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

2019 Interim Report

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS	*Executive Directors* Mr. He Binfeng *(Chairman and Chief Executive Officer)* Mr. Zhang Qinghai Mr. Huang Yu Mr. Wu Bin Mr. Li Da Mr. Chen Xiaodong *Independent Non-executive Directors* Mr. Li Huamin Mr. Yi Ling Ms. Li Chengai
AUDIT COMMITTEE	Ms. Li Chengai *(Chairlady)* Mr. Li Huamin Mr. Yi Ling
REMUNERATION COMMITTEE	Mr. Li Huamin *(Chairman)* Mr. He Binfeng Ms. Li Chengai
NOMINATION COMMITTEE	Mr. He Binfeng *(Chairman)* Mr. Yi Ling Mr. Li Huamin
COMPANY SECRETARY	Mr. Tam Chun Wai Edwin
AUTHORISED REPRESENTATIVES	Mr. He Binfeng Mr. Tam Chun Wai Edwin
REGISTERED OFFICE IN THE CAYMAN ISLANDS	Suite #4-210, Governors Square 23 Lime Tree Bay Avenue PO Box 32311 Grand Cayman KY1-1209 Cayman Islands

CORPORATE INFORMATION

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC	(1-140) 30 Dashani Street, Haishu District Ningbo, Zhejiang, China
PRINCIPAL PLACE OF BUSINESS IN HONG KONG	13/F Wah Yuen Building 149 Queen's Road Central Hong Kong
INDEPENDENT AUDITOR	Ernst & Young
COMPLIANCE ADVISER	Giraffe Capital Limited
PRINCIPAL BANKS	China Merchants Bank Co., Ltd, Ningbo Tianyi sub-branch China CITIC Bank Corporation Limited, Jiangbei sub-branch China Zheshang Bank Co., Ltd., Ningbo branch
CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE	Osiris International Cayman Limited Suite #4-210, Governors Square 23 Lime Tree Bay Avenue PO Box 32311 Grand Cayman KY1-1209 Cayman Islands
HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE	Tricor Investor Services Limited Level 54 Hopewell Centre 183 Queen's Road East Hong Kong
WEBSITE	http://www.iflying.com
STOCK CODE	1901

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		Period-on-Period Change
	2019	2018	
	(Unaudited)	(Unaudited)	
	RMB'000	RMB'000	%
Revenue	**302,591**	238,382	26.9%
Gross profit	**56,253**	48,772	15.3%
Profit for the Period	**1,233**	15,022	-91.8%
Net profit excluding Listing expenses for the Period	**20,309**	15,022	35.2%

- Revenue increased by RMB64.2 million or 26.9% for the Period, due to the increase in demand of travel-related products and services of Chinese residents.

- Gross profit increased by RMB7.5 million or 15.3% for the Period as a result of the increase in revenue.

- Excluding the Listing expenses, the Group's adjusted net profit for the Period increased by RMB5.3 million, or 35.2%.

UNAUDITED INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Feiyang International Holdings Group Limited (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2019 (the "**Period**"), together with the comparative figures for the corresponding period of 2018, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June	
		2019	2018
		(Unaudited)	(Unaudited)
	Notes	**RMB'000**	RMB'000
REVENUE	*5*	**302,591**	238,382
Cost of sales		**(246,338)**	(189,610)
Gross profit		**56,253**	48,772
Other income and gains	*5*	**7,508**	4,797
Selling and distribution expenses		**(16,434)**	(13,766)
Administrative expenses		**(35,559)**	(15,404)
Other expenses		**(1,584)**	(1,811)
Finance costs	*6*	**(3,625)**	(1,332)
PROFIT BEFORE TAX	*7*	**6,559**	21,256
Income tax expense	*8*	**(5,326)**	(6,234)
PROFIT FOR THE PERIOD		**1,233**	15,022
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**16**	–
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**16**	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**1,249**	15,022

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Six months ended 30 June 2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
PROFIT FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the parent		**1,233**	15,022
Non-controlling interests		**–**	–
		1,233	15,022
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the parent		**1,249**	15,022
Non-controlling interests		**–**	–
		1,249	15,022
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*9*		
Basic and diluted (RMB cents)		**0.33**	4.01

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 30 June 2019 (Unaudited) RMB'000**	As at 31 December 2018 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**19,949**	20,243
Investment properties		**9,746**	9,746
Intangible asset		**42**	47
Deferred tax assets		**3,939**	4,851
Right-of-use assets		**28,548**	—
Total non-current assets		**62,224**	34,887
CURRENT ASSETS			
Trade receivables	*11*	**147,241**	99,112
Prepayments, deposits and other receivables		**125,873**	87,646
Pledged short-term deposits		**16,350**	23,388
Cash and cash equivalents		**138,947**	39,353
Total current assets		**428,411**	249,499
CURRENT LIABILITIES			
Trade payables	*12*	**61,805**	40,012
Advance from customers, other payables and accruals		**84,123**	54,200
Interest-bearing bank borrowings	*13*	**135,000**	110,000
Lease liabilities		**4,470**	–
Tax payable		**2,320**	3,380
Total current liabilities		**287,718**	207,592
NET CURRENT ASSETS		**140,693**	41,907
TOTAL ASSETS LESS CURRENT LIABILITIES		**202,917**	76,794
NON-CURRENT LIABILITIES			
Lease liabilities		**24,405**	–
Net assets		**178,512**	76,794
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*14*	**4,398**	90
Reserves		**174,114**	76,704
Total equity		**178,512**	76,794

