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)**

## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024

**FINANCIAL HIGHLIGHTS**

| | **Six months ended 30 June** | |
|---|---|---|
| | **2024** | 2023 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Revenue | **420,970** | 478,560 |
| Gross profit | **25,016** | 30,766 |
| (Loss)/profit for the Period | **(16,323)** | 15,899 |

- Revenue for the Period decreased by RMB57.6 million or 12.0% as compared to the Previous Period mainly due to decrease in gross income from sales of FIT Products resulting from decrease in demand for FIT Products provided by the Group.

- Gross profit for the Period decreased by RMB5.8 million or 18.7% as compared to the Previous Period as a result of the decrease in revenue.

- Net loss for the Period amounted to RMB16.3 million as compared to net profit of RMB15.9 million for the Previous Period.

The board (the "**Board**") of directors (the "**Directors**") of Feiyang International Holdings Group Limited (the "**Company**") announces the unaudited consolidated interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2024 (the "**Period**"), together with the comparative figures for the corresponding period of 2023 (the "**Previous Period**"), as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the six months ended 30 June 2024*

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2024** | 2023 |
| | *Notes* | ***RMB'000*** | *RMB'000* |
| | | **(Unaudited)** | (Unaudited) |
| **REVENUE** | *5* | **420,970** | 478,560 |
| Cost of sales | | **(395,954)** | (447,794) |
| Gross profit | | **25,016** | 30,766 |
| Other income and gains | *5* | **19,029** | 19,655 |
| Selling and distribution expenses | | **(12,042)** | (7,403) |
| Administrative expenses | | **(24,142)** | (19,375) |
| Impairment on financial assets (recognised)/ reversed, net | | **(17,968)** | 447 |
| Other expenses | | **(1,038)** | (917) |
| Share of losses of associates | | **(200)** | (1,676) |
| Finance costs | *6* | **(4,995)** | (5,575) |
| **(LOSS)/PROFIT BEFORE INCOME TAX** | *7* | **(16,340)** | 15,922 |
| Income tax credit/(expenses) | *8* | **17** | (23) |
| **(LOSS)/PROFIT FOR THE PERIOD** | | **(16,323)** | 15,899 |
| **OTHER COMPREHENSIVE INCOME/ (LOSS)** | | | |
| **Item that will not be reclassified to profit or loss in subsequent periods:** | | | |
| Exchange differences on translation of financial statements | | **11,161** | (12,820) |
| **OTHER COMPREHENSIVE INCOME/ (LOSS) FOR THE PERIOD** | | **11,161** | (12,820) |
| **TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE PERIOD** | | **(5,162)** | 3,079 |

| | Note | Six months ended 30 June | |
|---|---|---|---|
| | | **2024** | 2023 |
| | | ***RMB'000*** | *RMB'000* |
| | | **(Unaudited)** | (Unaudited) |
| **(LOSS)/PROFIT FOR THE PERIOD ATTRIBUTABLE TO:** | | | |
| Owners of the Company | | **(14,848)** | 11,219 |
| Non-controlling interests | | **(1,475)** | 4,680 |
| | | **(16,323)** | 15,899 |
| **TOTAL COMPREHENSIVE (LOSS)/ PROFIT FOR THE PERIOD ATTRIBUTABLE TO:** | | | |
| Owners of the Company | | **(3,684)** | (1,745) |
| Non-controlling interests | | **(1,478)** | 4,824 |
| | | **(5,162)** | 3,079 |

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2024** | 2023 |
| | *Note* | ***RMB cent*** | *RMB cent* |
| | | **(Unaudited)** | (Unaudited) |
| **(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY** | *9* | | |
| Basic | | **(1.78)** | 1.40 |
| Diluted | | **N/A** | N/A |

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
*At 30 June 2024*

| | *Notes* | **As at 30 June 2024** ***RMB'000*** **(Unaudited)** | As at 31 December 2023 *RMB'000* (Audited) |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **34,206** | 39,192 |
| Investment properties | | **6,586** | 6,586 |
| Right-of-use assets | | **9,602** | 11,516 |
| Intangible assets | | **2,099** | 2,607 |
| Finance lease receivables | | **3,973** | 4,874 |
| Advance payments for acquisition of property, plant and equipment | | **11,865** | 11,781 |
| Investments in associates | | **1,645** | 56,166 |
| Investments in joint ventures | | **454** | 454 |
| Deposits | | **473** | 473 |
| Deferred tax assets | | **381** | 381 |
| | | **71,284** | 134,030 |
| **CURRENT ASSETS** | | | |
| Inventories | | **5,288** | 5,250 |
| Trade receivables | *11* | **172,169** | 201,071 |
| Prepayments, deposits and other receivables | | **216,156** | 156,521 |
| Finance lease receivables | | **2,035** | 1,996 |
| Amount due from related parties | | **5,464** | 5,979 |
| Financial assets at fair value through profit or loss | | **813** | 2,494 |
| Pledged deposits | | **3,042** | 3,042 |
| Cash and cash equivalents | | **86,653** | 56,500 |
| | | **491,620** | 432,853 |
| **CURRENT LIABILITIES** | | | |
| Trade payables | *12* | **64,088** | 139,880 |
| Advance from customers, other payables and accruals | | **161,658** | 132,847 |
| Interest-bearing bank and other borrowings | | **243,606** | 194,857 |
| Lease liabilities | | **3,781** | 5,086 |
| Tax payables | | **7,427** | 6,081 |
| | | **480,560** | 478,751 |
| **NET CURRENT ASSETS/(LIABILITIES)** | | **11,060** | (45,898) |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **82,344** | 88,132 |

