*12*	**156,521**	149,688
Finance lease receivables		**1,996**	–
Amounts due from related parties		**5,979**	1,289
Financial assets at fair value through profit or loss		**2,494**	11,132
Pledged deposits		**3,042**	9,346
Cash and cash equivalents		**56,500**	43,795
		432,853	238,497
CURRENT LIABILITIES			
Trade payables	*13*	**139,880**	17,412
Advance from customers, other payables and accruals		**132,847**	54,059
Interest-bearing bank and other borrowings	*14*	**194,857**	198,655
Lease liabilities		**5,086**	6,703
Tax payables		**6,081**	4,422
		478,751	281,251
NET CURRENT LIABILITIES		**(45,898)**	(42,754)
TOTAL ASSETS LESS CURRENT LIABILITIES		**88,132**	97,156
NON-CURRENT LIABILITIES			
Lease liabilities		**7,956**	8,946
		7,956	8,946
NET ASSETS		**80,176**	88,210
EQUITY			
Share capital	*15*	**7,145**	6,850
Reserves		**70,271**	77,323
Equity attributable to owners of the Company		**77,416**	84,173
Non-controlling interests		**2,760**	4,037
TOTAL EQUITY		**80,176**	88,210

NOTES

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; (iv) the provision of health products; and (v) the provision of information system development products and services. In the opinion of the directors of the Company, the ultimate controlling shareholders of the Group are Mr. He Binfeng 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.

The consolidated financial statements is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand ("**RMB'000**") except when otherwise indicated.

2. BASIS OF PRESENTATION AND PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the disclosure requirements of Hong Kong Companies Ordinance.

Going concern basis

The Group incurred net losses amounted to approximately RMB11,565,000 for the year ended 31 December 2023 and the Group's net current liabilities amounted to approximately RMB45,898,000 as at 31 December 2023, the directors of the Company considered it appropriate for the preparation of the consolidated financial statements on a going concern basis for at least twelve months after the end of the reporting period after taking into account the following circumstances and measures:

(i) The Group has been actively negotiating with banks in renewing its short-term borrowings upon their maturities and there is no indication that the banks will not renew the existing borrowings if the Group applies for the renewal; and

(ii) The Group is implementing various measures, such as optimising its overall sales network and undergoing effective cost control to improve the profit margin and operating cash flows of its business.

The directors of the Company are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due for at least twelve months after 31 December 2023. Accordingly, the consolidated financial statements have been prepared on a going concern basis. Should the Group be unable to operate as a going concern, adjustments would have to be made to reduce the carrying amounts of the Group's assets to their net realisable amounts, to provide for further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are accounted for in accordance with HKFRS 16 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform — Pillar Two Model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

The application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[2]
Amendments to HKAS 21	Lack of Exchangeability[3]

1 Effective for annual periods beginning on or after a date to be determined.
2 Effective for annual periods beginning on or after 1 January 2024.
3 Effective for annual periods beginning on or after 1 January 2025.

The directors of the Company anticipate that the application of all the amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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

The Group's operations are located on Mainland China and Hong Kong.

Revenue from external customers are allocated based on the geographical areas in which the customers are located.

An analysis of the Group's revenue from external customers and non-current assets (excluding deferred tax assets and financial assets) by geographical location are as follows:

	Revenue from external customers Year ended		Non-current Assets As at	
	31/12/2023	31/12/2022	**31/12/2023**	31/12/2022
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Mainland China	**514,034**	61,448	**77,887**	81,421
Hong Kong	**20,269**	15,029	**50,415**	56,230
	534,303	76,477	**128,302**	137,651

Information about major customers

Revenue from customers contributing over 10% of the Group's revenue is as follows:

Gross revenue from sales of FIT products

	2023	2022
	RMB'000	*RMB'000*
Customer A	**96,227**	N/A*

* The customer A did not contribute over 10% of the Group's revenue for the year ended 31 December 2022.

5. REVENUE, OTHER INCOME AND GAINS

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

An analysis of revenue, other income and gains is as follows:

	2023	2022
	RMB'000	*RMB'000*
Revenue		
Revenue from contracts with customers		
Sales of package tours — Domestic	**183,936**	51,098
Gross revenue from the sales of FIT products	**314,251**	–
Margin income from sales of FIT products	**12,369**	930
Information system development services	**4,801**	6,752
Sales of ancillary travel-related products and services	**1,624**	1,265
Sales of digital assets products	**–**	2,686
Sales of wines	**2,791**	3,258
Sales of health products	**5,273**	4,971
Sales of information technology products	**1,460**	5,517
	526,505	76,477
Revenue from other sources		
Finance lease income	**7,798**	–
	534,303	76,477
Other income		
Bank interest income	**209**	115
Government grants *(note (2))*	**42**	560
Rental income	**897**	388
Other interest income	**280**	215
Sundry income *(note (3))*	**3,334**	2,234
Compensation income on profit guarantee arrangement *(note (4))*	**27,720**	–
	32,482	3,512
Gains		
Foreign exchange gains, net	**27**	–
Changes in fair value of investment properties	**119**	212
Gain on termination of leases	**–**	1,304
Gain on disposal on property, plant and equipment	**2,147**	–
Realised gain on disposal of listed equity securities	**4,033**	–
	6,326	1,516
Total other income and gains	**38,808**	5,028

Notes:

(1) The Group derives revenue from the transfer of products and services over time and at a point in time in the following major product lines:

	2023 *RMB'000*	2022 *RMB'000*
Timing of revenue recognition within the scope of HKFRS 15		
Over time:		
— Sales of package tours — Domestic	**183,936**	51,098
— Information system development services	**4,801**	6,752
	188,737	57,850
At a point in time:		
— Gross revenue from the sales of FIT products	**314,251**	–
— Margin income from the sales of FIT products	**12,369**	930
— Sales of ancillary travel-related products and services	**1,624**	1,265
— Sales of digital assets products	**–**	2,686
— Sales of wines	**2,791**	3,258
— Sales of health products	**5,273**	4,971
— Sales of information technology products	**1,460**	5,517
	337,768	18,627
	526,505	76,477

(2) The conditions for government grants have been fulfilled by the Group up to the end of the reporting periods.

(3) In previous years, the Group had some unresolved legal case relating to contract dispute with suppliers. During the current year, the PRC courts ruled in favour of the Group and to the extent of RMB2,750,000 (2022: nil) was refunded to the Group which was included in sundry income.

