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

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
AUTHORISED REPRESENTATIVES	Mr. He Binfeng Mr. Tam Chun Wai Edwin
COMPANY SECRETARY	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
HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC	(1-140) 30 Dashani Street, Haishu District Ningbo, Zhejiang The PRC

CORPORATE INFORMATION

PRINCIPAL PLACE OF BUSINESS IN HONG KONG	13/F Wah Yuen Building 149 Queen's Road Central Hong Kong
WEBSITE	http://www.iflying.com/
STOCK CODE	1901
AUDITOR	Ernst & Young
COMPLIANCE ADVISER	Giraffe Capital Limited
LEGAL ADVISER AS TO HONG KONG LAWS	Fangda Partners
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

CHAIRMAN'S STATEMENT

Dear Shareholders,

The successful listing of the Group on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 28 June 2019 (the "**Listing Date**") was a monumental milestone to the development of the Group. The Listing not only strengthened the Group's brand recognition among customers, in particular to the retail customers in Ningbo, but also equipped the Group with financial resources to expand and withstand market turbulence. On behalf of the Board, I am pleased to announce our first annual results of the Group for the year ended 31 December 2019 as a listed company.

During the year, our Group's total revenue increased significantly by RMB193.0 million or 39.2% from RMB492.9 million for the year ended 31 December 2018 to RMB685.9 million for the year ended 31 December 2019, which was mainly due to the increase in sales of package tours of RMB148.3 million as 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. In addition, our gross sales proceeds from sales of air tickets boosted by RMB814.7 million or 28.9% from RMB2,818.0 million for the year ended 31 December 2018 to RMB3,632.7 million for the year ended 31 December 2019, which was a very promising and favourable sign to our Group.

Despite the uncertainties brought by the trade tension between the United States and the PRC throughout 2019, the Chinese tourism industry, as well as the performance of our Group recorded encouraging growth. We are optimistic about the development of the Chinese tourism industry with pragmatic reasons: (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.

Our 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. We 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 experiences to the customers. We 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.

The outbreak of the novel coronavirus ("**COVID-19**") has brought negative impact to the tourism industry of China, and the operation and financial performance of our Group in the first quarter of 2020 would be affected inevitably. Our Group suspended local group package tours operation and the sales of "air ticketing and hotel booking" products within Mainland China since 24 January 2020 and all outbound tours since 26 January 2020 according to the notices issued by the General Office of the Ministry of Culture and Tourism (文化和旅遊部辦公廳) and the Bureau, to facilitate better prevention and control the outbreak of the COVID-19. In March 2020, the Bureau announced that some of the tourism enterprises' operations, including cross-provincial and mainland outbound package tours and "air ticketing and hotel booking" products, have to continue to be suspended.

The Board pays great attention to the development of the outbreak of the COVID-19 and makes every effort on prevention and control, and daily operation management. The Board will continue to assess the impact of the outbreak of the COVID-19 on our operation and financial performance, and closely monitor our exposure to the risks and uncertainties in connection with the outbreak of the COVID-19. We will take appropriate measures as necessary to minimise the risks exposed.

CHAIRMAN'S STATEMENT

APPRECIATION

Our continued success depends on all our staff's commitment, dedication and professionalism. The Board would like to thank every member of our staff for their diligence and dedication and to express our sincere appreciation to our shareholders, clients and suppliers for their continuous and valuable support.

He Binfeng
Chairman, executive director and chief executive officer

Ningbo, the PRC, 24 April 2020

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a well-established travel service provider based in Ningbo, Zhejiang Province of the PRC and offers diversified products that cater for different travellers' needs. The Group is principally engaged in (i) the design, development and sales of package tours which consist of traditional package tours and tailor-made tours; (ii) the sales of free independent traveller products (the "**FIT Products**") which mainly include provision of air tickets and/or hotel accommodation; 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 year, 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 experienced steady growth. The sales of package tours increased significantly by RMB148.3 million or 35.3% from RMB420.4 million for the year ended 31 December 2018 to RMB568.7 million for the year ended 31 December 2019.

FINANCIAL REVIEW

Revenue

The following table sets forth the breakdown of the Group's revenue by business segment for the years indicated:

	Year ended 31 December			
	2019		2018	
	Revenue RMB'000	**Percentage of revenue %**	Revenue RMB'000	Percentage of revenue %
Sales of package tours	**568,719**	**82.9**	420,376	85.3
Margin income from sales of FIT Products	**59,303**	**8.6**	59,764	12.1
Sales of air tickets and hotel accommodations	**47,131**	**6.9**	–	–
Sales of ancillary travel-related products and services	**10,722**	**1.6**	12,711	2.6
Total	**685,875**	**100.0**	492,851	100.0

The Group generated revenue from: (i) package tours; (ii) FIT Products; (iii) sales of air tickets and hotel accommodations; and (iv) ancillary travel-related products and services. The Group's customers primarily comprised retail customers, and corporate and institutional customers. The Group's total revenue increased significantly by RMB193.0 million or 39.2%, from RMB492.9 million for the year ended 31 December 2018 to RMB685.9 million for the year ended 31 December 2019, mainly due to increase in sales of package tours and, to a lesser extent, sales of air tickets. 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 (i) 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; and (ii) the Group's strategy to start selling package tours to other travel agencies during the Year.