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to owners of the parent								
	Issued capital RMB'000	Share premium* RMB'000	Capital reserves* RMB'000	Statutory surplus reserves* RMB'000	Exchange fluctuation reserves* RMB'000	Retained profits* RMB'000	Share award reserves* RMB'000	Special reserves* RMB'000	Total equity RMB'000
At 1 January 2018	–	–	47,355	4,021	–	18,429	5,303	(255)	74,853
Profit and total comprehensive income for the period	–	–	–	–	–	15,022	–	–	15,022
Equity-settled share award plan	–	–	–	–	–	–	352	–	352
At 30 June 2018	–	–	47,355	4,021	–	33,451	5,655	(255)	90,227
At 1 January 2019	90	1,309	47,355	5,561	–	14,733	8,001	(255)	76,794
Profit for the Period	–	–	–	–	–	1,233	–	–	1,233
Other comprehensive income for the Period:									
Exchange differences on translation of foreign operations	–	–	–	–	16	–	–	–	16
Total comprehensive income for the Period	–	–	–	–	16	1,233	–	–	1,249
Capitalisation of issue of share premium	3,208	(3,208)	–	–	–	–	–	–	–
Issue of shares	1,100	114,356	–	–	–	–	–	–	115,456
Share issue expenses	–	(14,987)	–	–	–	–	–	–	(14,987)
At 30 June 2019	4,398	97,470	47,355	5,561	16	15,966	8,001	(255)	178,512

* These reserve accounts comprise the consolidated reserves of RMB174,114,000 (31 December 2018: RMB76,704,000) in the consolidated statements of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
NET CASH FLOWS USED IN OPERATING ACTIVITIES	**(35,626)**	(40,783)
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	**3,162**	(5,352)
NET CASH FLOWS FROM FINANCING ACTIVITIES	**132,042**	22,031
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**99,578**	(24,104)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**39,353**	55,628
EFFECT OF FOREIGN EXCHANGE RATE CHANGE, NET	**16**	46
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**138,947**	31,570
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**138,947**	31,570

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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 sales of outbound travel package tours; (ii) the design, development and sales of free independent traveller products ("**FIT Products**"); and (iii) the provision of other ancillary travel-related products and services. The ultimate controlling shareholder of the Group is Mr. He Binfeng ("**Mr. He**") and Ms. Qian Jie ("**Ms. Qian**"), the spouse of Mr. He (collectively, the "**Controlling Shareholders**").

Pursuant to the reorganisation in connection with the listing of shares of the Company (the "**Shares**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing**"), the Company became the holding company of the companies now comprising the Group upon the completion of the reorganisation. Details of the reorganisation are set out in the section headed "History, Reorganisation and Corporate Structure — Reorganisation" (the "**Reorganisation**") in the prospectus of the Company dated 18 June 2019 (the "**Prospectus**").

The shares of the Company were listed on the Stock Exchange on 28 June 2019 (the "**Listing Date**").

2. BASIS OF PREPARATION AND PRESENTATION

Due to regulatory prohibitions on foreign ownership in the outbound travel business and the domestic passenger air ticketing services from air ticketing business and restrictions on foreign ownership in the international passenger air ticketing services from air ticketing business in the PRC, the principal business carried out by Zhejiang Feiyang International Travel Group Co., Ltd. (浙江飛揚國際旅遊集團股份有限公司) ("**Feiyang International**"), Zhejiang Feiyang Lianchuang Travel Co., Ltd. (浙江飛揚聯創旅遊有限公司) ("**Feiyang Lianchuang**"), Zhejiang Feiyang Commercial Management Co., Ltd. (浙江飛揚商務管理有限公司) ("**Feiyang Commercial**") and Ningbo Qihang Airplane Ticketing Co., Ltd. (寧波啟航航空票務有限公司) ("**Ningbo Qihang**") (collectively, the "**PRC Operating Entities**") was prohibited or restricted from foreign ownership. The wholly-owned subsidiary of the Company, Ningbo Feiyang Commercial Management Co., Ltd. ("**WFOE**") has entered into a series of structured contracts (the "**Structured Contracts**") with the PRC Operating Entities and their respective equity holders (hereafter the equity holders of the PRC Operating Entities referred to the "**Registered Shareholders**"). The Structured Contracts enable WFOE to exercise effective control over the PRC Operating Entities and obtain substantially all economic benefits of the PRC Operating Entities. Accordingly, the Company regards the PRC Operating Entities as indirect subsidiaries for the purpose of the interim results for the six months ended 30 June 2019 and the PRC Operating Entities are combined in the interim results for the six months ended 30 June 2019. Details of the Structured Contracts are disclosed in the section headed "Contractual Arrangements" in the Prospectus. The Group does not have any equity interests in the PRC Operating Entities.

As the Reorganisation only involved inserting new holding companies at the top of an existing company, entering into Structured Contracts and business combinations under common control, that has not resulted in a change of respective voting and beneficial interests, the historical financial information for the Period has been presented as a continuation of the then holding company by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Period.

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 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). These interim financial statements have been prepared under the historical cost convention, except for investment properties which have been measured at fair value. These interim financial statements are presented in Renminbi ("**RMB**"), and all values are rounded to the nearest thousand ("**RMB'000**") except when otherwise indicated.

2. BASIS OF PREPARATION AND PRESENTATION (Continued)

This unaudited condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2018 set out in Appendix I "Accountants' Report" to the Prospectus, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of the new and revised HKFRSs effective as of 1 January 2019.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 Leases, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of the new and revised HKFRSs are described below:

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases — Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of office units. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for elective exemption for leases of short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

As a lessee — Leases previously classified as operating leases (Continued)

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position. No lease assets recognised previously under finance leases were included.