(4) During the current year, the Group recognised compensation income from profit guarantee arrangement in relation to the acquisition of subsidiaries in prior year amounted to RMB27,720,000 (2022: nil).

6. FINANCE COSTS

	2023 *RMB'000*	2022 *RMB'000*
Interest on bank loans and other loan	**10,177**	7,442
Interest on lease liabilities	**655**	906
Total interest expenses on financial liabilities not at fair value through profit or loss	**10,832**	8,348

7. LOSS BEFORE INCOME TAX

The Group's loss before income tax is arrived at after charging/(crediting):

	2023	2022
	RMB'000	*RMB'000*
Cost of services provided	**463,857**	47,779
Depreciation of property, plant and equipment	**10,380**	7,409
Depreciation of right-of-use assets	**5,710**	4,918
Amortisation of an intangible assets	**524**	10
Lease expenses relating to short-term lease	**2,315**	1,616
Auditor's remuneration		
— audit service	**1,200**	1,130
— non-audit service	**150**	194
Impairment of trade receivables recognised/(reversed)	**17,757**	(7,440)
Impairment of financial assets included in prepayments, deposits and other receivables recognised/(reversed)	**1,125**	(5,581)
Impairment of finance lease receivables recognised	**96**	–
Foreign exchange loss, net *(note (1))*	**–**	2,681
Loss on disposal of property, plant and equipment *(note (1))*	**–**	2,806
Impairment loss of property, plant and equipment *(note (1))*	**1,779**	–
Fair value loss on listed equity securities *(note (1))*	**4,838**	6,323
Fair value loss on unlisted fund investments *(note (1))*	**126**	–
Realised (gain)/loss on listed equity securities *(note (1))*	**(4,033)**	3,725
Changes in fair value of investment properties *(note (1))*	**(119)**	(212)
Covid-19-related rent concessions from lessors	**–**	(596)
Write off of other receivables *(note (1))*	**–**	5,095
Employee benefit expense (excluding directors' and the chief executive's remuneration):		
Wages and salaries	**25,464**	12,365
Pension scheme contributions *(note (2))*	**3,019**	2,449
Staff welfare expenses	**59**	32
	28,542	14,846

Notes:

(1) The above expenses are included in other expenses presented in the consolidated statement of profit or loss and other comprehensive income excluding gains on fair value changes on investment properties and listed equity securities presented in other income and gains.

(2) As at 31 December 2023, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2022: Nil).

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% (2022: 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 (2022: Nil).

During the year, except for one subsidiary of the Group which was entitled to a preferential income tax rate of 20% (2022: 20%) for small and micro enterprises with the first RMB1.0 million of annual taxable income eligible for a 75% tax reduction and the income between RMB1.0 million and RMB3.0 million eligible for a 50% tax reduction, the provision for Mainland China current income tax is based on the statutory rate of 25% (2022: 25%) of the assessable profits of the subsidiaries of Mainland China as determined in accordance with the Corporate Income Tax Law.

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

	2023	2022
	RMB'000	*RMB'000*
Provided for the year		
— Hong Kong	**–**	–
— Mainland China	**1,745**	1
Deferred tax (credited)/charged	**(20)**	8,171
	1,725	8,172

9. LOSS PER SHARE

(a) Basic loss per share

The calculation of the basic loss per share attributable to owners of the Company is based on following data:

	2023	2022
Loss for the purpose of basic loss per share		
Loss for the year attributable to owners of the Company (in RMB'000)	**(9,575)**	(39,503)
Number of shares for the purpose of basic loss per share		
Weighted average number of ordinary shares in issue during the year ('000)	**815,605**	760,216
Basic loss per share (in RMB cent)	**(1.17)**	(5.20)

(b) Diluted loss per share

No diluted loss per share for both of the years ended 31 December 2023 and 2022 is presented as there were no potential ordinary shares in issue for both of the years.

10. DIVIDENDS

The directors of the Company do not recommend payment of a dividend in respect of the year ended 31 December 2023 (2022: Nil).

11. TRADE RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Trade receivables, gross amount	**281,205**	80,807
Less: impairment losses recognised	**(80,134)**	(62,377)
	201,071	18,430

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, gross amount as at the end of the reporting period, based on the invoice date, is as follows:

	2023	2022
	RMB'000	*RMB'000*
1 to 60 days	**104,805**	16,908
61 to 180 days	**100,315**	1,202
181 to 365 days	**9,061**	348
1 to 2 years	**9,281**	3,058
Over 2 years	**57,743**	59,291
	281,205	80,807

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Prepayments	**67,888**	40,275
Deposits and other receivables	**168,097**	189,062
Prepaid expenses	**–**	115
	235,985	229,452
Less: impairment losses recognised	**(78,991)**	(77,866)
	156,994	151,586
Analysed for reporting as:		
Non-current assets	**473**	1,898
Current assets	**156,521**	149,688
	156,994	151,586

13. TRADE PAYABLES

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

	2023	2022
	RMB'000	*RMB'000*
1 to 60 days	**125,137**	11,497
61 to 180 days	**12,756**	2,152
181 to 365 days	**187**	714
Over 1 year	**1,800**	3,049
	139,880	17,412

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

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate	**Maturity**	**2023**	2022
	(%)		***RMB'000***	*RMB'000*
Current				
Bank loans — secured	3.50–5.60	2024	**194,857**	–
Bank loans — secured	4.1667–5.655	2023–2024/ on demand	**–**	196,373
Bank loan — unsecured	4.80	2023	**–**	1,800
Loan from a financial institution — secured	19.25	on demand	**–**	482
			194,857	198,655

15. SHARE CAPITAL

Shares

	2023	2022
	RMB'000	*RMB'000*
Issued and fully paid:		
832,000,000 (2022: 800,000,000) ordinary shares of HKD0.01 each	**7,145**	6,850

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

	Number of shares in issue	**Issued capital**	**Share premium**
		RMB'000	*RMB'000*
Issued and fully paid:			
At 1 January 2022	600,000,000	5,216	152,318
Issue of shares on rights issue *(note (a))*	200,000,000	1,634	77,642
At 31 December 2022 and 1 January 2023	800,000,000	6,850	229,960
Placing of shares *(note (b))*	32,000,000	295	35,374
At 31 December 2023	832,000,000	7,145	265,334

Notes:

(a) On 22 April 2022, a rights issue of one rights share for every three existing shares held by members on the register of members on 25 March 2022 was made, at an issue price of HK$0.50 per rights share, resulting in the issue of 200,000,000 shares for a total cash consideration, before expenses, of approximately HK$100 million.