Package tours by type

The following table sets forth the breakdown of the revenue from sales of package tours by type for the years indicated:

	Year ended 31 December			
	2019		2018	
	Revenue	**Percentage of revenue**	Revenue	Percentage of revenue
	RMB'000	**%**	RMB'000	%
Traditional package tours	**426,191**	**74.9**	307,930	73.3
Tailor-made tours	**142,528**	**25.1**	112,446	26.7
Total	**568,719**	**100.0**	420,376	100.0

The sales of traditional package tours and tailor-made tours contributed 74.9% and 25.1% (year ended 31 December 2018: 73.3% and 26.7%) of the Group's total sales of package tours for the year ended 31 December 2019, respectively. The Group's sales of package tours increased by RMB148.3 million or 35.3% from RMB420.4 million for the year ended 31 December 2018 to RMB568.7 million for the year ended 31 December 2019, which was mainly due to the continuous strong customers' demand and the increase in sales of package tours to travel agencies.

Margin income from sales of FIT Products

FIT Products mainly include air tickets, hotel accommodation and a combination of both. The Group's margin income from sales of FIT Products is recognised on a net basis, being the sales invoice amount of the FIT Products netted off against the associated direct costs, as the Group render services as an agent, whereby the Group is only responsible for arranging the booking of FIT Products with no control obtained over the services performed by airline operators, hotel operators and other travel agencies.

FIT Products by type

The Group's margin income from sales of FIT Products included (i) margin income from sales of air tickets; and (ii) margin income from sales of other FIT Products. The following table sets forth the breakdown of revenue from FIT Products by type for the years indicated:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Air tickets		
Gross sales proceeds	**3,632,655**	2,817,995
Cost of air tickets	**3,620,336**	2,792,519
Revenue from sales of air tickets	**12,319**	25,476
Incentive commission	**44,759**	31,624
Margin income from sales of air tickets	**57,078**	57,100
Others		
Margin income from sales of other FIT Products	**2,225**	2,664
Total	**59,303**	59,764

The Group's total margin income from sales of FIT Products remained relatively stable at RMB59.8 million and RMB59.3 million for the year ended 31 December 2018 and 2019, respectively. During the year, the Group's gross sales proceeds from sales of air tickets increased significantly by RMB814.7 million or 28.9%, from RMB2,818.0 million for the year ended 31 December 2018 to RMB3,632.7 million for the year ended 31 December 2019. Margin income from sales of air tickets slightly decreased despite the gross sales proceeds of air tickets significantly increased as the Group lowered the margins in order to achieve the rapid growth in the gross sales proceeds and sales volume from sales of air tickets during the year.

The Group's margin income from sales of other FIT Products remained relatively stable at RMB2.7 million and RMB2.2 million for the year ended 31 December 2018 and 2019, respectively.

Sales of air tickets and hotel accommodations

Sales of air tickets and hotel accommodations represented the sales of air tickets and hotel accommodations to customers which were recorded on a gross basis. Gross sales of air tickets and hotel accommodations amounted to RMB47.1 million for the year ended 31 December 2019 (year ended 31 December 2018: nil).

Sales of ancillary travel-related products and services

The Group also offered other ancillary travel-related products and services to customers. The sales of ancillary travel-related products and services decreased by RMB2.0 million from RMB12.7 million for the year ended 31 December 2018 to RMB10.7 million for the year ended 31 December 2019 as the Group provided less conferencing services during the year.

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 RMB181.4 million from RMB386.2 million for the year ended 31 December 2018 to RMB567.6 million for the year ended 31 December 2019. 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 years indicated:

	Year ended 31 December			
	2019		2018	
	Gross profit RMB'000	**Gross profit margin %**	Gross profit RMB'000	Gross profit margin %
Package tours				
— Traditional	**44,124**	**10.4**	37,232	12.1
— Tailor-made	**12,843**	**9.0**	12,413	11.0
	56,967	**10.0**	49,645	11.8
FIT Products	**46,471**	**78.4**	49,058	82.1
Sales of air tickets and hotel accommodations	**7,419**	**15.7**	–	–
Ancillary travel-related products and services	**7,401**	**69.0**	7,957	62.6
Total	**118,258**	**17.2**	106,660	21.6

The Group recorded gross profit of RMB106.7 million and RMB118.3 million, representing gross profit margin of 21.6% and 17.2% for the year ended 31 December 2018 and 2019, respectively. The increase in the overall gross profit was generally in line with the increase in the Group's revenue. The overall gross profit margin decreased by 4.4 percentage points from 21.6% for the year ended 31 December 2018 to 17.2% for the year ended 31 December 2019, which was mainly attributable by the decrease in gross profit margin of package tours.

