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Feiyang International Holdings Group Limited

飛揚國際控股(集團)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1901)

MAJOR AND CONNECTED TRANSACTION DISPOSAL OF A SUBSIDIARY

DISPOSAL

The Board wishes to announce that on 19 November 2024 (after trading hours), Feiyang International and Ningbo Zhenhang, among others, entered into the Termination Agreement, pursuant to which Feiyang International has conditionally agreed to sell, and Ningbo Zhenhang has conditionally agreed to purchase, the Sale Shares at the consideration of RMB22,680,000.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Target Company is deemed to be a 60% indirect non-wholly owned subsidiary of the Company and is owned by Ningbo Zhenhang as to 40%. Therefore, Ningbo Zhenhang is a substantial shareholder of the Target Company and is a connected person of the Company at the subsidiary level under the Listing Rules. The Disposal thus constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.101 of the Listing Rules, since (i) Ningbo Zhenhang is a connected person of the Company at the subsidiary level; (ii) the transactions contemplated under the Disposal are entered into on normal commercial terms; and (iii) the Board (including the independent non-executive Directors) has approved the Disposal and the transactions contemplated thereunder, and confirmed that such transactions are entered into on normal commercial terms, are fair and reasonable and are in the interest of the Company and Shareholders as a whole, the transactions contemplated under the Disposal are subject to the reporting and announcement requirements but are exempt from the circular, independent financial advice and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Furthermore, as one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Disposal exceed 25% but all are less than 75%, the Termination Agreement and the transactions contemplated thereunder constitute a major transaction of the Company and are subject to the notification, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

References are made to the announcements of the Company dated 10 October 2022 and 6 January 2023 in relation to the Group's acquisition of the Sale Shares from Ningbo Zhenhang.

The Board wishes to announce that on 19 November 2024 (after trading hours), Feiyang International and Ningbo Zhenhang, among others, entered into the Termination Agreement, pursuant to which Feiyang International has conditionally agreed to sell, and Ningbo Zhenhang has conditionally agreed to purchase, the Sale Shares at the consideration of RMB22,680,000.

THE TERMINATION AGREEMENT

Date : 19 November 2024 (after trading hours)

Parties : (1) Feiyang International;
(2) Ningbo Zhenhang;
(3) the Target Company;
(4) Hainan Zhenlv;
(5) Guarantor A; and
(6) Guarantor B.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Ningbo Zhenhang is owned as to 90% and 10% by Guarantor A and Guarantor B, respectively.

The Guarantors agreed to guarantee in favour of Feiyang International the obligations and liabilities of Ningbo Zhenhang and the Target Group under the Termination Agreement.

Assets to be disposed of

Pursuant to the Termination Agreement, Feiyang International has conditionally agreed to sell, and Ningbo Zhenhang has conditionally agreed to purchase, the Sale Shares.

Consideration

Pursuant to the Original Agreement, in case of termination, the parties shall use their best endeavours to restore the position of the Target Group to the status before completion of the Original Agreement, which includes the transfer of the Sale Shares from the Group to Ningbo Zhenhang and the return of all consideration paid and dividend distributed according to the Original Agreement in a fair, reasonable and honest manner. The Consideration was arrived at after arm's length commercial negotiations between Ningbo Zhenhang and Feiyang International and was determined with reference to the amount of consideration paid by Ningbo Zhenhang.

The consideration payable by Ningbo Zhenhang to Feiyang International for the Disposal is RMB22,680,000 and shall be settled by Ningbo Zhenhang in cash within 30 days after the Company obtains the approval of the Shareholders at the EGM in relation to the Disposal.

Condition precedents

The Disposal shall be conditional upon the Company obtains the approval of the Shareholders at the EGM.

Completion

Completion shall take place within seven working days from the date of payment of the consideration.

In order to restore the position of the Target Group to the status before completion of the Original Agreement, Feiyang International shall (i) provide assistance to Ningbo Zhenhang for the change in equity registration at Administration for Market Regulation on the date of Completion and (ii) return RMB22,680,000 to the Target Company, being the total amount of dividend distributed by the Target Company to Feiyang International, within seven working days from the date of Completion.