(b) On 7 July 2023, pursuant to the general mandate granted to the directors by the shareholders at the annual general meeting of the Company held on 21 June 2023, an aggregate of 32,000,000 shares were placed to the placees at the price of HK$1.25 per share for a total cash consideration before expenses, of HK$40,000,000.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a well-established travel service provider based in Ningbo, Zhejiang Province of the PRC and offers diversified products that cater for different travellers' needs. The Group is principally engaged in (i) the design, development and sales of package tours which consist of traditional package tours and tailor-made tours; (ii) the sales of free independent traveller products (the "**FIT Products**") which mainly include provision of air tickets and/or hotel accommodation; (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; (viii) sales of digital assets products; and (ix) finance lease income from rental of computing power machines.

After being affected by the epidemic for three years, pent-up travel demand is driving strong tailwinds for domestic travel recovery. 2023 saw a significant rebound in China's tourism economy, with the number of domestic tourists and income set to more than double year-on-year, recovering to more than 80% of that in 2019. The number of inbound and outbound tourists exceeded 190 million, an increase of more than 2.8 times over the previous year, the People's Daily reported.

According to China's Ministry of Culture and Tourism, Golden Week domestic tourism revenue was RMB753.43 billion, representing a 1.5% increase from that in 2019. With the lifting of travel restrictions in late 2022, China has achieved a rebound in economic activity across a variety of sectors, as well as a near complete recovery in domestic tourism.

To expand its business opportunities and profit potential, the Group is diversifying its income streams through strategic partnerships. In August 2023, the Group has entered into a cooperation agreement to establish a joint venture fund management company in Hong Kong, which proposed to set up and manage a fund for investment in high-end hotel and high-quality homestay assets in the PRC, Japan and Southeast Asia (the "**Fund**"). Moreover, our Group has entered into a non-legally binding strategic cooperation framework agreement with Weifang Online Hotel Management (Shenzhen) Group Co., Ltd.* (尾房在綫酒店管理(深圳)集團有限公司) ("**Weifang Online Group**") in November 2023. This business cooperation and opportunities will bring a strong synergistic effect on our Group's existing business and diversify its revenue base.

In December 2023, the Group has entered into a non-legally binding strategic cooperation agreement with Shanghai 2032 E-Commerce Co., Ltd.* (上海貳零叁貳電子商務有限公司) ("**Shanghai E-Commerce**") in relation to the cross-border e-commerce supply chain cooperation. Pursuant to the Cooperation Agreement, DS Wellness & Health Management shall provide business-related cross-border e-commerce supply chain services to Shanghai ECommerce. The co-operation provides opportunity to the Group to expand the business scale of the cross-border supply chain and is expected to create synergies with the Group's business leveraging on its network and resources.

The Group continues to broaden our income sources by expanding our footprint in the health products market through online platforms and forging partnerships with external manufacturers to develop and promote health products under our brand, in response to evolving consumers' needs after the hard-earned lessons of COVID-19 pandemic. This trend is anticipated to continue growing in the coming futures.

The Group recorded a net loss of RMB11.6 million and RMB40.7 million for the Year and the Previous Year, respectively. The total revenue has significantly increased from RMB76.5 million in the Previous Year to RMB534.3 million for the Year, which is mainly due to the increase in sales of the Group's travel related products and services with the recovery of the tourism industry in the PRC.

PROSPECTS

China's tourism industry has been grappling with a myriad obstacles to growth in recent years. With the remarkable resurgence of domestic travel in China in 2024, the travel and tourism industry is undergoing a robust recovery. Travel and consumption trends registered significant growth during the 2024 Chinese New Year holidays, giving hope for the positive trend to continue also in the year ahead.

According to the Ministry of Culture and Tourism, both travel numbers and tourism-related revenues reached unprecedented levels, surpassing figures registered during the 2023 Chinese New Year while also surpassing pre-COVID-19 levels. The data reveals a significant surge in domestic trips, totaling 474 million trips made across the country from 10 February to 18 February 2024, marking a notable increase of 34.4% compared to the same period in 2023. This figure attracted special attention as it was a 19% rise compared with that in 2019.

In the beginning of 2024, the tourist industry registered a remarkable performance and the China Tourism Academy forecasts a significant surge in domestic travel, estimating approximately 6 billion trips, with the revenue reaching RMB6 trillion in 2024. Statistics indicate an annual growth rate of over 100% in both revenue and tourist numbers for the year 2023. The projections for China's tourism in 2024 herald a new era of growth and opportunity. Despite certain challenges, with rising consumer sentiment and targeted government stimulus, we believe that there will be a noticeable increase in tourism in coming year. To capitalize on the burgeoning trend of China tourism recovery, our Group has introduced an array of travel-related products, particularly focusing on Free Independent Travel (the "**FIT Products**") and has resumed various enticing package tours to cater to the preferences of Chinese travellers. As recovery continues, we anticipate that Chinese travellers will visit a wider range of destinations and we will continue to provide high-quality travel services to our valued customers.

To further diversify the income stream, the Group also commenced the provision of finance lease service during the Year. The Group plans to continue to strengthen its information system development services by increasing the number of registered users on the Group's platform and to expand its business scope and scale in the area of cultural IP and continue to distribute health products. The Group has been devising and implementing strategies to ride on its existing operations and diversify into the cultural tourism business based on digital information technology, laying a solid foundation for the overall expansion and upgrading of the Group in the future.

The Group is confident for its sustainable growth and believes that its management team with extensive industry experience and its agile operations team are able to adapt to the rapid changes of the demand from the market and adjust the business strategy in accordance with market trends.

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			
	2023		2022	
	Revenue	**Percentage of revenue**	Revenue	Percentage of revenue
	RMB'000	***%***	*RMB'000*	*%*
Travel-related products and services				
(i) Gross revenue from sales of FIT Products	**314,251**	**58.8**	–	–
(ii) Sales of package tours	**183,936**	**34.4**	51,098	66.9
(iii) Margin income from sales of FIT Products	**12,369**	**2.3**	930	1.2
(iv) Sales of ancillary travel-related products and services	**1,624**	**0.3**	1,265	1.6
	512,180	**95.8**	53,293	69.7
Finance lease income	**7,798**	**1.5**	–	–
Sales of health products	**5,273**	**1.0**	4,971	6.5
Information system development services	**4,801**	**0.9**	6,752	8.8
Sales of wines	**2,791**	**0.5**	3,258	4.3
Sales of information technology products	**1,460**	**0.3**	5,517	7.2
Sales of digital assets products	**–**	**–**	2,686	3.5
Total	**534,303**	**100.0**	76,477	100.0

The Group generated revenue from: (i) provision of travel-related products and services, including sales of package tours, gross revenue from sales of FIT Products, margin income from sales of FIT Products and sales of ancillary travel-related products and services; (ii) provision of information system development services; (iii) sales of information technology products; (iv) sales of health products; (v) sales of wines; (vi) sales of digital assets products; and (vii) finance lease income. The Group's customers primarily comprised retail customers, and corporate and institutional customers.