The gross profit margin of package tours decreased by 1.8 percentage points from 11.8% for the year ended 31 December 2018 to 10.0% for the year ended 31 December 2019 as the gross profit margin of package tours to travel agencies was lower compared to corporate and institutional customers. The gross profit margin of FIT Products decreased by 3.7 percentage points from 82.1% for the year ended 31 December 2018 to 78.4% for the year ended 31 December 2019 as a result of the Group's strategy to lower the margin of FIT Products to boost the sales of air tickets. The gross profit margin of sales of air tickets and hotel accommodations was 15.7% for the year ended 31 December 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Other income and gains

Other income and gains mainly represented government grants and tax refund. The increase in other income and gains of RMB7.9 million or 111.0% from RMB7.1 million for the year ended 31 December 2018 to RMB14.9 million for the year ended 31 December 2019 was mainly due to the increase in the recognition of government grant of RMB4.8 million and value-added tax and other tax refund of RMB1.7 million during the year ended 31 December 2019. 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 the Group's products and services through various channels such as social networks, magazines and marketing events; (iii) depreciation of property, plant and equipment and right-of-use assets; and (iv) office and utility expenses for the tourism square, retail branches and sales office.

The Group's selling and distribution expenses increased by RMB5.5 million or 18.1% from RMB30.5 million for the year ended 31 December 2018 to RMB36.0 million for the year ended 31 December 2019, mainly due to (i) the increase in staff costs of RMB1.2 million as a result of the increase in headcount for the business growth; and (ii) the increase in advertising and marketing expenses of RMB2.9 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 year.

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 the Group's 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. Excluding the listing expenses of RMB19.1 million, administrative expenses remained relatively stable for the year ended 31 December 2018 and 2019.

Other expenses

The Group's other expenses mainly represented provision for impairment on trade receivables. The increase in other expenses of RMB3.5 million was mainly due to the increase in impairment loss of RMB3.1 million, which was in line with the increase in trade receivables in relation to the business expansion.

Interest expenses

The Group's interest expenses mainly represented interest expenses on bank borrowings and lease liabilities. The increase in interest expenses of RMB5.0 million from RMB4.0 million for the year ended 31 December 2018 to RMB9.0 million for the year ended 31 December 2019 was mainly due to the increase in bank borrowings during the year.

Income tax expense

Income tax expense mainly represented the corporate income tax of Mainland China of RMB11.7 million and RMB9.4 million for the year ended 31 December 2018 and 2019, respectively.

The effective tax rate was 30.1% and 41.6% for the year ended 31 December 2018 and 2019, respectively. The increase in effective tax rate of 11.5 percentage points was primarily due to the non-deductible expenses for tax purposes mainly in relation to the listing expenses and professional expenses recognised during the year.

Profit for the year attributable to the owners of the Company

As a result of the foregoing, profit for the year attributable to the owners of the Company was RMB16.4 million. Excluding the listing expenses, profit for the year ended 31 December 2019 attributable to the owners of the Company increased to RMB35.5 million due to the growth of the Group's business and increase in revenue.

PROSPECTS

Despite the uncertainties brought by the trade tension between the United States and the PRC throughout 2019, the Chinese tourism industry, as well as the performance of the Group recorded encouraging growth. The Directors are optimistic about the development of the Chinese tourism industry with pragmatic reasons: (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 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 experiences to the customers. 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.

COVID-19

The outbreak of the COVID-19 has brought negative impact to the tourism industry of China, and the operation and financial performance of the Group in the first quarter of 2020 would be affected inevitably. The Group suspended its local group package tours operation and the sales of "air ticketing and hotel booking" products within Mainland China since 24 January 2020 and all outbound tours since 26 January 2020 according to the notices issued by the General Office of the Ministry of Culture and Tourism (文化和旅遊部辦公廳) and the Bureau, to facilitate better prevention and control the outbreak of the COVID-19. In March 2020, the Bureau announced that some of the tourism enterprises' operations, including cross-provincial and mainland outbound package tours and "air ticketing and hotel booking" products, have to continue to be suspended.