For the offices (that were held to earn rental income) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying HKAS 40.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics

- Relied on its assessment of whether leases are onerous immediately before the date of initial application

- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

As a lessee — Leases previously classified as operating leases (Continued)

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	RMB'000 (Unaudited)
Assets	
Increase in right-of-use assets	28,425
Increase in total assets	28,425
Liabilities	
Increase in lease liabilities	28,425
Increase in total liabilities	28,425

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	RMB'000 (Unaudited)
Operating lease commitments as at 31 December 2018	34,619
Weighted average incremental borrowing rate as at 1 January 2019	5.46%
Discounted operating lease commitments as at 1 January 2019	29,052
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	(627)
Lease liabilities as at 1 January 2019	28,425

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for 'investment properties'.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases, to lease office units for additional terms of two years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. It considers all relevant factors that create an economic incentive for it to exercise the renewal. After the lease commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within the control of the Group and affects its ability to exercise the option to renew.

Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movement during the period are as follow:

	Right-of-use assets office units RMB'000	**Lease liabilities** RMB'000
As at 1 January 2019	28,425	28,425
Additions	2,662	2,662
Depreciation charge	(2,539)	–
Interest expense	–	690
Payments	–	(2,902)
As at 30 June 2019	28,548	28,875

The Group recognised rental expenses from short-term leases of RMB421,000 for the six months ended 30 June 2019.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss (Continued)

Except as described above, the application of the other new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior years. The Group has not early applied the new and revised HKFRSs that have been issued but are not yet effective. The Directors anticipate that the application of these new standard(s), amendments and interpretation(s) will have no material impact on the unaudited condensed consolidated financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group's businesses include selling of package tours and FIT Products, and selling of certain ancillary travel related products and services. Revenue recognised during the Period is as follows:

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue		
Sales of package tours		
— Domestic	**69,172**	70,404
— Outbound	**202,874**	139,110
	272,046	209,514
Margin income from sales of FIT Products	**26,273**	23,592
Sales of ancillary travel related products and services	**4,272**	5,276
Total	**302,591**	238,382

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 reviewed the financial results of the Group as a whole.

4. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

All external revenue of the Group during the Period was mainly attributable to customers established in the PRC, the place of domicile of the Group's operating entities.

The Group's non-current assets are all located in the PRC.

Information about a major customer

No revenue from the Group's sales to a single customer amounted to 10% or more of the Group's revenue during the Period.

5. REVENUE, OTHER INCOME AND GAINS

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue from contracts with customers	**302,591**	238,382
Other income		
Bank interest income	**265**	200
Government grants	**4,895**	4,138
Rental income on properties	**150**	300
Value-added tax and other tax refund	**1,693**	–
Others	**505**	5
	7,508	4,643
Other gains		
Changes in fair value of investment properties	**–**	108
Others	**–**	46
	–	154
	7,508	4,797

6. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest on bank borrowings	**2,935**	1,332
Interest on lease liabilities	**690**	–
	3,625	1,332

7. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Cost of services provided	**246,338**	189,610
Depreciation of property, plant and equipment	**1,534**	1,101
Depreciation of right-of-use assets	**2,539**	–
Impairment of trade receivables, net	**1,009**	1,495
Amortisation of intangible asset	**5**	5
Staff cost	**24,651**	24,417
Listing expenses	**19,076**	–

8. INCOME TAX EXPENSE

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 the British Virgin Islands.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the Period.

8. INCOME TAX EXPENSE (Continued)

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 Mainland China current income tax is based on the statutory rate of 25% (six months ended 30 June 2018: 25%) of the assessable profits of the subsidiaries of Mainland China as determined in accordance with the Corporate Income Tax Law.

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

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current — Mainland China	**4,414**	6,504
Deferred	**912**	(270)
Total tax charge for the Period	**5,326**	6,234

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amount is based on the profit for the Period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the Period.

The basic earnings per share is calculated as follows:

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company (RMB'000)	**1,233**	15,022
Weighted average number of ordinary shares in issue ('000)	**377,072**	375,000
Basic earnings per share (RMB cents)	**0.33**	4.01

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (Continued)

The number of ordinary shares used to calculate the basic earnings per share for the six months ended 30 June 2018 was based on the 375,000,000 ordinary shares, representing the number of shares of the Company immediately after the capitalisation issue, as if the shares had been in issue throughout the six months ended 30 June 2018 and 2019.

Diluted earnings per share is the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the six months ended 30 June 2018 and 2019.

10. INTERIM DIVIDEND

The Board did not declare the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

11. TRADE RECEIVABLES

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Trade receivables	**150,316**	101,178
Less: Allowance for impairment	**(3,075)**	(2,066)
	147,241	99,112

The credit terms granted by the Group generally ranged up to two months. 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.

11. TRADE RECEIVABLES (Continued)

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

	As at 30 June 2019 (Unaudited) RMB'000	As at 31 December 2018 (Audited) RMB'000
1 to 60 days	**119,487**	89,227
61 to 180 days	**21,202**	8,617
181 to 360 days	**6,641**	2,212
1 to 2 years	**2,261**	396
Over 2 years	**725**	726
	150,316	101,178

As at 30 June 2019, an amount of RMB28,762,000 (31 December 2018: RMB25,511,000) of the Group's trade receivables were pledged to secure bank loans facilities granted to the Group's (note 13(a)(ii)).

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 2019 (Unaudited) RMB'000	As at 31 December 2018 (Audited) RMB'000
1 to 60 days	**52,495**	34,724
61 to 180 days	**7,719**	4,422
181 to 360 days	**1,249**	602
Over 1 year	**342**	264
	61,805	40,012

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

13. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate (%)	Maturity	As at 30 June 2019 (Unaudited) RMB'000	As at 31 December 2018 (Audited) RMB'000
Current				
Bank loans — secured	4.80–6.09	2019	**80,000**	110,000
Bank loans — secured	5.66	2020	**17,000**	–
Bank loans — unsecured	5.22–6.09	2019	**28,000**	–
Bank loans — unsecured	5.22	2020	**10,000**	–
			135,000	110,000

	As at 30 June 2019 (Unaudited) RMB'000	As at 31 December 2018 (Audited) RMB'000
Analysed into:		
Bank loans repayable		
— within one year or on demand	**135,000**	110,000

Notes:

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

(i) mortgages over the Group's investment properties situated in the PRC, which had an aggregate net carrying value of RMB9,746,000 as at 31 December 2018 and 30 June 2019, respectively; and

(ii) the pledge of certain of the Group's trade receivables amounting to RMB25,511,000 and RMB28,762,000 as at 31 December 2018 and 30 June 2019, respectively.