The Group's total revenue increased significantly by RMB457.8 million or 598.6% from RMB76.5 million for the Previous Year to RMB534.3 million for the Year, which was mainly attributable to (i) increase in sales of the Group's travel related products and services with the recovery of the tourism industry in the PRC; and (ii) the recognition of the Group's majority of sales of FIT Products on a gross basis during the Year (as compared with a net basis in the Previous Year) as the Group changed its role in providing goods and rendering services from an agent to a principal and obtained control over the goods and services to be provided by airline/hotel operators and travel agencies during the Year.

Travel-related products and services

(i) Gross revenue from sales of FIT Products

Gross revenue from sales of FIT products of air tickets and hotel accommodations to customers which were recorded on a gross basis as the Group changed its role in providing goods and rendering services from an agent to a principal and obtained control over the goods and services to be provided by airline operators, hotel operators and other travel agencies during the Year. During the Year, the Group's gross income from sales of FIT Products amounted to RMB314.3 million (Previous Year: nil).

(ii) 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			
	2023		2022	
	Revenue	**Percentage of revenue**	Revenue	Percentage of revenue
	RMB'000	***%***	*RMB'000*	*%*
Traditional package tours	**161,867**	**88.0**	32,625	63.8
Tailor-made tours	**22,069**	**12.0**	18,473	36.2
Total	**183,936**	**100.0**	51,098	100.0

The sales of traditional package tours and tailor-made tours contributed 88.0% and 12.0% (Previous Year: 63.8% and 36.2%) of the Group's total sales of package tours for the Year, respectively. The Group's sales of package tours increased by RMB132.8 million or 260.0% from RMB51.1 million for the Previous Year to RMB183.9 million for the Year.

The increase in sales from traditional package tours from RMB32.6 million for the Previous Year to RMB161.9 million for the Year was mainly due to the relaxation of COVID-19 restrictions on cross-provincial travel and quarantine requirement in late 2022 which lead to increase in demand for package tours during the Year. The increase in sales from tailor-made tours from RMB18.5 million for Previous Year to RMB22.1 million for the Year mainly due to the increase in demand for tailor-made tours during the Year.

(iii) 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	
	2023	2022
	RMB'000	*RMB'000*
Margin income from sales of air tickets	**12,205**	901
Margin income from sales of other FIT Products	**164**	29
Total	**12,369**	930

The Group's total margin income from sales of FIT Products significantly increased by RMB11.4 million or 1,230.0% from RMB0.9 million for the Previous Year to RMB12.3 million for the Year.

During the Year, the Group's margin income from sales of air tickets increased by RMB11.3 million or 1,254.6%, from RMB0.9 million for the Previous Year to RMB12.2 million for the Year. Margin income from sales of air tickets increased which was mainly due to the increase in number of air tickets sold and the relaxation of COVID-19 restrictions on cross-provincial travel and quarantine requirement in late 2022 which lead to increase in demand for travel related products during the Year.

The Group's margin income from sales of other FIT Products increased from RMB29,000 for the Previous Year to RMB0.2 million for the Year mainly due to the recovery of the tourism industry in the PRC during the Year.

(iv) *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 remained relatively stable from RMB1.3 million for the Previous Year to RMB1.6 million for the Year.

Finance lease income

During the Year, the Group launched its new business segment for rental of computing power machines and hardware equipment. The revenue generated from finance lease income amounted to RMB7.8 million (Previous Year: nil).

Sales of health products

In 2022, the Group ventured into new business opportunities into nutraceutical market through sales of health products, including NMN longevity supplements, liver detoxification supplements and related products to address the increasing attention to health and prevention by the consumers. Revenue generated from sales of health products amounted to RMB5.3 million for the Year (Previous Year: RMB5.0 million).

Information system development services

Information system development services mainly represented the provision of cloud storage services, web hosting services, enterprise mailbox and website development. Revenue from information system development services amounted to RMB4.8 million for the Year (Previous Year: RMB6.8 million).

Sales of wines

The Group sold wines together with wine non-fungible token ("**NFT**"). The wine NFT linked to a physical bottle or barrel of wine, which the winemaking information from planting to bottling can be specified on the NFT. Revenue from sales of wines amounted to RMB2.8 million for the Year (Previous Year: RMB3.3 million).

Sales of information technology products

During the Year, the Group generated revenue from the sales of information technology products including computing machines and computer components and storage, such as processors, motherboards, hard drives and server components. The revenue generated from sales of information technology products amounted to RMB1.5 million during the Year (Previous Year: RMB5.5 million).

Sales of digital assets products

The Group launched the "Feiyang Metaverse" Digital Cultural and Creative Collectibles Platform in 2022, which focuses on the distribution and sales of cultural and creative collectibles (with blockchain contract uniqueness authentication) through a combination of "digital + physical" models in the PRC. No revenue from sales of cultural and creative collectibles was generated for the Year (Previous Year: RMB2.7 million).

Cost of sales

The Group's cost of sales mainly represented the (i) costs incurred for sales of FIT Products; and (ii) 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 increased significantly by RMB417.1 million or 663.4% from RMB62.9

million for the Previous Year to RMB480.0 million for the Year. Such increase was due to increase in cost incurred for sales of FIT Products as a result of the recovery of the tourism industry in the PRC since relaxation of COVID-19 restrictions on cross-provincial travel in late 2022, while the Group recognised majority of sales of FIT Products on a gross basis during the Year (as compared with a net basis in the Previous Year), which further contributed to the increase in cost of sales during the Year.