The Board pays great attention to the development of the outbreak of the COVID-19 and makes every effort on prevention and control, and daily operation management. The Board will continue to assess the impact of the outbreak of the COVID-19 on the Group's operation and financial performance, and closely monitor the Group's exposure to the risks and uncertainties in connection with the outbreak of the COVID-19. The Group will take appropriate measures as necessary to minimise the risks exposed.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL REVIEW

As at 31 December 2019, the Group's current assets and current liabilities were RMB461.8 million and RMB310.6 million (as at 31 December 2018: RMB249.5 million and RMB207.6 million), respectively, of which the Group maintained cash and bank balances of RMB101.3 million (as at 31 December 2018: RMB39.4 million) and pledged short-term deposits of RMB14.6 million (as at 31 December 2018: RMB23.4 million). As at 31 December 2019, the Group's current ratio was 1.5 times (as at 31 December 2018: 1.2 times). The Group's outstanding borrowings as at 31 December 2019 represented interest-bearing bank borrowings of RMB189.7 million denominated in RMB (as at 31 December 2018: RMB110.0 million). Accordingly, the Group's gearing ratio as at 31 December 2019, which was calculated on the basis of total borrowings as a percentage of equity attributable to equity holders of the Company, was 97.3% (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 54.5 days and 70.5 days for the year ended 31 December 2018 and 2019, respectively. The increase in average turnover days of trade receivables during the year was mainly due to the significant increase in gross sales proceeds of air tickets from the FIT Products segment. 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 the FIT Products, the Group's 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 year. The average turnover days of trade payables for the year ended 31 December 2019 decreased to 25.6 days (year ended 31 December 2018: 35.5 days) as the Group settled the trade payables balance more quickly.

The Group adopts conservative treasury policies in cash and financial management. Cash is generally placed in deposits mostly denominated in RMB and Hong Kong dollars ("**HKD**"). The Group's liquidity and financing requirements are reviewed regularly.

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

CAPITAL STRUCTURE

There is no material change in the capital structure of the Company since the date of the Listing. 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 the Group's total cost of air tickets as a whole. During the year, the Group has not entered into any hedging transactions to reduce the exposure to foreign exchange risk, which the Directors consider not material to the Group's financial performance. However, the Group will continue to closely monitor all possible exchange risk arising from the Group's existing operations and new investments in the future and will implement the necessary hedging arrangement(s) to mitigate any significant foreign exchange exposure.

CHARGE ON ASSETS

As at 31 December 2019 and 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 RMB9.3 million and RMB9.7 million as at 31 December 2019 and 2018; and

(ii) the pledge of certain of the Group's trade receivables amounting to RMB15.3 million and RMB25.5 million as at 31 December 2019 and 2018, respectively.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2019, the total number of employees of the Group was 539 (31 December 2018: 506). Staff costs (including Directors' emoluments) amounted to RMB50.2 million for the year (year ended 31 December 2018: RMB51.6 million). Remuneration of the employees includes salary and discretionary bonuses based on the Group's results and individual performance and the Group conducts regular performance reviews to assess the performance of the employees. Retirement benefits schemes and in-house training programmes are made available to all levels of personnel. The Company has also adopted the share option scheme as incentive for Directors and eligible employees. Details of the said scheme are set out under the section headed "Share Option Scheme" in this annual report.

DIVIDEND

The Board did not declare the payment of any final dividend for the year ended 31 December 2019 (year ended 31 December 2018: Nil).

For the year ended 31 December 2018, Feiyang International, which is deemed to be an indirect wholly-owned subsidiary of our Company pursuant to the Contractual Arrangements (as defined below), paid dividends to its then shareholders with a total amount of RMB25.7 million.

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

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

CONTINGENT LIABILITIES

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

USE OF PROCEEDS

The Company was listed on 28 June 2019 and the net proceeds from the Listing after deduction of the underwriting fees, commissions and expenses payable by the Group were approximately RMB72.1 million (approximately HKD81.9 million).

The planned use of proceeds as stated in the prospectus of the Company dated 18 June 2019 (the "**Prospectus**"), the actual use of proceeds from the Listing Date up to 31 December 2019 and the unutilised amount as at 31 December 2019 are set out as below:

Business objective as stated in the Prospectus	**Planned use of proceeds as stated in the Prospectus** HKD'000	**Percentage of net proceeds**	**Actual use of proceeds from the Listing Date up to 31 December 2019** HKD'000	**Unutilised amount as at 31 December 2019** HKD'000
Set up new retail branches and points of sales and refurbish existing retail branches	16,380	20%	–	16,380
Increase deposits and prepayments to air ticket suppliers	28,665	35%	28,665	–
Upgrade the information technology system	8,190	10%	–	8,190
Increase marketing effort in traditional media	8,190	10%	–	8,190
Repay part of the bank borrowings	12,285	15%	12,285	–
Use as general working capital	8,190	10%	8,190	–
Total	81,900	100%	49,140	32,760