FINANCIAL EFFECT OF THE DISPOSAL

Upon Completion, the Target Group will cease to be a subsidiary of the Company and its financial results will no longer be consolidated into the financial statements of the Group.

Based on the preliminary assessment on the financial information of the Target Group, the consideration under the Termination Agreement and the amount of dividend required to be returned to the Target Company, the Group currently expects to record a loss on disposal of approximately RMB12 million from the Disposal. The actual loss of the Disposal for the Group is subject to audit and therefore may be different from the amount mentioned above.

As the amount of the consideration under the Termination Agreement equals to the amount of dividend required to be returned to the Target Company, no net proceeds will be generated from the Disposal.

INFORMATION ON THE TARGET GROUP

As at the date of this announcement, the Target Company is owned as to 60% and 40% by Feiyang International and Ningbo Zhenhang, respectively, and the business scope of Hainan Zhenlv includes the provision of travel consulting services, travel agencies and related services, ticketing agency services, air passenger ticketing agency services, information technology consulting services, hotel management, business information consulting, marketing and sales planning and wholesale of electronic and art crafts products.

Set out below is the financial information of the Target Group for the two years ended 31 December 2022 and 31 December 2023 and for the nine months ended 30 September 2024:

	For the nine months ended 30 September 2024 (RMB'000) (unaudited)	For the year ended 31 December 2023 (RMB'000)	For the year ended 31 December 2022 (RMB'000)
Revenue	75,921	314,379	1,215
Operating profit/(loss)	(3,110)	(3,592)	1,014
Net profit/(loss) before tax	(3,378)	(3,578)	1,015
Net profit/(loss) after tax	(3,381)	(5,301)	1,015
	As at 30 September 2024 (RMB'000) (unaudited)	As at 31 December 2023 (RMB'000)	As at 31 December 2022 (RMB'000)
Total assets	104,365	157,975	14,493
Net assets	20,054	23,435	1,015

REASONS FOR AND BENEFITS OF THE DISPOSAL

Pursuant to the Original Agreement, the Group has the unilateral right to terminate the Original Agreement if the Target Group (i) fails to meet sustainable expectations; (ii) records net losses for two consecutive months; or (iii) fails to meet the Monthly Guarantee Profit for three times or more in a year. Having considered that the Target Group has failed to meet the relevant financial performance, Feiyang International decided to enter into the Termination Agreement.

In light of the above, the Directors consider that the terms of the Termination Agreement were negotiated on an arm's length basis, on normal commercial terms, and the Disposal is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE PARTIES

Information of the Group and Feiyang International

The Group is principally engaged in (i) the design, development and sales of package tours which consist of traditional package tours and tailor-made tours; (ii) the sales of free independent traveller products which mainly include provision of air tickets and/or hotel accommodation; and (iii) the provision of ancillary travel-related products and services, and Feiyang International is the main operating subsidiary of the Company.

Information of Ningbo Zhenhang

Ningbo Zhenhang is a limited liability company established in the PRC on 28 September 2022 and is an investment holding company of the Target Company.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Target Company is deemed to be a 60% indirect non-wholly owned subsidiary of the Company and is owned by Ningbo Zhenhang as to 40%. Therefore, Ningbo Zhenhang is a substantial shareholder of the Target Company and is a connected person of the Company at the subsidiary level under the Listing Rules. The Disposal thus constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.101 of the Listing Rules, since (i) Ningbo Zhenhang is a connected person of the Company at the subsidiary level; (ii) the transactions contemplated under the Disposal are entered into on normal commercial terms; and (iii) the Board (including the independent non-executive Directors) has approved the Disposal and the transactions contemplated thereunder, and confirmed that such transactions are entered into on normal commercial terms, are fair and reasonable and are in the interest of the Company and Shareholders as a whole, the transactions contemplated under the Disposal are subject to the reporting and announcement requirements but are exempt from the circular, independent financial advice and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Furthermore, as one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Disposal exceed 25% but all are less than 75%, the Termination Agreement and the transactions contemplated thereunder constitute a major transaction of the Company and are subject to the notification, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

None of the Directors has any material interests in the Disposal, and hence, none of the Directors is required to abstain from voting on relevant Board resolutions of the Termination Agreement and the transactions contemplated thereunder.