| | As at 30 June 2024 *RMB'000* (Unaudited) | As at 31 December 2023 *RMB'000* (Audited) |
|---|---|---|
| **NON-CURRENT LIABILITIES** | | |
| Lease liabilities | **7,330** | 7,956 |
| | **7,330** | 7,956 |
| Net assets | **75,014** | 80,176 |
| **EQUITY** | | |
| Share capital | **7,145** | 7,145 |
| Reserves | **66,587** | 70,271 |
| Equity attributable to owners of the Company | **73,732** | 77,416 |
| Non-controlling interests | **1,282** | 2,760 |
| Total equity | **75,014** | 80,176 |

## NOTES

### 1. CORPORATE INFORMATION

The Company is an exempted company which was incorporated in the Cayman Islands with limited liability on 18 October 2018. 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 Period, 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, 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 shares of the Company (the "**Shares**") were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 28 June 2019.

### 2. BASIS OF PREPARATION AND PRESENTATION

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of Appendix D2 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). These unaudited condensed consolidated interim financial statements have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss and investment properties which have been measured at fair value. These unaudited condensed consolidated interim financial statements are presented in Renminbi ("**RMB**"), and all values are rounded to the nearest thousand ("**RMB'000**") except when otherwise indicated.

The Group's unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2023. The accounting policies adopted in the preparation of these unaudited condensed consolidated interim financial statements follow those applied in the preparation of the Group's annual financial statements for the year ended 31 December 2023, except for the accounting policy changes that are expected to be reflected in the Group's annual financial statements for the year ended 31 December 2024. Details of any changes in accounting policy changes and disclosures are set out in Note 3.

**Going concern basis**

Notwithstanding that the Group's incurred a net losses for the six months ended 30 June 2024 amounted to approximately RMB16,323,000, the directors of the Company considered it appropriate for the preparation of the unaudited condensed consolidated interim 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;

(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; and

(iii) The Group will also continue to seek for other financing such as placing of new shares to finance the settlement of its existing financial obligations and future operating and capital expenditures.

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 30 June 2024. Accordingly, the unaudited condensed consolidated interim 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 unaudited condensed consolidated interim financial statements.

## 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those applied in the preparation of the Group's annual financial statements for the year ended 31 December 2023, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("**HKFRSs**") for the first time for the current period's financial information.

| | |
|---|---|
| Amendments to HKFRS 16 | Lease Liability in a Sale and Leaseback |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current and related amendment to Hong Kong Interpretation 5 (2020) |
| Amendments to HKAS 1 | Non-current Liabilities with Covenants |
| Amendments to HKAS 7 and HKFRS 7 | Supplier Finance Arrangements |

The directors of the Company anticipate that the application of all amendments to HKFRSs have no material impact on the unaudited condensed consolidated interim financial statements.

## 4. OPERATING SEGMENT INFORMATION

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

**Geographical information**

The Group's operations are located in the 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 Six months ended 30 June 2024** *RMB'000* **(Unaudited)** | Revenue from external customers Six months ended 30 June 2023 *RMB'000* (Unaudited) | **Non-current assets As at 30 June 2024** *RMB'000* **(Unaudited)** | Non-current assets As at 31 December 2023 *RMB'000* (Audited) |
|---|---|---|---|---|
| Mainland China | **409,721** | 464,529 | **21,041** | 77,887 |
| Hong Kong | **11,249** | 14,031 | **45,416** | 50,415 |
| | **420,970** | 478,560 | **66,457** | 128,302 |

**Information about a major customer**

No revenue from the Group's sales to a single customer amounted to 10% or more of the Group's revenue for the six months ended 30 June 2024 and 30 June 2023.

## 5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the aggregate income from products and services during the Period.