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			
	2023		2022	
	Gross profit *RMB'000*	**Gross profit margin** *%*	Gross profit *RMB'000*	Gross profit margin *%*
Travel-related products and services				
(i) Gross revenue from sales of FIT Products	**11,662**	**3.7**	–	–
(ii) Package tours				
— Traditional	**20,825**	**12.9**	4,284	13.1
— Tailor-made	**1,971**	**8.9**	1,780	9.6
	22,796	**12.4**	6,064	11.9
(iii) Margin income from sales of FIT Products	**12,241**	**99.0**	(1,811)	–
(iv) Ancillary travel-related products and services	**774**	**47.7**	1,159	91.6
	47,473	**9.3**	5,412	10.2
Finance lease income	**2,125**	**27.3**	–	–
Sales of health products	**1,131**	**21.4**	642	12.9
Information system development services	**3,370**	**70.2**	3,895	57.7
Sales of wines	**99**	**3.5**	296	9.1
Sales of information technology products	**135**	**9.2**	670	12.1
Sales of digital assets products	**–**	**–**	2,686	100.0
Total	**54,333**	**10.2**	13,601	17.8

The Group recorded gross profit of RMB54.3 million and RMB13.6 million, representing gross profit margin of 10.2% and 17.8% for the Year and the Previous Year, respectively. The increase in the overall gross profit was mainly due to (i) gross profit generated from package tours by RMB16.7 million to RMB22.8 million during the Year (Previous Year: RMB6.1 million); and (ii) increase in gross profit generated from sales of FIT Products of RMB23.9 million as a result of the lifting of restrictions for outbreak of COVID-19 in late 2022.

The overall gross profit margin decreased by 7.6 percentage points from 17.8% for the Previous Year to 10.2% for the Year, which was mainly attributable to the changes in the Group's product and service mix. As the Group's majority of sales of FIT Products were recorded on a gross basis during the Year, the respective proportion of revenue generated from gross revenue from sales of FIT products will affect the overall gross profit margin. The Group's margin income from gross revenue from sales of FIT products had relatively lower profit margin compared to other business segments.

The overall gross profit margin of package tours slightly increased from 11.9% for the Previous Year to 12.4% for the Year. The Group recorded a gross loss from margin income from sales of FIT Products in the Previous Year, and reach gross profit margin of 99.0% for the Year due to the relaxation of COVID-19 restrictions on cross-provincial travel in late 2022 which lead to an increase in demand for FIT Products.

Other income and gains

Other income and gains mainly consisted of (i) compensation income on profit guarantee arrangement; (ii) realised gain on disposal of listed equity securities; and (iii) refund from supplier in relation to contract dispute ruled by the PRC court.

Other income and gains increased by RMB33.8 million from RMB5.0 million for the Previous Year to RMB38.8 million for the Year mainly due to (i) recognition of compensation income of RMB27.7 million from Ningbo Zhenhang Business Service Co., Ltd., Zhejiang Feijiada Aviation Service Co., Ltd. ("**Zhejiang Feijiada**") and Hainan Zhenlv International Travel Agency Co., Ltd.* (海南真旅國際旅行社有限公司) ("**Hainan Zhenlv**") as a result of failure to fulfill the net profit requirement during the Year (Previous Year: Nil); (ii) recognition of realised gain on disposal of listed equity securities of RMB4.0 million (Previous Year: nil); and (iii) recognition of refund from supplier in relation to contract dispute ruled by the PRC court of RMB2.8 million during the Year (Previous Year: nil).

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 increased by RMB12.4 million or 135.4% from RMB9.1 million for the Previous Year to RMB21.5 million for the Year mainly attributable to (i) the increase in depreciation of right-of-use assets by RMB1.7 million; (ii) the increase in staff costs by RMB9.3 million as a result of the increase in headcount due to the resumption of certain business operations of the Group 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 increased by RMB18.1 million or 75.2% from RMB24.1 million for the Previous Year to RMB42.2 million for the Year, which was mainly due to (i) increase in staff costs by RMB5.4 million as a result of headcount increment for research and development and administration department due to new businesses launched in late 2022; (ii) the increase in depreciation by RMB3.9 million due to addition of property, plant and equipment for the Year; and (iii) the increase in depreciation of right-of-use assets by RMB1.8 million.

Impairment losses on financial assets, net

During the Year, the Group recorded impairment loss on (i) trade receivables; (ii) prepayments, deposits and other receivables; and (iii) finance lease receivables of (i) RMB17.8 million; (ii) RMB1.1 million; and (iii) RMB96,000, respectively (Previous Year: (i) reversal of impairment of RMB7.4 million; (ii) RMB5.6 million; and (iii) nil, respectively). The increase of provision for impairment loss during the Year mainly attributed to the increase in trade receivables and prepayments, deposits and other receivables in relation to the resumption of certain business operations of the Group during the Year.

The Group uses a provision matrix to calculate expected credit losses ("**ECL**") for trade receivables. To measure the provision rates, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The Group calibrates the matrix to adjust the current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The ECL of finance lease receivables, refund from suppliers, deposits and other receivables are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

The Directors are of the view that (i) the above method used in determining the amount of the impairments comply with the requirements of Hong Kong Financial Reporting Standards ("**HKFRSs**"); (ii) the basis used reasonably reflected past events, current conditions and forecasts of future economic development; and (iii) the amount of impairments has been fairly estimated with reference to the risks and uncertainties faced by the Group as a result of the COVID-19 pandemic.

In order to recover the impaired balances, the Group has taken relevant measures including commencing litigation against certain debtors and has applied to court for seizure of assets from the debtors for cases where judgment was obtained in favour of the Group.

Other expenses

The Group's other expenses mainly consisted of (i) fair value loss and realised loss on investment in listed equity securities; (ii) impairment loss of property, plant and equipment; (iii) loss on other receivables written off; and (iv) foreign exchange loss, net.

Other expense significantly decreased by RMB13.1 million from RMB21.0 million for Previous Year to RMB7.9 million for the Year mainly due to (i) decrease in fair value loss in listed equity securities by RMB1.5 million and absent of realised loss on investment in listed equity securities; (ii) absent of loss on settlement of other receivables during the Year which was non-recurring in nature (Previous Year: RMB5.1 million); and (iii) decrease in loss on disposal of properties, plant and equipment of RMB2.8 million.

Finance costs

The Group's finance costs mainly represented interest expenses on bank and other borrowings and lease liabilities. The increase in finance costs of RMB2.5 million from RMB8.3 million for the Previous Year to RMB10.8 million for the Year was mainly due to the increase in average borrowings during the Year.