13. INTEREST-BEARING BANK BORROWINGS (Continued)

Notes: (Continued)

(b) Mr. He and Ms. Qian, the spouse of Mr. He, have jointly guaranteed certain of the Group's bank loans of up to RMB262,000,000 and nil as at 31 December 2018 and 30 June 2019, respectively.

(c) Ningbo Feiyang Business Management Company Limited (寧波飛揚企業管理有限公司) ("**Feiyang Management**") one of the shareholders of Feiyang International under the variable interest entity structure for the Group and a company controlled by Mr. He, has guaranteed certain of the Group's bank loans of up to RMB130,000,000 and nil as at 31 December 2018 and 30 June 2019, respectively.

(d) All borrowings are denominated in RMB.

14. SHARE CAPITAL

	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
Authorised:		
10,000,000,000 (As at 31 December 2018: 39,000,000) ordinary shares of HK$0.01 each	**HK$100,000,000**	HK$390,000
Issued and fully paid:		
500,000,000 (As at 31 December 2018: 10,204,082) ordinary shares of HK$0.01 each	**RMB4,398,000**	RMB90,000

14. SHARE CAPITAL (Continued)

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

	Notes	Number of shares in issue	Share capital RMB'000
Issued shares:			
At incorporation on 18 October 2018	*(a)*	10,000,000	88
Subscription on 25 December 2018	*(b)*	196,552	2
Share swap on 27 December 2018	*(c)*	7,530	–
At 31 December 2018 and 1 January 2019		10,204,082	90
Capitalisation issue of Shares	*(d)*	364,795,918	3,208
Issuance of Shares	*(e)*	125,000,000	1,100
At 30 June 2019		500,000,000	4,398

Notes:

(a) The Company was incorporated as an exempted company with limited liability under the laws of the Cayman Islands on 18 October 2018 with authorised share capital of HK$390,000 divided into 39,000,000 shares of a par value of HK$0.01 each. On the date of incorporation, 10,000,000 shares of the Company with a par value of HK$0.01 each were allotted and issued and fully paid at par.

(b) On 25 December 2018, 196,552 shares were allotted and issued to Carnary Investment Holdings Limited ("**Carnary Investment**") with a total consideration of RMB1,346,000. The subscription was irrevocably settled on 26 December 2018.

(c) On 27 December 2018, as consideration for the transfer of the entire shareholding of Toucan Investment Holdings Limited by Carnary Investment to the Company, the Company has allotted and issued 7,530 shares to Carnary Investment, credited as fully paid at par.

14. SHARE CAPITAL (Continued)

Notes: (Continued)

(d) On 28 June 2019, pursuant to the written resolutions of the shareholders of the Company passed on 11 June 2018, the Directors were authorised to capitalise an amount of HK$3,647,959 or approximately RMB3,208,000 from the amount standing to the credit of the share premium account of the Company to pay up in full at par 364,795,918 shares for allotment and issue to the persons whose name appear on the register of members of the Company on the date of the written resolutions (or as they may direct) on a pro rata basis.

(e) In connection with the Company's initial public offering, 125,000,000 shares of HK$0.01 each were issued at a price of HK$1.05 per share for a total cash consideration, before expense, of approximately HK$131,250,000 (equivalent to RMB115,456,000).

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 FIT Products which mainly include provision of air tickets and/or hotel accommodation; and (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.

During the Period, the demand for travel-related products and services of Chinese residents remained strong and the number of outbound tourist visits from China continued to grow and accordingly, the Group's sales of package tours and margin income from sales of FIT Products experienced steady growth. The sales of package tours increased by RMB62.5 million or 29.8% from RMB209.5 million for the six months ended 30 June 2018 to RMB272.0 million for the Period and the margin income from sales of FIT Products increased by RMB2.7 million or 11.4% from RMB23.6 million for the six months ended 30 June 2018 to RMB26.3 million for the Period.

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			
	2019		2018	
	Revenue RMB'000 (Unaudited)	**Percentage of revenue %**	Revenue RMB'000 (Unaudited)	Percentage of revenue %
Sales of package tours	**272,046**	**89.9**	209,514	87.9
Margin income from sales of FIT Products	**26,273**	**8.7**	23,592	9.9
Sales of ancillary travel-related products and services	**4,272**	**1.4**	5,276	2.2
Total	**302,591**	**100.0**	238,382	100.0

The Group generated revenue from three segments: (i) package tours; (ii) FIT Products; and (iii) ancillary travel-related products and services. The Group's customers primarily comprised retail customers, and corporate and institutional customers. During the Period, the sales of package tours and the margin income from sales of FIT Products experienced steady growth, resulting in the increase in our overall revenue. The Group's total revenue increased by RMB64.2 million or 26.9%, from RMB238.4 million for the six months ended 30 June 2018 to RMB302.6 million for the Period. The overall increasing trend was mainly due to the increase in demand of travel-related products and services as a result of increasing disposable income of Chinese residents and increasing per capita consumption expenditure on tourism of Chinese tourists.

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. The increasing trend of sales of package tours was mainly due to the increase in the customers' demand of package tours as a result of the stable growth of China's economy and the increase in disposable income of Chinese residents.