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

| | Six months ended 30 June | |
|---|---|---|
| | **2024** | 2023 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| **Revenue from contracts with customers** *(Note (a))* | **420,872** | 478,560 |
| **Revenue from other sources** | | |
| Finance lease income | **98** | – |
| Total revenue | **420,970** | 478,560 |

| | Six months ended 30 June | |
|---|---|---|
| | **2024** | 2023 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| **Other income** | | |
| Bank interest income | **469** | 139 |
| Government grants *(Note (b))* | **890** | – |
| Compensation income *(Note (c))* | **15,120** | 14,024 |
| Rental income on properties | **200** | 194 |
| Sundry income *(Note (d))* | **2,350** | 1,372 |
| | **19,029** | 15,729 |
| **Gains** | | |
| Fair value gains on disposal of listed equity securities | **–** | 3,926 |
| Total other income and gains | **19,029** | 19,655 |

*Notes:*

**(a)** 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:

| | Six months ended 30 June | |
|---|---|---|
| | **2024** | 2023 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| **Timing of revenue recognition within the scope of HKFRS 15** | | |
| **Over time:** | | |
| — Sales of package tours — Domestic | **130,526** | 64,823 |
| — Information system development services | **797** | 3,876 |
| | **131,323** | 68,699 |
| **At a point in time:** | | |
| — Gross revenue from the sales of FIT products | **273,648** | 396,157 |
| — Margin income from sales of FIT Products | **3,454** | 42 |
| — Sales of ancillary travel related products and services | **2,325** | 413 |
| — Sales of wines | **–** | 2,791 |
| — Sales of health products | **10,122** | 4,728 |
| — Sales of information technology products | **–** | 5,730 |
| | **289,549** | 409,861 |
| Total | **420,872** | 478,560 |

**(b)** The conditions for government grants have been fulfilled by the Group up to the end of the reporting period.

**(c)** During the current period, the Group recognised compensation income from profit guarantee arrangement in relation to the acquisition of subsidiaries in prior year amounted to RMB15,120,000 (30 June 2023: RMB14,024,000).

**(d)** In previous years, the Group had some unresolved legal case relating to contract dispute with suppliers. During the prior year ended 2023, the PRC courts ruled in favour of the Group and to the extent RMB1,056,000 (30 June 2023: nil) was refunded to the Group which was included in sundry income.

## 6. FINANCE COSTS

| | Six months ended 30 June | |
|---|---|---|
| | **2024** | 2023 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Interest on bank loans and other loan | **4,787** | 5,224 |
| Interest on lease liabilities | **208** | 351 |
| | **4,995** | 5,575 |

## 7. (LOSS)/PROFIT BEFORE INCOME TAX

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

| | Six months ended 30 June | |
|---|---|---|
| | **2024** | 2023 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Cost of services provided | **387,182** | 437,724 |
| Cost of inventories sold | **9,203** | 10,070 |
| Depreciation of property, plant and equipment | **6,034** | 4,008 |
| Depreciation of right-of-use assets | **3,079** | 2,523 |
| Amortisation of intangible assets | **508** | 4 |
| Realised loss on listed equity securities | **235** | – |
| Impairment of trade receivables recognised/(reversed), net | **19** | (447) |
| Impairment of financial assets included in prepayments, deposits and other receivables recognised | **17,949** | – |
| Staff costs | **17,663** | 11,455 |

## 8. INCOME TAX CREDIT/(EXPENSES)

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which 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 or 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% on the estimated assessable profits arising in Hong Kong during the Period. No provision for income tax has been made as the Group did not generate any assessable profits in Hong Kong during the Period (30 June 2023: Nil).

During the Period, except for certain subsidiaries of the Group which were entitled to a preferential income tax rate of 20% for small and micro enterprises with the first RMB1.0 million of annual taxable income eligible for 75% reduction and the income between RMB1.0 million and RMB3.0 million eligible for 50% reduction, the provision for the PRC current income tax is based on the statutory rate of 25% of the assessable profits of the PRC subsidiaries as determined in accordance with the Corporate Income Tax Law.

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

| | Six months ended 30 June | |
|---|---|---|
| | **2024** | 2023 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Provided for the Period | | |
| — Hong Kong | **–** | – |
| — Mainland China | **–** | (23) |
| Over-provision of PRC enterprise tax in prior years | **17** | – |
| | **17** | (23) |

## 9. (LOSS)/EARNINGS PER SHARE

### (a) Basic (loss)/earnings per share

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

| | Six months ended 30 June | |
|---|---|---|
| | **2024** | 2023 |
| | **(Unaudited)** | (Unaudited) |
| **(Loss)/earnings for the purpose of basic (loss)/earnings per share** | | |
| (Loss)/earnings for the period attributable to owners of the Company *(in RMB'000)* | **(14,848)** | 11,219 |
| **Number of shares for the purpose of basic (loss)/earnings per share** | | |
| Weighted average number of ordinary shares in issue during the period *('000)* | **832,000** | 800,000 |
| Basic (loss)/earnings per share *(RMB cent)* | **(1.78)** | 1.40 |

### (b) Diluted (loss)/earnings per share

No diluted (loss)/earnings per share for both of the six months ended 30 June 2024 and 2023 is presented as there were no potential ordinary shares in issue for both of these periods.

## 10. INTERIM DIVIDENDS

The Board did not recommend payment of an interim dividend in respect of the six months ended 30 June 2024 (30 June 2023: Nil).