The unutilised proceeds will be used based on the strategies as disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus by year ending 31 December 2021, and have been deposited in licensed banks in Hong Kong and the PRC as at 31 December 2019. The Company does not anticipate any change to its plan on the use of proceeds as stated in the Prospectus.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

The biographical details of the Directors and senior management of the Company are set out as follows:

DIRECTORS

Executive Directors

Mr. He Binfeng (何斌鋒)

Mr. He Binfeng (何斌鋒), aged 47, executive Director, chairman of the Board and chief executive officer. He was appointed as a Director on 18 October 2018 and re-designated as an executive Director on 16 January 2019. Mr. He is also the chairman of the Nomination Committee and a member of the Remuneration Committee. Mr. He is the founder of the Group. Mr. He is responsible for formulating corporate strategy, planning, business development and supervising the overall operation of the Group. Mr. He is also the director of the Company's subsidiaries, namely, Bird Investment, Feiyang HK, Shengda Feiyang, Ningbo Commercial, Feiyang Expo and Feiyang International.

Mr. He has over 25 years of experience in the tourism industry. Mr. He served as a tour guide and office manager of Ningbo China Travel Service Group Co., Ltd. (寧波中國旅行社集團有限公司) from July 1994 to August 1997 and from May 1999 to January 2000, respectively. From July 1997 to May 1999, Mr. He worked at the Quality Supervision and Management Department of the Ningbo Tourism Bureau (寧波市旅遊局) (currently known as Ningbo Bureau of Culture, Radio, TV and Tourism (寧波市文化廣電旅遊局)). From January 2000 to August 2001, he served as a manager of Ningbo Travel Service Group Company Ltd. Gulou Office (寧波旅行社有限責任公司鼓樓門市部). From September 2001, Mr. He served as the chairman and general manager of Feiyang International.

Mr. He completed his bachelor's study in tourism economics at Hangzhou University (杭州大學) (currently known as Zhejiang University (浙江大學)) in the PRC in July 1994.

Mr. Zhang Qinghai (張青海)

Mr. Zhang Qinghai (張青海), aged 48, executive Director and chief financial officer. He was appointed as a Director on 18 October 2018 and re-designated as an executive Director on 16 January 2019. Mr. Zhang joined the Group on 3 July 2017 as a chief financial officer and the secretary to the board of directors of Feiyang International. Mr. Zhang is responsible for the corporate financial planning of the Group.

Mr. Zhang has over 20 years of experience in the accounting and finance industry. Mr. Zhang was an accountant and an assistant to financial manager in Beijing Dafa Zhengda Company Limited (北京大發正大有限公司) from July 1995 to July 1997. From July 1997 to April 2007, Mr. Zhang served as an accountant, financial manager and head of financial control in Ningbo East China BP Liquefied Petroleum Company Limited (寧波華東BP液化石油氣有限公司). From April 2007 to April 2010, Mr. Zhang served as a head of financial control in BPZR (Ningbo) LPG Co., Ltd (鎮海煉化碧辟(寧波)液化氣有限公司) (currently known as Ningbo Minggang Gas Co., Ltd (寧波明港液化氣有限公司)). From April 2010 to September 2011, Mr. Zhang served as the head of financial control of Zhejiang Longchi Group Company Limited (浙江龍馳集團有限公司). From September 2011 to May 2016, Mr. Zhang served as the head of internal control of Shanshan Group Company Limited (杉杉集團有限公司). Prior to joining the Group, Mr. Zhang served as a senior manager of financial management department in Zhengzhou Yutong Bus Co., Ltd (鄭州宇通集團有限公司) and was in charge of its internal control and financial control from June 2016 to June 2017.

Mr. Zhang obtained a bachelor's degree in agricultural economics at Henan College of Finance (河南財經學院) (currently known as Henan University of Economics and Law (河南財經政法大學)) in the PRC in July 1995. Mr. Zhang became a certified general accountant of the Chinese Institute of Certified Public Accountants in June 2001.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Mr. Huang Yu (黃宇)

Mr. Huang Yu (黃宇), aged 32, executive Director and chief technology officer. He was appointed as a Director on 18 October 2018 and re-designated as an executive Director on 16 January 2019. Mr. Huang joined the Group on 22 December 2014 as a chief technology officer. Mr. Huang is responsible for the technology system development of the Group. Mr. Huang is also a director of one of the subsidiaries of the Company, namely Zhejiang Hengyue.