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			
	2019		2018	
	Revenue RMB'000 (Unaudited)	**Percentage of revenue %**	Revenue RMB'000 (Unaudited)	Percentage of revenue %
Traditional package tours	**204,279**	**75.1**	160,399	76.6
Tailor-made tours	**67,767**	**24.9**	49,115	23.4
Total	**272,046**	**100.0**	209,514	100.0

The sales of traditional package tours and tailor-made tours contributed 75.1% and 24.9% (six months ended 30 June 2018: 76.6% and 23.4%) of our total sales of package tours for the Period, respectively. Our sales of package tours increased by RMB62.5 million or 29.8% from RMB209.5 million for the six months ended 30 June 2018 to RMB272.0 million for the Period and was mainly due to the continuous strong customers' demand.

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

Our 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	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Air tickets		
Gross sales proceeds	**1,756,560**	1,292,378
Cost of air tickets	**(1,747,481)**	(1,272,895)
Revenue from sales of air tickets	**9,079**	19,483
Incentive commission	**16,043**	3,008
Margin income from sales of air tickets	**25,122**	22,491
Others		
Margin income from sales of other FIT Products	**1,151**	1,101
Total	**26,273**	23,592

The Group's total margin income from sales of FIT Products increased by RMB2.7 million or 11.4% from RMB23.6 million for the six months ended 30 June 2018 to RMB26.3 million for the Period, and was mainly due to the increase in number of air tickets sold and the incentive commission received from airline operators, GDS service providers and ticketing agents as the Group achieved the respective performance targets.

During the Period, our gross sales proceeds from sales of air tickets increased significantly by RMB464.2 million or 35.9%, from RMB1,292.4 million for the six months ended 30 June 2018 to RMB1,756.6 million for the Period. The increase in our gross sales proceeds of air tickets led to the achievement of performance targets regarding the incentive commission.

Our margin income from sales of other FIT Products amounted to RMB1.1 million and RMB1.2 million for the six months ended 30 June 2018 and 2019, respectively, and remained relatively stable during the Period.

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 decreased by RMB1.0 million from RMB5.3 million for the six months ended 30 June 2018 to RMB4.3 million for the Period as the Group provided less conferencing services during the Period.

Cost of sales

The Group's cost of sales mainly represented the direct costs incurred for the sales of package tours including land and cruise operation, air ticket and local transportation, hotel accommodation and others. Cost of sales increased by RMB56.7 million from RMB189.6 million for the six months ended 30 June 2018 to RMB246.3 million for the Period. Such increase was generally in line with the increase in the Group's total revenue.

Gross profit and gross profit margin

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

	Six months ended 30 June			
	2019		2018	
	Gross profit RMB'000 (Unaudited)	**Gross profit margin %**	Gross profit RMB'000 (Unaudited)	Gross profit margin %
Package tours				
— Traditional	**24,923**	**12.2**	20,355	12.7
— Tailor-made	**7,830**	**11.6**	5,807	11.8
	32,753	**12.0**	26,162	12.5
FIT Products	**20,349**	**77.5**	18,902	80.1
Ancillary travel-related products and services	**3,151**	**73.8**	3,708	70.3
Total	**56,253**	**18.6**	48,772	20.5

The Group recorded gross profit of RMB48.8 million and RMB56.3 million, representing gross profit margin of 20.5% and 18.6% for the six months ended 30 June 2018 and 2019, respectively. The increase in the overall gross profit was generally in line with the increase in our revenue.

The fluctuation in gross profit margin for the Period was mainly attributable to the changes in the Group's product and service mix. As the revenue for FIT Products are recognised on a net basis, the respective proportion of overall revenue generated from FIT Products will affect the overall gross profit margin. The Group's margin income from sales of FIT Products as a percentage of the overall revenue slightly decreased during the Period from 9.9% for the six months ended 30 June 2018 to 8.7% for the six months ended 30 June 2019. Therefore, the Group's overall gross profit margin also slightly decreased during the Period.

Other income and gains

Other income and gains mainly represented government grants and tax refund. The amount increased for the Period was mainly due to the increase in government grants by RMB0.8 million and the receipt of value-added tax and other tax refund of RMB1.7 million during the Period (six month ended 30 June 2018: Nil). The government grants are non-recurring, with no unfulfilled conditions of contingencies.

Selling and distribution expenses

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

The Group's selling and distribution expenses increased by RMB2.6 million from RMB13.8 million for the six months ended 30 June 2018 to RMB16.4 million for the Period mainly due to (i) the increase in staff costs by RMB0.9 million as a result of the increase in headcount for the business growth and increase in average salary per head as a result of salary increment; and (ii) the increase in advertising and marketing expenses by RMB1.7 million as the Group placed more television commercials and digital advertisement, on popular social media and online sales platforms, and organised more promotional events during the Period.

Administrative expenses

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

Administrative expenses increased by RMB20.2 million or 130.8% during the Period was mainly attributable to the Listing expenses of RMB19.1 million recognised during the Period (six months ended 30 June 2018: Nil).

Other expenses

The Group's other expenses remained relatively stable for the Period, amounted to RMB1.8 million and RMB1.6 million for the six months ended 30 June 2018 and 2019, respectively, mainly represented the provision for impairment of trade receivables.

Finance costs

The Group's finance costs represented interest expenses on bank borrowings and lease liabilities. The increase in interest expenses was mainly due to the increase in bank borrowings and lease liabilities during the Period.

Income tax expense

Income tax expense mainly represented the corporate income tax of Mainland China of RMB6.5 million and RMB4.4 million for the six months ended 30 June 2018 and 2019, respectively.

The effective tax rate for the Period was 81.2% (six months ended 30 June 2018: 29.3%). The significant increase in effective tax rate by 51.9% was primarily due to the non-deductible expenses for tax purposes mainly in relation to Listing expenses and professional expenses recognised during the Period (six months ended 30 June 2018: Nil).