## 11. TRADE RECEIVABLES

| | **As at 30 June 2024** *RMB'000* **(Unaudited)** | As at 31 December 2023 *RMB'000* (Audited) |
|---|---|---|
| Trade receivables, gross amount | **252,322** | 281,205 |
| Less: Impairment losses recognised | **(80,153)** | (80,134) |
| | **172,169** | 201,071 |

The credit terms granted by the Group generally range 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, which 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 gross trade receivables as at the end of each of the period, based on the invoice date, is as follows:

| | **As at 30 June 2024** *RMB'000* **(Unaudited)** | As at 31 December 2023 *RMB'000* (Audited) |
|---|---|---|
| 1 to 60 days | **19,267** | 104,805 |
| 61 to 180 days | **19,751** | 100,315 |
| 181 to 360 days | **135,520** | 9,061 |
| 1 to 2 years | **14,424** | 9,281 |
| Over 2 years | **63,360** | 57,743 |
| | **252,322** | 281,205 |

## 12. TRADE PAYABLES

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

| | **As at 30 June 2024** ***RMB'000*** **(Unaudited)** | As at 31 December 2023 *RMB'000* (Audited) |
|---|---|---|
| 1 to 60 days | **9,255** | 125,137 |
| 61 to 180 days | **20,305** | 12,756 |
| 181 to 360 days | **31,952** | 187 |
| Over 1 year | **2,576** | 1,800 |
| | **64,088** | 139,880 |

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

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

Domestic travel spending in China is projected to reach new heights this year, exceeding pre-pandemic figures. According to the China Tourism Academy, the number of domestic tourist trips is anticipated to surpass 6 billion in 2024. In the first half of 2024, China experienced a notable recovery in its tourism sector, largely due to efforts to boost inbound tourism. The significant return of Chinese travellers post-pandemic has further fuelled strong year-on-year growth, aided by improved travel infrastructure and providing high-quality leisure facilities.

The tourism industry in China has been actively promoting domestic travel, offering attractive packages and incentives to encourage more people to explore the country. This trend is expected to contribute significantly to the economic growth and recovery of the tourism sector in China.

China's Ministry of Culture and Tourism recently elevated 22 destinations to the status of "China National Tourist Resort", highlighting the country's commitment to providing high-quality leisure facilities reflecting China's dedication to maintaining high standards in its tourism offerings.

Reflecting these positive developments, the sales of package tours of the Group has significantly increased from RMB64.8 million for the Previous Period to RMB130.5 million for the Period. This growth has also boosted the Group's margin income from the sales of FIT products to RMB3.5 million (Previous Period: RMB42,000), and from ancillary travel-related products and services to RMB2.3 million (Previous Period: RMB0.4 million).

The Group recorded a net loss of RMB16.3 million for the Period, which was mainly attributable to (i) the recognised of impairment loss on financial assets of RMB18.0 million (Previous Period: reversal of provision impairment loss of RMB0.4 million) after the assessment of the credit risk on financial assets faced by the Group at the end of the Period; and (ii) increase in selling and distribution expenses and administrative expenses by RMB4.6 million and RMB4.8 million respectively, which is mainly due to increase in staff cost as a result of expansion of our core services network from Zhejiang Province to nationwide.

## PROSPECTS

China's tourism industry is showing strong signs of recovery and growth, bolstered by new initiatives and policies introduced in 2024. The Chinese government has actively promoted domestic tourism as a key driver of economic expansion. Recent developments, such as the introduction of the "BEIJING PASS", have significantly enhanced the travel experience for foreign tourists, allowing seamless travel across public transportation in Beijing and over 300 cities in China.

Efforts to improve hospitality are evident in the introduction of multilingual services, including English travel guides at popular destinations like Taishan Mountain and multilingual tour guides in Xi'an, which aim to eliminate language barriers and create a welcoming atmosphere for foreign tourists.

Substantial investments in transportation infrastructure, such as high-speed rail networks, airports, and highways, have made travel within China more convenient and accessible, further supporting the growth of domestic tourism. In line with these developments, the Group has recently established a joint venture company, Anhui Feiyang Aviation Operations Development Co., Ltd.* (安徽飛揚航空運營發展有限公司), primarily engaged in the provision of airport operation-related services. This joint venture is expected to open more flight routes and expand the aviation market, thereby promoting the high-quality development of civil aviation in Huangshan City.

China's proactive approach in revitalising its tourism sector through policy reforms, enhanced travel facilities, and strategic development of tourist destinations is yielding impressive results. As inbound and outbound travel surge, China is making a substantial contribution to the global tourism economy.

The COVID-19 pandemic has heightened consumer interest in health, nutrition, and wellness, driving an increase in the market for health-related products. The Group is leveraging this trend by continuing to diversify, distributing health products through its online platform, and engaging external manufacturers to produce health products developed and marketed under the Group's brands.