Income tax expense

Income tax expenses amounted to RMB1.7 million for the Year mainly represented the provision of corporate income tax in the PRC due to increase assessable profits. The income tax expenses of RMB8.2 million for the Previous 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 RMB9.6 million (Previous Year: RMB39.5 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	
	2023	2022
	RMB'000	*RMB'000*
Non-current:		
Rental deposits	**473**	1,898
Current:		
Deposit and other receivables, net	**66,410**	78,667
Prepayments	**67,888**	35,235
Refund from suppliers	**22,223**	30,631
Deposit for investment	**–**	5,040
Prepaid expenses	**–**	115
	156,521	149,688
Total	**156,994**	151,586

The prepayments, deposits and other receivables increased by RMB5.4 million from RMB151.6 million as at 31 December 2022 to RMB157.0 million as at 31 December 2023, which was primarily attributable to the increase in (i) prepayment for procurement of travel-related products and services as a result of relaxation of travel restriction in late 2022; and (ii) prepayment for potential investment projects in relation to medical service and investment immigration.

Deposits and other receivables, net

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Deposits — procurement of air tickets	**24,824**	69,743
Deposits — others	**6,250**	229
Commission receivables	**9,045**	–
Refund from suppliers in relation to contract dispute	**2,828**	–
Other receivables	**23,463**	8,695
	66,410	78,667

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, and receivable from disposal of property, plant and equipment.

The decrease in deposits and other receivables, net by RMB12.3 million from RMB78.7 million as at 31 December 2022 to RMB66.4 million as at 31 December 2023 was primarily due to decrease in deposit for procurement of air tickets of RMB44.9 million as the Group changed its role in providing goods and rendering services from an agent to a principal and obtained control over the goods and services to be provided by airline/hotel operators and travel agencies during the Year, which was partially offset by (i) the increase in commission receivables from airline operators of RMB9.0 million; (ii) the increase in petty cash for tour escorts and staff of RMB4.1 million; (iii) the increase in receivable from disposal of property, plant and equipment of RMB4.3 million; (iv) the increase in deposits paid to hotel operators and travel agencies of RMB6.0 million; and (v) the increase in refund from suppliers in relation to contract dispute of RMB2.8 million.

Prepayments

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Travel-related products and services		
— Air tickets	**12,444**	17,082
— Hotel accommodation, meal and tour guide	**18,838**	3,449
— Land and cruise operators	**1,111**	3,110
	32,393	23,641
Investment projects	**17,776**	–
Health products and wine	**10,012**	6,368
Rental expenses for equipment	**941**	715
Research and development expenses	**2,831**	1,608
Others	**3,935**	2,903
	67,888	35,235

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; (ii) package tours to land operators, cruise holiday packages to cruise operators, hotel reservation, meal and other related expense for package tours and FIT Products that which had not departed as at the end of reporting period; and (iii) potential investment projects in relation to medical service and investment immigration.

The increase in prepayments by RMB32.7 million from RMB35.2 million as at 31 December 2022 to RMB67.9 million as at 31 December 2023 was mainly due to increase in (i) procurement of package tours related expense by RMB15.4 million as a result of relaxation of travel restrictions in December 2022 which lead to resumption of cross-provincial travel; (ii) procurement of merchandise for health products and wine of RMB3.6 million, including NMN longevity supplements, red wine and related products for new businesses; (iii) rental expenses by RMB0.9 million for computing power machines and hardware equipment for virtual reality technology in relation to development in Metaverse technologies during the Year; (iv) research and development expense for Metaverse games by RMB1.2 million; and (v) prepayment for potential investment projects of RMB17.8 million in relation to medical service and investment immigration.

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. The Group recorded refund from air ticket suppliers, land and cruise operators and other suppliers of RMB22.2 million (2022: RMB30.6 million) as at 31 December 2023. The decrease was mainly due to the settlement by certain air ticket suppliers during the Year.

Deposit for investment

The deposit for investment of RMB5.0 million as at 31 December 2022 represented the deposit recognised for the acquisition of Zhejiang Feijiada.

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 loss of RMB1.1 million (Previous Year: reversal of impairment loss of RMB5.6 million) was recognised for the Year as there and is decrease 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 2023, the Group's current assets and current liabilities were RMB432.9 million and RMB478.8 million (31 December 2022: RMB238.5 million and RMB281.3 million), respectively, of which the Group maintained cash and bank balances of RMB56.5 million (31 December 2022: RMB43.8 million) and pledged short-term deposits of RMB3.0 million (31 December 2022: RMB9.3 million). As at 31 December 2023, the Group's current ratio was 0.9 times (31 December 2022: 0.8 times).

As at 31 December 2023, 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
	RMB'000
RMB	194,857

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt includes interest-bearing bank and other borrowings, lease liabilities, trade payables and advance from customers, other payables and accruals, less cash and cash equivalents and pledged deposits. Total capital represents equity attributable to the owners of the owners of the Company. The gearing ratios as at 31 December 2023 and 2022 were as follows:

	2023	2022
	RMB'000	*RMB'000*
Interest-bearing bank and other borrowings	**194,857**	198,655
Lease liabilities	**13,042**	15,649
Trade payables	**139,880**	17,412
Advance from customers, other payables and accruals	**132,847**	54,059
Less: Cash and cash equivalents	**(56,500)**	(43,795)
Pledged deposits	**(3,042)**	(9,346)
Net debt	**421,084**	232,634
Equity attributable to owners of the Company	**77,416**	84,173
Total capital and net debt	**498,500**	316,807
Gearing ratio	**84%**	73%

The average turnover days of trade receivables remained relatively stable at 75.0 days and 75.1 days for the Year and the Previous Year, respectively. The average turnover days of trade payables for the Year decreased to 59.8 days (Previous Year: 85.8 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

Save for the rights issue as disclosed in the section headed "Fund Raising Activities", there is no material change in the capital structure of the Company during the Year. The capital of the Company comprises only ordinary shares.

FOREIGN EXCHANGE RISK MANAGEMENT

Majority 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 2023 and 2022, 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 RMB6.6 million as at 31 December 2023 (2022: RMB6.5 million); and

(ii) the pledge of certain of the Group's trade receivables amounting to RMB0.7 million as at 31 December 2023 (2022: nil).

During the Year, the Controlling Shareholders had jointly guaranteed certain of the Group's banking facilities of up to RMB249.0 million (2022: RMB240.5 million).

Mr. Zhang Dayi, the director of certain subsidiaries of the Company, and Ms. Zhang Xiaoshan, the spouse of Mr. Zhang Dayi, had jointly guaranteed certain of the Group's banking facilities of up to RMB46.0 million as at 31 December 2023 (2022: RMB46.0 million).