Profit for the Period attributable to the owners of the Company

As a result of the foregoing, profit for the Period attributable to the owners of the Company was RMB1.2 million (six months ended 30 June 2018: RMB15.0 million).

PROSPECTS

Notwithstanding to the recent global economic conditions and the continuing trade tension between the United States and the PRC, the Directors consider the overall influence of trade war on the PRC tourism industry and integrated travel service providers is insignificant as supported by the Group's interim results. For the six months ended 30 June 2019, the Group recorded an increase in sales of the package tours, and the FIT Products compared to the corresponding period in 2018. Excluding the Listing expenses, the Group's adjusted net profit for the Period increased by RMB5.3 million or 35.2% from RMB15.0 million for the six months ended 30 June 2018 to RMB20.3 million for the Period. Any economic downturn in the PRC may also affect the Group's business and operating results, as the Group derives revenue mainly from customers in the PRC. The Directors will closely monitor the Group's exposure to this risk and uncertainty and will take appropriate measures as necessary.

In order to attract more potential customers and retain existing customers, the Group strives to offer extensive selection of travel products and services encompassing a wide range of geographical destinations and introduce different sight-seeing package tours and theme package tours to cater for different travel preferences of customers. The Group will closely observe the market trends and develop package tours which cater for changing customer demands and preferences and will seek to introduce new itineraries and activities from time to time in order to offer new travel experience to the customers. The Directors are optimistic on the growth of the overall business.

In view of the (i) increasing income level and consumption expenditure on travelling; (ii) more accessible and convenient products and services from online travel agencies; (iii) more favourable governmental policies of tourism industry; and (iv) gradual improvement of tourism infrastructure and facilities, the total tourism consumption in the PRC is expected to continue to increase and as such, the Group believes that the sales of travel-related products and services will continue to increase steadily in the near future.

Going forward, the Group will continue to grow its business and strengthen its market position as one of the leading travel service providers in the PRC. The Group will continue to maintain good relationship with various airline operators, hotel operators, ticketing agents and land operators at destination countries; evaluate development opportunities on sales network and product portfolios to strengthen its competitive advantage and, in return, achieving sustainable growth for the Group and to bring greater return to its shareholders.

LIQUIDITY AND FINANCIAL REVIEW

As at 30 June 2019, the Group's current assets and current liabilities were RMB428.4 million and RMB287.7 million (as at 31 December 2018: RMB249.5 million and RMB207.6 million), respectively, of which the Group maintained cash and bank balances of RMB138.9 million (as at 31 December 2018: RMB39.4 million) and pledged short-term deposits of RMB16.4 million (as at 31 December 2018: RMB23.4 million). The Group's outstanding borrowings as at 30 June 2019 represented interest-bearing bank borrowings of RMB135.0 million (as at 31 December 2018: RMB110.0 million). Accordingly, the Group's gearing ratio as at 30 June 2019, which was calculated on the basis of outstanding borrowings as a percentage of equity attributable to equity holders of the Company, was 75.6% (as at 31 December 2018: 143.2%). The decrease in gearing ratio was mainly attributable to the increase in total equity of the Group as a result of the Listing.

The average turnover days of trade receivables were 53.5 days and 73.7 days for the six months ended 30 June 2018 and 2019, respectively. The increase in average turnover days of trade receivables during the Period was mainly due to the significant increase in gross sales proceeds of air tickets from the FIT Products segment. During the six months ended 30 June 2018 and 2019, most of our sales of air tickets were conducted through a subsidiary. For illustrative purpose, the average trade receivables turnover days for sales of air tickets business conducted through that subsidiary were 6.5 days and 8.8 days for the six months ended 30 June 2018 and 2019, respectively. The Group recognised the revenue of FIT Products on a net basis as the Group acts as an agent, while the trade receivables from the corporate and institutional customers were recognised on a gross basis. As a result, with an increase in revenue from our FIT Products, our balance of trade receivables (gross basis) increases at a faster rate than the increase in revenue (net basis) which drove up the average turnover days of trade receivables during the Period. The average turnover days of trade payables for the Period remained relatively stable at 37.4 days (six months ended 30 June 2018: 39.3 days).

As at 30 June 2019, there were 500,000,000 ordinary shares of the Company in issue. 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 ("**HKD**"). The Group's liquidity and financing requirements are reviewed regularly.

During the Period, the Group's primary source of funding included its own working capital, the net proceeds from the Listing in June 2019 and the credit facilities provided by the Group's principal banks in the PRC. The Directors believe that the Group's current cash and bank balances, together with the credit facilities available and the expected cash flow from operations, will be sufficient to satisfy its current operational and working capital requirements.

CAPITAL STRUCTURE

The shares of the Company have been listed on the Main Board of the Stock Exchange since 28 June 2019. There is no material change in the capital structure of the Company since the Listing Date. 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 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 30 June 2019 and 31 December 2018, the Group's bank loan facilities are secured by:

(i) mortgages over the Group's investment properties situated in the PRC, which had an aggregate net carrying value of RMB9.7 million as at 30 June 2019 and 31 December 2018; and

(ii) the pledge of certain of the Group's trade receivables amounting to RMB28.8 million and RMB25.5 million as at 30 June 2019 and 31 December 2018, respectively.