Mr. Huang has over nine years of experience in the information technology industry. Prior to joining the Group, Mr. Huang served as the chief executive officer and chief technology officer of Beijing Zhimeng Chuangke Technology Limited Liability Company (北京智夢創科科技有限責任公司) from November 2011 to April 2013. From June 2013 to September 2014, Mr. Huang served as the manager of technology department and the chief technology officer of Zhejiang Marmot Network Technology Company Limited (浙江土撥鼠網絡科技有限公司).

Mr. Huang obtained a bachelor's degree in integrated circuit design and integrated system and a master's degree in computer software and theory at University of Electronic Science and Technology of China (中國電子科技大學) in July 2010 and June 2013, respectively.

Mr. Wu Bin (吳濱)

Mr. Wu Bin (吳濱), aged 51, executive Director and duty general manager. He was appointed as a Director on 18 October 2018 and re-designated as an executive Director on 16 January 2019. Mr. Wu joined the Group on 1 December 2006 as a joint chief executive officer. Mr. Wu is responsible for the sales and customers service functions of the Group. Mr. Wu is also a director of the Company's subsidiaries, namely Feiyang Travel Agency, Shengda Feiyang and Feiyang International.

Mr. Wu has over 30 years of experience in the tourism industry. Prior to joining the Group, Mr. Wu served as a tour guide and deputy general manager of China International Travel Agency Ningbo Branch (中國國際旅行社寧波支社) (currently known as Ningbo China International Travel Service Company Limited (寧波中國國際旅行社有限公司)) from December 1986 to September 1992 and September 2001 to November 2005, respectively. From September 1992 to August 1997, Mr. Wu served as a manager of the planning and operating department of Ningbo China Travel Service Group Co., Ltd (寧波中國旅行社集團有限公司). From August 1997 to February 2001, Mr. Wu served as a manager of the external relations department of Ningbo Overseas Travel Service Co Ltd (寧波海外旅行社有限公司) (currently known as Ningbo Overseas Travel Co., Ltd (寧波海外旅遊有限公司)). From November 2005 to September 2006, Mr. Wu served as the deputy general manager of the Ningbo branch of Zhejiang Zhongshan International Travel Services Limited (浙江中山國際旅行社有限責任公司).

Mr. Wu completed his middle school's study at Ningbo No. 13 Middle School (寧波市第13中學) in July 1985. Mr. Wu obtained his qualification as a tour guide and travel service manager of international travel agencies in June 1989 and November 2003, respectively. Since September 2018, Mr. Wu has been enrolled in a long distance learning course at the Beijing Technology University (北京理工大學) studying public administrative management.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Mr. Li Da (李達)

Mr. Li Da (李達), aged 35, executive Director and deputy general manager. He was appointed as a Director on 18 October 2018 and re-designated as an executive Director on 16 January 2019. Mr. Li joined the Group on 1 November 2010 as a deputy general manager of Feiyang International. Mr. Li is responsible for the business development and market analysis functions of the Group. Mr. Li is also the director of the Company's subsidiaries, namely Feiyang International and Feiyang Lianchuang.

Mr. Li has over 10 years of experience in tourism industry. Prior to joining the Group, Mr. Li served as a manager in the information technology department of Ningbo Zhelun Overseas Travel Services Limited (寧波浙侖海外旅行社有限公司) (currently known as Ningbo Zhelun Overseas Travel Industry Group Limited (寧波浙侖海外旅業集團有限公司)) from May 2005 to November 2005. From December 2005 to December 2006, Mr. Li served as the general manager of Ningbo Yi Travel Network Service Company Limited (寧波市科技園區易旅遊網絡服務有限公司). From January 2007 to September 2009, Mr. Li served as the office manager of the Hangzhou Bailongtan Scenic Area (杭州白龍潭風景區). From November 2009 to November 2010, Mr. Li served as the deputy general manager of Ningbo Kanghui International Travel Services Limited (寧波康輝國際旅行社有限公司) (currently known as Ningbo Dezao Kanghui International Travel Services Limited (寧波德造康輝國際旅行社有限公司)).

Mr. Li completed his middle school's study at the Putuo Middle School of Zhoushan, Zhejiang (浙江省舟山市普陀中學) in the PRC in July 2001.

Mr. Chen Xiaodong (陳曉冬)

Mr. Chen Xiaodong (陳曉冬), aged 52, executive Director and deputy general manager. He was appointed as a Director on 18 October 2018 and re-designated as an executive Director on 16 January 2019. Mr. Chen joined the Group on 6 March 2012 as a deputy general manager. Mr. Chen is responsible for the product development and procurement functions of the Group. Mr. Chen is also a director of the Company's subsidiaries, namely, Feiyang International and Ningbo Qihang.