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 periods indicated:

| | Six months ended 30 June | | | |
|---|---|---|---|---|
| | **2024** | | 2023 | |
| | **Revenue** | **Percentage of revenue** | Revenue | Percentage of revenue |
| | ***RMB'000*** | ***%*** | *RMB'000* | *%* |
| | **(Unaudited)** | | (Unaudited) | |
| Travel-related products and services | | | | |
| (i) Sales of package tours | **130,526** | **31.0** | 64,823 | 13.5 |
| (ii) Gross revenue from sales of FIT Products | **273,648** | **65.0** | 396,157 | 82.8 |
| (iii) Margin income from sales of FIT Products | **3,454** | **0.8** | 42 | – |
| (iv) Sales of ancillary travel-related products and services | **2,325** | **0.6** | 413 | 0.1 |
| | **409,953** | **97.4** | 461,435 | 96.4 |
| Sales of health products | **10,122** | **2.4** | 4,728 | 1.0 |
| Information system development services | **797** | **0.2** | 3,876 | 0.8 |
| Finance lease income | **98** | **–** | – | – |
| Sales of information technology products | **–** | **–** | 5,730 | 1.2 |
| Sales of wines | **–** | **–** | 2,791 | 0.6 |
| Total | **420,970** | **100.0** | 478,560 | 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) sales of information technology products; (iii) sales of health products; (iv) provision of information system development services; (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 revenue of the Group decreased by RMB57.6 million from RMB478.6 million for the Previous Period to RMB421.0 million for the Period, which was mainly due to decrease in gross income from sales of FIT Products resulting from decrease in demand for FIT Products provided by the Group.

***Travel-related products and services***

*(i) 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 periods indicated:

| | **Six months ended 30 June** | | | |
|---|---|---|---|---|
| | **2024** | | 2023 | |
| | **Revenue** | **Percentage of revenue** | Revenue | Percentage of revenue |
| | ***RMB'000*** | **%** | *RMB'000* | % |
| | **(Unaudited)** | | (Unaudited) | |
| Traditional package tours | **120,395** | **92.2** | 54,330 | 83.8 |
| Tailor-made tours | **10,131** | **7.8** | 10,493 | 16.2 |
| Total | **130,526** | **100.0** | 64,823 | 100.0 |

The sales of traditional package tours and tailor-made tours contributed 92.2% and 7.8% (Previous Period: 83.8% and 16.2%) of the Group's total sales of package tours for the Period, respectively. The Group's sales of package tours increased by RMB65.7 million or 101.4% from RMB64.8 million for the Previous Period to RMB130.5 million for the Period, which was mainly due to the recovery of the tourism industry which lead to increase in demand for package tours during the Period.

*(ii) 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. The Group's gross income from sales of FIT Products decreased by RMB122.5 million or 30.9% from RMB396.2 million for the Previous Period to RMB273.6 million for the Period, which was mainly due to decrease in demand for the FIT Products provided by the Group as a principal role during the Period.

*(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 periods indicated:

| | **Six months ended 30 June** | |
|---|---|---|
| | **2024** | 2023 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Margin income from sales of air tickets | **3,454** | – |
| Margin income from sales of other FIT Products | **–** | 42 |
| Total | **3,454** | 42 |

During the Period, the Group recognised margin income from sales of air tickets of RMB3.5 million (Previous Period: Nil). Margin income from sales of air tickets increased which was mainly due to the increase in number of air tickets sold as a result of increase in demand for travel related products during the Period.

No margin income from sales of other FIT Products was recognised during the Period (Previous Period: RMB42,000).

*(iv) Sales of ancillary travel-related products and services*

The Group also offered other ancillary travel-related products and services to the customers. The sales of ancillary travel-related products and services increased by RMB1.9 million from RMB0.4 million for the Previous Period to RMB2.3 million for the Period.

***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 so as to address the increasing attention to health and prevention by the consumers. Revenue generated from sales of health products amounted to RMB10.1 million for the Period (Previous Period: RMB4.7 million) as the business has become more established.

***Information system development services***

Information system development services mainly represented the provision of cloud storage services, web hosting services, enterprise mailbox and website development and leasing of equipment including rental of data centres, servers, hard drives, computing machines, mining machines and other storage devices. Revenue from information system development services amounted to RMB0.8 million for the Period (Previous Period: RMB3.9 million).

***Finance lease income***

In 2023, 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 RMB98,000 for the Period (Previous Period: nil).

***Sales of information technology products***

Sales of information technology products included sales of computing machines and computer components and storage, such as processors, motherboards, hard drives and server components. No revenue was generated from sales of information technology products during the Period (Previous Period: RMB5.7 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. No revenue was generated from sales of wines for the Period (Previous Period: RMB2.8 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 decreased by RMB51.8 million or 11.6% from RMB447.8 million for the Previous Period to RMB396.0 million for the Period, which was mainly due to decrease in cost incurred for sales of FIT Products resulting from decrease in demand for the FIT Products provided by the Group as a principal role during the Period.