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2023, the total number of employees of the Group was 257 (31 December 2022: 189). Staff costs (including Directors' emoluments) amounted to RMB29.5 million for the Year (Previous Year: RMB16.1 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 PROPERTIES

The Group's investment properties contain offices in Mainland China and are leased to third parties under operating leases for rental income. As at 31 December 2023, the Group's investment properties amounted to RMB6.6 million (2022: RMB6.5 million) and were revalued based on valuations performed by an independent professionally qualified valuer.

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) ("**Ningbo Yinjiang**") and Zhejiang Ninglv Feiyang Cultural Tourism Development Co., Ltd.* (浙江寧旅飛揚文旅發展有限公司), which principally engaged in the management and development of tourist attractions. During the Year, the Group recorded share of losses of associates of RMB1.6 million (Previous Year: RMB1.6 million). As disclosed in the announcement of the Company dated 18 June 2020, the Group entered into an investment cooperation agreement dated 18 June 2020, pursuant to which the shareholders of Ningbo Yinjiang agreed to make capital contribution to Ningbo Yinjiang. As the cooperation and capital contribution in relation to Yinjiang did not proceed as expected, the amount of capital contribution made by the Group shall be returned to the Group by May 2024.

SIGNIFICANT INVESTMENT

The Group held a significant investment, with a value of over 5% of the total assets of the Group as at 31 December 2023, in Ningbo Yinjiang. As at 31 December 2023, the Group held 19% equity interest in Ningbo Yinjiang, with carrying amount amounted to RMB56.0 million, representing approximately 9.8% of the total assets of the Group as at 31 December 2023. No dividend was received by the Group from Ningbo Yinjiang during the Year.

Save as disclosed above, there are no other significant investments with a value of over 5% of the total assets held by the Group as at 31 December 2023.

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

In May 2023, the Company and Radiant Goldstone Holdings Limited ("**Radiant Goldstone**") entered into a non-legally binding memorandum of understanding ("**MOU**") for acquisition of 60% equity interest in Radiant Assets Management International Limited (now known as Sunwah Radiant Corporation Limited) ("**Sunwah Radiant**") from Radiant Goldstone at a total consideration of not more than HK$90 million. Sunwah Radiant indirectly holds certain equity interests in (i) Beiwen Times (Beijing) Culture Co., Ltd.* (北文時代(北京)文化有限公司) ("**Beiwen Times**"), a leading pan-cultural IP operator and integrated digital cultural content service provider in China; and (ii) Beijing Five Cats Culture Technology Co., Ltd.* (北京五隻貓文化科技有限公司) ("**Five Cats**"), the first social consumer metaverse in China to open up online and offline channels. Sunwah Radiant or its designated entity intent to launch a cultural and tourism industry fund and act as its general partner, which will be dedicated to promoting the assets securitisation of Beiwen Times and Five Cats. The MOU commenced on 15 May

2023 and the parties agreed to have an exclusivity period of six months. Up to the date of this announcement, the Company is still in the process of negotiating the terms of this proposed transaction with the vendor and has commenced the due diligence review and valuation assessment on Sunwah Radiant, no formal agreement has been entered into in relation to the acquisition. For further details, please refer to the announcements of the Company dated 15 May 2023 and 10 January 2024.

In August 2023, the Company and SHINTO Holdings, Inc. entered into a cooperation agreement for establishment of a joint venture fund management company in Hong Kong ("**JV Company**"), which proposed to set up and manage a fund for investment in high-end hotel and high-quality homestay assets in Japan and other locations such as the PRC and Southeast Asia (the "**Fund**"). It is expected that the Fund intends to operate in the form of limited partnership, with the JV Company as the general partner and other qualified institutions and individual investors as limited partners. The scale of the funds to be raised by the Fund is expected to be no more than HK$1 billion. The actual set-up terms and contribution amounts of the Fund shall be subject to further negotiations. Up to the date of this announcement, no binding agreement(s) regarding the establishment and the subscription of the Fund has been entered into yet. The JV Company will engage professional managers and team to manage and operate the Fund. For further details, please refer to the announcement of the Company dated 1 August 2023.

The Company has entered into a non-legally binding strategic cooperation framework agreement with Weifang Online Group. The Company intends to accept the operational custody of Weifang Online Group and provide Weifang Online Group with operation management and support services for its global business expansion (excluding Mainland China market) (the "**Cooperation**"). The Cooperation is expected to bring a strong synergistic effect on the Group's existing business and diversify its revenue base. Up to the date of this announcement, no formal agreement has been entered into in relation to this Cooperation. For further details, please refer to the announcement of the Company dated 13 November 2023.

In December 2023, DS Wellness & Health Management Limited (德斯尚康薈健康管理有限公司) ("**DS Wellness & Health Management**"), a wholly-owned subsidiary of the Company, entered into a non-legally binding strategic cooperation agreement (the "**Cooperation Agreement**") with Shanghai 2032 E-Commerce Co., Ltd.* (上海貳零叁貳電子商務有限公司) ("**Shanghai E-Commerce**") in relation to the cross-border e-commerce supply chain cooperation. By entering the Cooperation Agreement, it is expected to facilitate the Company expand the business scale of the cross-border supply chain and is expected to create synergies with the Group's business leveraging on its network and resources. For further details, please refer to the announcement of the Company dated 21 December 2023.

Hainan Zhenlv, Xinjiang Cultural Tourism Investment Group Co., Ltd.* (新疆文化旅遊投資集團有限公司) and United Overseas International Travel Service (Shenzhen) Co., Ltd.* (聯合海外國際旅行社(深圳)有限公司) have set up a joint venture company, Xinjiang Cultural Tourism Tianhe Aviation Service Co., Ltd.* (新疆文旅天和航空服務有限公司) in the PRC, which will principally be engaged in the provision of travel related services in Xinjiang, the PRC. It is expected that the Group can leverage the experience, network and resources of Xinjiang Cultural Tourism Group and United Overseas International to capitalize on the considerable potential of the Xinjiang market and to diversify the Group's revenue streams. For further details, please refer to the announcement of the Company dated 14 February 2024.

In March 2024, Ningbo Yinjiang Feiyang Cultural Tourism Development Co., Ltd, one of the associates of the Group, is planning to deregister. Please refer to "Management Discussion and Analysis — Investment in Associates" in this announcement for further details.

Save as disclosed in this announcement, as at 31 December 2023, 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.