Mr. Chen has over 25 years of experience in the tourism industry. Prior to joining the Group, Mr. Chen served as a designer and translator for several companies in the PRC from July 1988 to August 1993. From December 1993 to June 2001, Mr. Chen served as a department manager in China International Travel Agency Ningbo Branch (中國國際旅行社寧波分社). From June 2001 to March 2003, Mr. Chen served as an assistant to general manager of Ningbo Overseas Tourism Limited (寧波海外旅遊有限公司). From March 2003 to June 2011, Mr. Chen served as a deputy general manager in Ningbo Zhelun Overseas Travel Co Ltd (寧波浙侖海外旅遊有限公司) (currently known as Ningbo Zhelun Overseas Travel Industry Group Limited (寧波浙侖海外旅業集團有限公司)).

Mr. Chen completed his middle school's study at Ningbo No. 1 Middle School (currently known as Ningbo Middle School) in June 1985. Since September 2018, Mr. Chen has been enrolled in a distance course at the Beijing Technology University (北京理工大學) studying public administrative management.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Independent non-executive Directors

Mr. Li Huamin (李華敏)

Mr. Li Huamin (李華敏), aged 42, was appointed as an independent non-executive Director on 29 April 2019 and is the chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee.

From August 2003, Mr. Li was a teacher at the Zhejiang University Ningbo Institute of Technology (浙江大學寧波理工學院). He was subsequently promoted to lecturer and associate professor at the same university in September 2005 and December 2010, respectively. From August 2012, Mr. Li served as the deputy committee officer of Ningbo Tourism Standardisation Technical Committee (寧波市旅遊標準化技術委員會) and was promoted to deputy secretary general of the same committee for a term of four years since September 2018. Mr. Li served as an executive chairman at the Ningbo Research Institute of Tourism Development (寧波市全域旅遊發展研究院) since March 2018. Mr. Li was appointed as an independent director of Feiyang International on 10 February 2017 for the purpose of preparing for the proposed listing of Feiyang International on ChiNext and he ceased to be the independent director of Feiyang International on 3 August 2018.

Mr. Li obtained his bachelor's degree in arts from Jiangxi Education College (江西教育學院) (currently known as Nanchang Normal University (南昌師範學院)) in the PRC in October 2000 through a distant learning programme. Mr. Li obtained his master's degree in tourism management from Zhejiang University (浙江大學) in the PRC in March 2003 and a doctor's degree in agricultural economics management from the school of management at Zhejiang University in the PRC in March 2008.

Mr. Yi Ling (易凌)

Mr. Yi Ling (易凌), aged 59, was appointed as an independent non-executive Director on 29 April 2019 and is a member of the Audit Committee and Nomination Committee.

Mr. Yi was engaged in teaching and research at the School of Liberal Arts and Law in South Metallurgy College (南方冶金學院) (currently known as Jiangxi University of Science and Technology (江西理工大學)) since July 1987. Mr. Yi was subsequently promoted to associate professor and professor in September 1998 and November 2001, respectively. From June 2004 to December 2011, Mr. Yi was engaged in teaching and research at the School of Law of Zhejiang Wanli University (浙江萬里學院). From October 2004 to June 2006, he served as the assistant to the Dean of School of Law of the same university. From September 2010, he served as the director of the Research Center of Economics of Law of Zhejiang Wanli University (浙江萬里學院法經濟學研究中心). Since February 2005, Mr. Yi has been a member of the Local Legislative Expert Database of Zhejiang Province (浙江省地方立法專家庫). Since January 2007, Mr. Yi was engaged as an expert in the Zhejiang "Eleventh Five-Year" Philosophy and Social Sciences Subject Group (浙江省哲學社會科學「十一五」學科組). From March 2007 to July 2007, Mr. Yi was a visiting scholar of Law of Economics of Zhejiang University. In December 2014, he was appointed as a part-time master tutor at Ningbo University for a period of three years from January 2015 to December 2017. In December 2015, Mr. Yi was appointed as an arbitrator of the 5th Ningbo Arbitration Commission. In November 2016 for a term of five years, he was appointed as the legislative advisory expert of the Ningbo Municipal People's Congress Standing Committee (寧波市人民代表大會常務委員會). In July 2018 for a term of three years, Mr. Yi was appointed as a member of the second Zhejiang Food Safety Expert Committee.

Mr. Yi obtained a bachelor's degree in law from Central South Industry University (中南工業大學) (currently known as Central South University (中南大學)) in the PRC in July 1987. He was engaged in a teaching assistant training course and completed his study in economic laws for postgraduate students in Jilin University in the PRC in July 1990. In November 2009, he obtained a doctor's degree of philosophy in business administration from Tarlac State University in the Philippines.