### 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 periods indicated:

| | **Six months ended 30 June** | | | |
|---|---|---|---|---|
| | **2024** | | 2023 | |
| | **Gross profit** *RMB'000* **(Unaudited)** | **Gross profit margin** *%* | Gross profit *RMB'000* (Unaudited) | Gross profit margin *%* |
| Travel-related products and services | | | | |
| (i) Package tours | | | | |
| — Traditional | **17,321** | **14.4** | 9,410 | 17.3 |
| — Tailor-made | **944** | **9.3** | 1,971 | 18.8 |
| | **18,265** | **14.0** | 11,381 | 17.6 |
| (ii) Gross revenue from sales of FIT Products | **(329)** | **(0.1)** | 13,294 | 3.4 |
| (iii) Margin income from sales of FIT Products | **3,395** | **98.3** | 7 | 16.7 |
| (iv) Ancillary travel-related products and services | **1,462** | **62.9** | 104 | 25.2 |
| | **22,793** | **10.7** | 24,786 | 5.4 |
| Sales of health products | **1,350** | **13.3** | 840 | 17.8 |
| Information system development services | **775** | **97.2** | 2,801 | 72.3 |
| Financial lease income | **98** | **100.0** | – | – |
| Sales of information technology products | **–** | **–** | 2,240 | 39.1 |
| Sales of wines | **–** | **–** | 99 | 3.5 |
| Total | **25,016** | **5.9** | 30,766 | 6.4 |

The Group recorded gross profit of RMB25.0 million and RMB30.8 million, representing gross profit margin of 5.9% and 6.4%, for the Period and the Previous Period, respectively. The decrease in the overall gross profit was mainly due to decrease in gross profit from information system development services and sales of information technology products as a result of intense competition.

The overall gross profit margin decreased from 6.4% for the Previous Period to 5.9% for the Period, which was mainly attributable to the changes in the Group's product and service mix. The gross profits from information system development services and sales of information technology products decreased during the Period, which had relatively higher profit margin compared to other business segments.

The overall gross profit margin of package tours decreased by 3.6 percentage points from 17.6% for the Previous Period to 14.0% for the Period was mainly due to the fact that more discounts was offered to tour packages to attract customers.

**Other income and gains**

Other income and gains mainly represented compensation income, government grants and bank interest income. The amount remain relatively stable from RMB19.7 million for the Previous Period to RMB19.0 million for the Period.

**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 our tourism square, retail branches and sales office.

The Group's selling and distribution expenses increased by RMB4.6 million or 62.7% from RMB7.4 million for the Previous Period to RMB12.0 million for the Period mainly attributable to the increase in staff costs by RMB4.4 million as a result of the increase in headcount due to the expansion of our core services network from Zhejiang Province to nationwide.

**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 RMB4.8 million or 24.6% during the Period was mainly due to (i) the increase in staff costs by RMB1.9 million as a result of headcount increment for research and development and administration department due to the expansion of our core services network from Zhejiang Province to nationwide; (ii) increase in depreciation by RMB1.7 million due to addition of property, plant and equipment for the Period; and (iii) increase in rental expenses by RMB0.7 million.

**Other expenses**

The Group's other expenses remain relatively stable from RMB0.9 million for the Previous Period to RMB1.0 million for the Period.

**Finance costs**

The Group's finance costs represented interest expenses on bank loans, other loan and lease liabilities, which slightly decreased by RMB0.6 million from RMB5.6 million for the Previous Period to RMB5.0 million for the Period.

**Income tax credit/(expenses)**

Income tax credit amounted to RMB17,000 for the Period (Previous Period: income tax expense of RMB23,000).

**(Loss)/profit for the Period attributable to the owners of the Company**

As a result of the foregoing, the Group recorded loss for the period attributable to the owners of the Company of RMB14.8 million for the Period (Previous Period: profit of RMB11.2 million).

**Prepayments, deposits and other receivables**

The following table sets forth the breakdown of the prepayments, deposits and other receivables at the dates indicated:

| | **As at 30 June 2024** *RMB'000* **(Unaudited)** | As at 31 December 2023 *RMB'000* (Audited) |
|---|---|---|
| **Non-current:** | | |
| Rental deposits | **473** | 473 |
| **Current:** | | |
| Deposit and other receivables, net | **40,414** | 66,410 |
| Prepayments | **153,740** | 67,888 |
| Refund from suppliers | **22,002** | 22,223 |
| | **216,156** | 156,521 |
| | **216,629** | 156,994 |

The prepayments, deposits and other receivables increased by RMB59.6 million from RMB157.0 million as at 31 December 2023 to RMB216.6 million as at 30 June 2024 primarily due to the increase in prepayment for procurement of air tickets of RMB57.5 million.

***Deposits and other receivables, net***

The following table sets forth the breakdown of deposits and other receivables, net at the dates indicated:

| | **As at 30 June 2024** *RMB'000* **(Unaudited)** | As at 31 December 2023 *RMB'000* (Audited) |
|---|---|---|
| Deposits — procurement of air tickets | **3,451** | 24,824 |
| Deposits — others | **8,740** | 6,250 |
| Commission receivables | **9,599** | 9,045 |
| Refund from suppliers in relation to contract dispute | **3,492** | 2,828 |
| Other receivables | **15,132** | 23,463 |
| | **40,414** | 66,410 |

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

The decrease in deposits and other receivables, net by RMB26.0 million from RMB66.4 million as at 31 December 2023 to RMB40.4 million as at 30 June 2024, primarily due to the decrease in deposits for procurement of air tickets of RMB21.4 million.