EGM

The EGM will be convened and held for the Shareholders to consider, and if thought fit, approve the Termination Agreement and the transactions contemplated thereunder.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, no Shareholder has a material interest in the Termination Agreement and the transactions contemplated thereunder. Therefore, no Shareholder will be required to abstain from voting at the EGM to approve the ordinary resolution(s) regarding the Disposal.

GENERAL

A circular containing, among other things, (i) details of the Disposal; (ii) the financial information of the Group; (iii) a notice convening the EGM; and (iv) other information required to be disclosed under the Listing Rules will be disseminated to the Shareholders on or before 10 December 2024, as additional time is needed for the preparation and finalization of certain information for inclusion in the circular.

Shareholders and potential investors of the Company shall note that Completion is subject to the fulfilment of the conditions precedent under the Termination Agreement, and may or may not materialise. Shareholders and potential investors of the Company are therefore advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“associates”	has the meaning ascribed to it in the Listing Rules;
“Board”	the board of Directors;
“Company”	Feiyang International Holdings Group Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1901);
“Completion”	completion of the Disposal in accordance with the terms and conditions of the Termination Agreement;
“connected person(s)”	has the meaning as ascribed thereto under the Listing Rules;
“Contractual Arrangements”	the series of contractual arrangements entered into by, among others, Ningbo Feiyang Commercial Management Co., Ltd.* (寧波飛揚商業管理有限公司), Feiyang International and the registered shareholders of Feiyang International;
“Disposal”	the disposal of the Sale Shares;
“EGM”	the extraordinary general meeting of the Company to be convened and held for the purpose of considering, and if thought fit, approving, the Disposal;

“Feiyang International”	Zhejiang Feiyang International Travel Group Co., Ltd.* (浙江飛揚國際旅遊集團股份有限公司), a limited liability company established under the laws of the PRC on 19 September 2001 and is deemed to be an indirect wholly owned subsidiary of the Company pursuant to the Contractual Arrangements;
“Guarantor A”	Liu Rong (劉榮), who holds 90% interest in Ningbo Zhenhang, an Independent Third Party;
“Guarantor B”	Xia Guofeng (夏國峰), who holds 10% interest in Ningbo Zhenhang, an Independent Third Party;
“Hainan Zhenlv”	Hainan Zhenlv International Travel Agency Co., Ltd.* (海南真旅國際旅行社有限公司), a limited liability company established under the laws of the PRC on 12 June 2019, which is wholly owned by the Target Company;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Third Party(ies)”	independent third party(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and Directors, chief executives, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Ningbo Zhenhang”	Ningbo Zhenhang Business Service Co., Ltd.* (寧波真航商務服務有限公司), a limited liability company established under the laws of the PRC on 28 September 2022, which is owned as to 90% and 10% by Guarantor A and Guarantor B, respectively;
“Original Agreement”	the equity transfer agreement dated 10 October 2022 entered into by Feiyang International, Ningbo Zhenhang, the Target Group and the Guarantors in respect of the acquisition of the Sales Shares;
“PRC”	the People’s Republic of China which, for the purposes of this announcement, excludes Hong Kong, Macau and Taiwan;
“Sale Shares”	60% equity interest in the Target Company;

“Share(s)”	the ordinary share(s) of par value of HK\$0.01 each in the issued share capital of the Company;
“Shareholder(s)”	the holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Company”	Zhejiang Feijiada Aviation Service Co., Ltd.* (浙江飛加達航空服務有限公司), a limited liability company established under the laws of the PRC on 28 September 2022;
“Target Group”	the Target Company and Hainan Zhenlv;
“Termination Agreement”	the conditional equity transfer agreement dated 19 November 2024 entered into by Feiyang International, Ningbo Zhenhang, the Target Group and the Guarantors in respect of the Disposal; and
“%”	per cent.

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

Ningbo, the People’s Republic of China, 19 November 2024

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

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