CAPITAL COMMITMENTS

As at 31 December 2023, the Group had capital commitments for machinery and acquisition for investment projects amounting to approximately RMB8.2 million and RMB44.9 million respectively (2022: nil).

CONTINGENT LIABILITIES

As at 31 December 2023 and 2022, the Group did not have any significant contingent liabilities.

SUBSEQUENT EVENTS

There is no significant event occurred after the end of the reporting period.

FUND RAISING ACTIVITIES

Placing of New Shares under General Mandate and use of proceeds during The Year

On 7 June 2023, the Company and Silverbricks Securities Company Limited (the "**Placing Agent**") entered into a placing agreement (as supplemented by a supplemental agreement dated 27 June 2023) (the "**Placing Agreement**"), pursuant to which the Company has conditionally agreed to place, through the Placing Agent on a best effort basis, a maximum of 160,000,000 placing shares at the placing price of HK$1.25 per placing share (the "**Placing**") to not less than six placees (the "**Placees**"), who and whose ultimate beneficial owner(s) are independent third parties. The placing shares rank pari passu in all respects among themselves and with the Shares in issue on the date of allotment and issue of the placing shares. The price of HK$1.25 per placing share was determined after arm's length negotiations between the Company and the Placing Agent with reference to the prevailing market price of the Shares on the Stock Exchange. The placing price represents a discount of approximately 9.42% to the closing price of HK$1.38 per Share as quoted on the Stock Exchange on the date of the Placing Agreement. On 7 July 2023, a total of 32,000,000 Shares have been successfully placed by the Placing Agent to not less than six Placees at placing price of HK$1.25 per Share pursuant to the terms and conditions of the Placing Agreement. The gross proceeds from the Placing and net proceeds from the Placing, after deduction of the placing commission and other related expenses, amounted to HK$40.0 million and approximately HK$38.73 million, respectively, and the net price per Share placed was approximately HK$1.21.

In view of the market conditions, the Directors are of the view that the Placing can enlarge the shareholder base and the capital base of the Company and to raise capital for the Group's repayment of loans, replenishment of working capital and general business operation. The Directors consider that the terms of the Placing Agreement are fair and reasonable and the Placing is in the interests of the Company and the Shareholders as a whole.

The new shares were issued under the general mandate granted to the Directors pursuant to an ordinary resolution of the Company passed at the annual general meeting held on 21 June 2023.

The planned use of proceeds as stated in the announcement of the Company dated 7 July 2023, the actual use of proceeds during the Year and the unutilised amount as at 31 December 2023 are set out as below:

Intended use of proceeds stated in the announcement	**Planned use of proceeds as stated in the announcement** *HK$'000*	**Percentage of net proceeds**	**Actual use of proceeds during the Year** *HK$'000*	**Unutilised amount as at 31 December 2023** *HK$'000*	**Expected timeline for utilising the unutilised proceeds** *HK$'000*
Repayment of trade payables and bank borrowings	10,457	27%	10,457	—	Fully utilised
Development of tourism-related businesses	21,302	55%	21,302	—	Fully utilised
General corporate and working capital	6,971	18%	6,971	—	Fully utilised
	38,730	100%	38,730	—	

For further details, please refer to the announcements of the Company dated 7 June 2023, 14 June 2023, 27 June 2023 and 7 July 2023.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The plan of use of proceeds from the global offering of the Company has been set out in the prospectus of the Company dated 18 June 2019 (the "**Prospectus**") and the announcement of the Company dated 29 March 2021. The analysis of the unutilised amount, the actual use of proceeds during the Year 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	Percentage of net proceeds	Change of allocation of the unutilised net proceeds	Unutilised amount as at 31 December 2022	Actual use of net proceeds during the Year	Unutilised amount as at 31 December 2023	Expected timeline utilising the for unutilised proceeds
	HK$'000		*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	
Set up new retail branches and points sales and refurbish existing of retail branches	16,380	20%	(15,176)	–	–	–	Fully utilised
Increase deposits and prepayments to air ticket suppliers	28,665	35%	–	–	–	–	Fully utilised
Upgrade the information technology system	8,190	10%	–	–	–	–	Fully utilised
Increase marketing effort in traditional media	8,190	10%	–	–	–	–	Fully utilised
Repay part of the bank borrowings	12,285	15%	–	–	–	–	Fully utilised
Use as general working capital	8,190	10%	–	–	–	–	Fully utilised
Invest in the management and development of tourist attractions in the PRC	–	–	15,176	2,839	(2,839)	–	Fully utilised
	81,900	100%	–	2,839	(2,839)	–	

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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 C1 to the Listing Rules. Except for the deviation from code 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 2023.

Code 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 code 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.

The Board also notes that during the year ended 31 December 2023, there was a breach of Rule 14.34 of the Listing Rules in relation to the purchase of computing machines and crytopcurrency mining machines from a supplier, which aggregated together constituted a discloseable transaction of the Company under Chapter 14 of the Listing Rules. For further details, please refer to the announcement of the Company dated 4 September 2023. Subsequent to the discovery of these unintended breaches, the Company has implemented remedial actions to avoid future non-compliances of this nature and to ensure the ongoing effectiveness of the Company's processes for Listing Rules compliance. Further details on the implementation progress of the remedial actions will be included in the annual report of the Company to be despatched to the shareholders in due course.

DIRECTORS' AND EMPLOYEES' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the Year.

The Company has also adopted the Model Code as its written guidelines (the "**Employees Written Guidelines**") in respect of securities dealings by relevant employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

AUDIT COMMITTEE

As at the date of this announcement, the Audit Committee has three members comprising three independent non-executive Directors, namely Ms. Zhao Caihong (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 2023.

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

Save as disclosed in the section "Fund Raising Activities — Placing of New Shares under the General Mandate" above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Year.

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 OF CCTH CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group's auditors, CCTH CPA Limited, to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 December 2023. The work performed by CCTH CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by CCTH CPA Limited on the preliminary announcement.

EXTRACT OF THE AUDITORS' REPORT

The following is an extract of the independent auditor's report on the Group's annual report for the Year:

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 3.1 to the consolidated financial statements that, the Group incurred net losses amounted to approximately RMB11,565,000 for the year ended 31 December 2023 and the Group's net current liabilities amounted to approximately RMB45,898,000 as at 31 December 2023. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. In light of all the measures and arrangements detailed in note 3.1 to the consolidated financial statements, the directors are of the opinion that the Group will be able to finance its future working capital and financial requirements. Our opinion is not modified in respect of this matter.

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, 27 March 2024

* *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. Xiong Di 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