***Prepayments***

The following table sets forth the breakdown of the prepayments at the dates indicated:

| | **As at 30 June 2024** *RMB'000* **(Unaudited)** | As at 31 December 2023 *RMB'000* (Audited) |
|---|---|---|
| Travel-related products and services | | |
| — Air tickets | **69,919** | 12,444 |
| — Hotel accommodation, meal and tour guide | **47,524** | 18,838 |
| — Land and cruise operators | **550** | 1,111 |
| | **117,993** | 32,393 |
| Investment projects | **17,902** | 17,776 |
| Health products and wine | **10,442** | 10,012 |
| Research and development expenses | **1,643** | 2,831 |
| Rental expenses for equipment | **913** | 941 |
| Others | **4,847** | 3,935 |
| | **153,740** | 67,888 |

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) procurement for health products and wine.

The increase in prepayments by RMB85.9 million from RMB67.9 million as at 31 December 2023 to RMB153.7 million as at 30 June 2024 was mainly due to increase in procurement of air tickets and hotel accommodation, meal and tour guide.

***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 and refundable to the Group.

The Group recorded refund from air ticket suppliers, land and cruise operators and other suppliers of RMB22.2 million and RMB22.0 million as at 31 December 2023 and 30 June 2024, respectively, which remained relatively stable.

*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, provision for impairment loss of RMB18.0 million (Previous Period: reversal of impairment loss of RMB0.4 million) was recognised for the Period. The increase of provision for impairment loss during the Period mainly attributed to the increase in other receivables in relation to the compensation income 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. 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 30 June 2024, the Group's current assets and current liabilities were RMB491.6 million and RMB480.6 million (31 December 2023: RMB432.9 million and RMB478.8 million), respectively, of which the Group maintained cash and bank balances of RMB86.7 million (31 December 2023: RMB56.5 million) and pledged short-term deposits of RMB3.0 million (31 December 2023: RMB3.0 million). As at 30 June 2024, the Group's current ratio was 1.0 times (31 December 2023: 0.9 times).

The Group's outstanding borrowings as at 30 June 2024 represented bank and other borrowings of RMB243.6 million (31 December 2023: RMB194.9 million) which bore fixed interest rates and denominated in RMB. As at 30 June 2024, all bank and other borrowings are repayable on demand or within one year.

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 Group's gearing ratio remained relatively stable at 84.1% and 84.5% as at 30 June 2024 and 31 December 2023, respectively.

The average turnover days of trade receivables were 80.7 days and 45.6 days for the Period and the Previous Period, respectively. The increase in average turnover days of trade receivables during the Period was mainly due to slower settlement by debtors. The average turnover days of trade payables for the Period decreased to 3.1 days (Previous Period: 32.0 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 current deposits mostly denominated in RMB and Hong Kong dollars. The Group's liquidity and financing requirements are reviewed regularly.

During the Period, the Group's primary source of funding included, 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 unutilised banking facilities available, fund raising activities and the expected cash flow from operations, will be sufficient to satisfy its current operational and working capital requirements.

## CAPITAL STRUCTURE

There is no material change in the capital structure of the Company during the Period. The capital of the Company comprises only ordinary shares.

## FOREIGN EXCHANGE RISK MANAGEMENT

Most of the Group's sales, procurements and operating costs are denominated in RMB, except for certain air tickets from international airline operators which were mainly denominated and settled in HKD and such foreign currency transactions and exposure were not material to our total cost of air tickets as a whole. During the Period, the Group had not entered into any hedging transactions to reduce the exposure to foreign exchange risk, which the Directors consider not material to our 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

(a) The Group's bank loans are secured by the mortgages over the Group's investment properties situated in Mainland China, which had an aggregate net carrying value of RMB6.6 million and RMB6.6 million as at 31 December 2023 and 30 June 2024, respectively.

(b) During the Period, the Controlling Shareholders had jointly guaranteed certain of the Group's banking facilities of up to RMB343.2 million (31 December 2023: RMB249.0 million).

(c) Mr. Zhang Dayi, a director of certain subsidiaries in the PRC 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 30 June 2024 (31 December 2023: RMB46.0 million).

## INTERIM DIVIDEND

The Board did not declare the payment of an interim dividend for the Period (Previous Period: Nil).

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

In January 2024, Hainan Zhenlv, a non-wholly owned subsidiary of the Company, Xinjiang Cultural Tourism Investment Group Co., Ltd.* (新疆文化旅遊投資集團有限公司) ("**Xinjiang Cultural Tourism Investment Group**") and United Overseas International Travel Service (Shenzhen) Co., Ltd.* (聯合海外國際旅行社(深圳)有限公司) ("**United Overseas International**") 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 is principally 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 capitalise 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 April 2024, Zhejiang Feiyang International Travel Group Co., Ltd. ("**Feiyang International**"), a wholly-owned subsidiary of the Company, Anhui Civil Aviation Airport Group Co., Ltd.* (安徽民航機場集團有限公司) ("**Anhui Airport Group**") and Huangshan Tourism Development Co., Ltd.* (黃山旅遊發展股份有限公司) ("**Huangshan Tourism Company**") set up a joint venture company, Anhui Feiyang Aviation Operations Development Co., Ltd. (安徽飛揚航空運營發展有限公司) ("**Anhui Feiyang**") in the PRC. The registered capital of Anhui Feiyang is RMB10 million, which is contributed as to 45%, 30% and 25% by Anhui Airport Group, Feiyang International and Huangshan Tourism Company, respectively. Anhui Feiyang is principally engaged in the provision of airport operation related services. It is expected that the joint venture cooperation would open up more flight routes and expand the aviation market, thereby effectively promoting the high-quality development of civil aviation in Huangshan City. For further details, please refer to the announcement of the Company dated 13 May 2024.