CONTINGENT LIABILITIES

As at 30 June 2019 and 31 December 2018, the Group did not have any significant contingent liabilities.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2019, the total number of employees of the Group was 555 (31 December 2018: 506). Staff costs (including Directors' emoluments) amounted to RMB24.7 million for the Period (six months ended 30 June 2018: RMB24.4 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 inhouse training programmes are made available to all levels of personnel.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2019, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for the Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules, were as follows:

(a) Long Positions in ordinary shares of the Company

Interests in Shares of the Company

Name of Director	Nature of interest and capacity	Number of Shares held/interested	Approximate percentage of shareholding
Mr. He *(Note 1)*	Interest in controlled corporation; interest held jointly with another person	350,162,000	70.0324%
Mr. Li Da ("**Mr. Li**") *(Note 2)*	Interest in controlled corporation	6,934,000	1.3868%
Mr. Wu Bin ("**Mr. Wu**") *(Note 3)*	Interest in controlled corporation	3,468,000	0.6936%
Mr. Chen Xiaodong ("**Mr. Chen**") *(Note 4)*	Interest in controlled corporation	3,468,000	0.6936%

Notes:

(1) Mr. He (i) directly owns 100% of each of HHR Group Holdings Limited ("**HHR Group**"), Michael Group Holdings Limited ("**Michael Group**"), KVN Holdings Limited ("**KVN Holdings**") and DY Holdings Limited ("**DY Holdings**"), which in aggregate holds 320,298,000 Shares or approximately 64.0596% of the issued share capital of the Company; and (ii) is deemed to own 29,864,000 Shares or approximately 5.9728% of the issued share capital of the Company in which Mr. He and Ms. Qian are parties acting in concert.

(2) Mr. Li directly owns LD Group Holdings Limited ("**LD Group**") which holds 6,934,000 Shares or approximately 1.3868% of the issued share capital of the Company.

(3) Mr. Wu directly owns 100% of WB Holdings Group Limited which holds 3,468,000 Shares or approximately 0.6936% of the issued share capital of the Company.

(4) Mr. Chen directly owns 100% of CXD Holdings Limited which holds 3,468,000 Shares or approximately 0.6936% of the issued share capital of the Company.

(b) Long Positions in the associated corporations of the Company

Name of Director	Name of associated corporation	Nature of interest and capacity	Number of shares held/ interested	Approximate percentage of shareholding/ equity interest
Mr. He *(Notes 1 and 2)*	Feiyang International	Beneficial owner; interest in controlled corporation; interest held jointly with another person	44,440,000	95.2830%
	Feiyang Lianchuang	Interest in controlled corporation; interest held jointly with another person	– *(Note 2)*	95.2830%
	Ningbo Qihang	Interest in controlled corporation; interest held jointly with another person	– *(Note 2)*	95.2830%
	Feiyang Commercial	Interest in controlled corporation; interest held jointly with another person	– *(Note 2)*	95.2830%
Mr. Li *(Notes 2 and 3)*	Feiyang International	Beneficial owner	880,000	1.8868%
	Feiyang Lianchuang	Interest in controlled corporation	– *(Note 2)*	1.8868%
	Ningbo Qihang	Interest in controlled corporation	– *(Note 2)*	1.8868%
	Feiyang Commercial	Interest in controlled corporation	– *(Note 2)*	1.8868%
Mr. Wu *(Notes 2 and 4)*	Feiyang International	Beneficial owner	440,000	0.9434%
	Feiyang Lianchuang	Interest in controlled corporation	– *(Note 2)*	0.9434%

Name of Director	Name of associated corporation	Nature of interest and capacity	Number of shares held/ interested	Approximate percentage of shareholding/ equity interest
	Ningbo Qihang	Interest in controlled corporation	– *(Note 2)*	0.9434%
	Feiyang Commercial	Interest in controlled corporation	– *(Note 2)*	0.9434%
Mr. Chen *(Notes 2 and 5)*	Feiyang International	Beneficial owner	440,000	0.9434%
	Feiyang Lianchuang	Interest in controlled corporation	– *(Note 2)*	0.9434%
	Ningbo Qihang	Interest in controlled corporation	– *(Note 2)*	0.9434%
	Feiyang Commercial	Interest in controlled corporation	– *(Note 2)*	0.9434%

Notes:

(1) Feiyang International is directly owned as to 17.9245% by Mr. He, 1.8868% by Ms. Qian and 75.4717% by Feiyang Management, which is in turn held as to 91.7328% by Mr. He and 8.2672% by Ms. Qian. Mr. He and Ms. Qian are parties acting in concert.

(2) Each of Feiyang Lianchuang, Feiyang Commercial and Ningbo Qihang is a limited liability company established in the PRC and a wholly-owned subsidiary of Feiyang International.

(3) Feiyang International is directly owned as to 1.8868% by Mr. Li.

(4) Feiyang International is directly owned as to 0.9434% by Mr. Wu.

(5) Feiyang International is directly owned as to 0.9434% by Mr. Chen.

Save as disclosed above, as at 30 June 2019, none of the Directors nor chief executive of the Company had registered an interest or short position in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been recorded in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the paragraph headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above and in the paragraph headed "Share Option Scheme" above, at no time during the Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as is known to the Directors and the chief executive of the Company, as at 30 June 2019, the following persons (other than a Director or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long Positions in ordinary shares of the Company:

Long Position in the Shares

Name of Substantial Shareholder	Nature of interest and capacity	Number of Shares held/interested	Approximate percentage of shareholding
Mr. He *(Notes 1 and 2)*	Interest in controlled corporation; interest held jointly with another person	350,162,000	70.0324%
Ms. Qian *(Note 3)*	Interest in controlled corporation; interest held jointly with another person	350,162,000	70.0324%
HHR Group *(Note 1)*	Beneficial owner, interest held jointly with another person	350,162,000	70.0324%
Michael Group *(Notes 1 and 2)*	Beneficial owner, interest held jointly with another person	350,162,000	70.0324%

Name of Substantial Shareholder	Nature of interest and capacity	Number of Shares held/interested	Approximate percentage of shareholding
KVN Holdings *(Note 1)*	Beneficial owner, interest held jointly with another person	350,162,000	70.0324%
DY Holdings *(Note 1)*	Beneficial owner, interest held jointly with another person	350,162,000	70.0324%
QJ Holdings Limited ("**QJ Holdings**") *(Note 3)*	Beneficial owner, interest held jointly with another person	350,162,000	70.0324%

Notes:

(1) Mr. He (i) directly owns 100% of each of HHR Group, Michael Group, KVN Holdings and DY Holdings, which in aggregate holds 320,298,000 Shares or approximately 64.0596% of the issued share capital of the Company; and (ii) is deemed to own 29,864,000 Shares or approximately 5.9728% of the issued share capital of the Company in which Mr. He and Ms. Qian are parties acting in concert.