In August 2024, Ningbo Yinjiang Feiyang Cultural Tourism Development Co., Ltd* (寧波鄞江飛揚文旅開發有限公司) ("**Ningbo Yinjiang**"), one of the associates of the Group, was deregistered. Please refer to "Management Discussion and Analysis — Investment in Associates" in this announcement for further details.

Save as disclosed in this announcement, as at 30 June 2024, there were no other significant investments, material acquisitions and disposals by the Company during the Period, nor there was any other future plans for material investments or additions of capital assets at the date of this announcement.

## SUBSEQUENT EVENTS

On 19 August 2024, Ningbo Yinjiang, one of the associates of the Group was deregistered. Upon completion of the deregistration, the Group ceased to have any interest in the Ningbo Yinjiang.

Save as disclosed in this announcement, as at 30 June 2024, there was no other significant event occurred after the end of the Period.

## CONTINGENT LIABILITIES

As at 30 June 2024 and 31 December 2023, the Group did not have any significant contingent liabilities.

## SHARE OPTION SCHEME

The Company has a share option scheme (the "**Share Option Scheme**") which was approved and adopted by the shareholders of the Company by way of written resolutions passed on 11 June 2019, the details of which are set out in the prospectus of the Company dated 18 June 2019. No share option has been granted under the Share Option Scheme since its adoption.

## EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2024, the total number of employees of the Group was 267 (31 December 2023: 189). Staff costs (including Directors' emoluments) amounted to RMB17.7 million for the Period (Previous Period: RMB11.5 million). Remuneration of the employees includes salary and discretionary bonuses based on the Group's results and individual performance. Retirement benefits schemes and inhouse training programmes are made available to all levels of personnel.

## INVESTMENT IN ASSOCIATES

The Group's investments in associates primarily represented by its interest in 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 Period, the Group recorded share of losses of associates of RMB0.2 million (Previous Period: RMB1.7 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 Ningbo Yinjiang did not proceed as expected, the amount of capital contribution in the sum of RMB56 million made by the Group was returned to the Group during the Period. Ningbo Yinjiang was deregistered in August 2024.

## AUDIT COMMITTEE

As at the date of this announcement, the audit committee of the Company (the "**Audit Committee**") has three members comprising three independent non-executive Directors, namely Ms. Zhao Caihong (Chairlady), Mr. Li Huamin and Ms. Yuan Shaoying. 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 Corporate Governance Code (the "**CG Code**") contained in Appendix C1 to the Listing Rules.

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 unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2024.

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Group are committed to maintaining a high standard of corporate governance which is reviewed and strengthened from time to time. The Company's corporate governance practices are based on principles and code provisions as set out in the CG Code and Corporate Governance Report contained in Appendix C1 to the Listing Rules. Except for the deviation from provision C.2.1 of the CG Code, the Company's corporate governance practices have complied with the CG Code during the Period.

Provision C.2.1 of the CG Code stipulates that the role 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 checkand-balance mechanism through the Board and three independent non-executive Directors. The independent non-executive Directors are able to retain independence of character and judgment and are able to express their views without any constraint. In addition, the Board also consists of five other executive Directors who are familiar with the day-to-day business of the Company. The Company will consult the Board for any major decisions. Therefore, the Board considers that the balance of power and authority of the present arrangement with the Board and the independent non-executive Directors will not be impaired because such arrangement would not result in excessive concentration of power in one individual which could adversely affect the interest of minority Shareholders. As such, the deviation from provision C.2.1 of the CG Code is appropriate in such circumstance. The Board will continue to review and consider splitting the roles of the chairman of the Board and the chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the "**Model Code**") as its own code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code during the Period.

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Period.

## FORWARD LOOKING STATEMENTS

This announcement contains forward looking statements with respect to the financial conditions, results of operations and business of the Group. These forward looking statements represent the Company's expectations or beliefs concerning future events and involve known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed or implied in such statements.

## 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 our shareholders, clients and suppliers for their continuous and valuable support.

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

Ningbo, the PRC, 28 August 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. Xiong Di, Mr. Huang Yu, Mr. Wu Bin and Ms. Chen Huiling as executive directors of the Company; Mr. Shen Yang as non-executive director of the Company; and Mr. Li Huamin, Ms. Zhao Caihong and Ms. Yuan Shaoying as independent non-executive directors of the Company.*

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