(2) Michael Group is the lender under a stock borrowing agreement with Crosby Securities Limited and has lent 18,750,000 shares to Crosby Securities Limited.

(3) Ms. Qian (i) directly owns 100% of QJ Holdings, which holds 29,864,000 Shares or approximately 5.9728% of the issued share capital of the Company; and (ii) is deemed to own 320,298,000 Shares or approximately 64.0596% of the issued share capital of the Company in which Ms. Qian and Mr. He are parties acting in concert.

As at 30 June 2019, so far as is known to the Directors, other than the Company, no other persons were interested in 10% or more of any class of share capital carrying rights to vote in all circumstances at general meetings of any of the subsidiaries.

Save as disclosed above, as at 30 June 2019, the Company had not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

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. Details of the Share Option Scheme are set out in Appendix V to the Prospectus. No share option has been granted under the Share Option Scheme since its adoption.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors are set out in the section headed "Directors and Senior Management" in the Prospectus. The Directors confirm that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

AUDIT COMMITTEE

As at the date of this report, the audit committee of the Company (the "**Audit Committee**") has three members comprising three independent non-executive Directors, namely Ms. Li Chengai (Chairlady), Mr. Li Huamin and Mr. Yi Ling. None of them are members of the former or existing auditors of the Company. The Board considers that the Audit Committee has extensive commercial experience in business, financial and legal matters. The primary duties of the Audit Committee include, among other matters, to review and monitor financial reporting and the judgment contained therein; to review financial and internal controls, accounting policies and practices with management and external auditors; and to review the Company's compliance with the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 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 2019.

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 14 to the Listing Rules. Except for the deviation from provision A.2.1 of the CG Code, the Company's corporate governance practices have complied with the CG Code from the Listing Date to 30 June 2019.

Provision A.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 check-and-balance mechanism through the Board and three independent non-executive Directors. The independent non-executive Directors are able to retain independence of character and judgment and are able to express their views without any constraint. In addition, the Board also consists of five other executive Directors who are familiar with the day-to-day business of the Company. The Company will consult the Board for any major decisions. Therefore, the Board considers that the balance of power and authority of the present arrangement with the Board and the independent non-executive Directors will not be impaired because such arrangement would not result in excessive concentration of power in one individual which could adversely affect the interest of minority Shareholders. As such, the deviation from provision A.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 as set out in Appendix 10 to the Listing Rules 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 from the Listing Date to 30 June 2019.

INTERIM DIVIDEND

The Board did not declare the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

USE OF PROCEEDS

The Company was listed on 28 June 2019 and as at 30 June 2019, the net proceeds from the Listing after deduction of the underwriting fees, commissions and expenses payable by the Group are approximately RMB72.1 million (approximately HK$81.9 million). The Company intends to utilise the proceeds based on the strategies as disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus. Up to 30 June 2019, we have not utilised any net proceeds from the Listing. The unutilised proceeds have been deposited in licensed bank in Hong Kong as at 30 June 2019.

COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS

During the Period, the Group has complied with the contractual arrangements as disclosed in the section headed "Contractual Arrangements" in the Prospectus (the "**Contractual Arrangements**") and the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) ("**FIL**") and its accompanying explanatory notes. The Group will continue to monitor the latest development of the FIL and its accompanying explanatory notes and provide timely updates of the latest regulatory development.

During the Period, there is no material change regarding the Structured Contracts and the Contractual Arrangements.

According to the Provisions on the Administration of Foreign-funded Telecommunications Enterprises (2016 Revision) (《外商投資電信企業管理規定(2016修訂)》), foreign investors are not allowed to hold more than 50% of the equity interests in a company providing value-added telecommunications services. In addition, a foreign investor who invests in a value-added telecommunications business in the PRC must possess prior experience in operating value-added telecommunications businesses and a proven track record of business operations overseas (the "**Qualification Requirements**").

Efforts and Actions Undertaken to Comply with the Qualification Requirements

The Group has committed and will continue to commit financial and other resources and implement all necessary steps to meet the Qualification Requirements, for instance:

(i) Feiyang HK Group Limited ("**Feiyang HK**") was incorporated in Hong Kong in November 2018 for the purposes of establishing and expanding the Group's operations in Hong Kong;

(ii) the Group has applied for the registration of a number of trademarks in Hong Kong and have successfully registered a number of them;

(iii) Feiyang HK will make an application for the Travel Agents Licence in Hong Kong for the purposes of establishing the Group's travel agency operations in Hong Kong; and

(iv) Feiyang HK has applied for a number of domain names and intend to set up a website primarily for introducing and promoting our business in Hong Kong.

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 from the Listing Date to 30 June 2019.

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

There were no significant investments held by the Company during the Period, nor were there any material acquisitions and disposals of subsidiaries, associates and joint ventures during the Period. There is no plan authorised by the Board for other material investments or additions of capital assets as at the date of this report.

SUBSEQUENT EVENT AFTER THE PERIOD

The Directors confirm that there were no significant events subsequent to the Period.

OTHER INFORMATION

FORWARD LOOKING STATEMENTS

This report 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
Feiyang International Holdings Group Limited
He Binfeng
Chairman, executive Director and chief executive officer

Ningbo, the PRC, 23 August 2019

Website: http://www.iflying.com