In December 2016, Mr. Yi became the chairman of the supervisory board of Ningbo MaterChem Technology Co., Ltd. (寧波能之光新材料科技股份有限公司), a company whose shares were quoted on the NEEQ in China (stock code: 871532).

Ms. Li Chengai (李成艾)

Ms. Li Chengai (李成艾), aged 40, was appointed as an independent non-executive Director on 29 April 2019 and is a chairlady of the Audit Committee and a member of the Remuneration Committee.

From July 2005, Ms. Li served as a teacher in Zhejiang Wanli University (浙江萬里學院). In September 2012, she was promoted to associate professor at the Zhejiang Wanli University. From March 2013, she served as the deputy director of the Ningbo Audit Research Institute (寧波市審計研究所). Since December 2017, Ms. Li was engaged for a term of three years as an independent non-executive director at Medicalsystem Biotechnology Co., Ltd (美康生物科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300439). In May 2019, Ms. Li was appointed as an independent director at Ningbo Cixing Co., Ltd. (寧波慈星股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300307). In October 2019, Ms. Li was appointed as an independent director at Ningbo Vulcan Technology Company Limited (寧波伏爾肯科技股份有限公司). Ms. Li was appointed as an independent director of Feiyang International on 10 February 2017 for the purpose of preparing for the proposed listing of Feiyang International on ChiNext and she ceased to be independent director of Feiyang International on 3 August 2018.

Ms. Li graduated from Zhongnan University of Economics and Law (中南財經政法大學) in the PRC in June 2005 with a master's degree in accounting and is studying for a doctor's degree in auditing from the same university since 2015. Ms. Li became a certified general accountant of the Chinese Institute of Certified Public Accountants in December 2009.

Save as disclosed in this annual report, as at 31 December 2019, the Directors (i) has no interest in the Shares within the meaning of Part XV of the SFO; (ii) did not have any relationship with any Directors, senior management the substantial shareholders or Controlling Shareholders of the Company; and (iii) did not hold any directorship in any other public companies the securities of which were listed on any securities market in Hong Kong or overseas in the last three years.

Save as disclosed herein, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, there was no other matter with respect to the Directors that needs to be brought to the attention to the Shareholders and there was no information relation to the Directors that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") during the reporting period.

SENIOR MANAGEMENT

Mr. He Binfeng (何斌鋒), Mr. Zhang Qinghai (張青海), Mr. Huang Yu (黃宇), Mr. Wu Bin (吳濱), Mr. Li Da (李達) and Mr. Chen Xiaodong (陳曉冬) are also the senior management of the Group. See "Executive Directors" above for details.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board of Directors (the "**Board**") is committed to ensuring the Company adhere to a good standard of corporate governance.

The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted and applied the principles as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules as the basis of the Company's corporate governance practices.

As the Company was not listed on the Hong Kong Stock Exchange until 28 June 2019, the CG Code set out in Appendix 14 to the Listing Rules was not applicable to the Company for the full year from 1 January 2019 to 31 December 2019, but only from the Listing Date to 31 December 2019 (the "**Review Period**"). During the Review Period, the Company has complied with all the applicable code provisions as set out in the CG Code, except for code provision A.1.1 described in the paragraph headed "Attendance Records of Directors" and A.2.1 described in the paragraph headed "Board of Directors — Chairman and Chief Executive Officer" in this Corporate Governance Report.

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.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the required standard set out in the Model Code from the Listing Date to 31 December 2019.

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

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

The Company is headed by an effective Board which oversees the Group's businesses, strategic decisions and performance and takes decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time performing them.

Board Composition

The Board currently comprises nine Directors, consisting of six executive Directors and three independent non-executive Directors.

The composition of the Board is as follows:

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

The biographical information of the Directors are set out in the section headed "Directors and Senior Management Profile" on pages 15 to 19 of this annual report.

Chairman and Chief Executive Officer

Code 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.

Under the current management structure of the Company, Mr. He Binfeng is the chairman of the Board (the "**Chairman**") and the chief executive officer of the Company. Since Mr. He Binfeng 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 Binfeng taking up both roles for effective management and business development of the Group following the Listing and Mr. He Binfeng will provide a strong and consistent leadership to the Group. This arrangement ensures a more effective and efficient overall strategic planning of the Group as this structure enables the Company to make and implement decisions promptly and effectively. Further, the Company has put in place an appropriate check-and-balance mechanism through the Board and three independent non-executive Directors. The independent non-executive Directors are able to retain independence of character and judgment and are able to express their views without any constraint. In addition, the Board also consists of five other executive Directors who are familiar with the day-to-day business of the Company. The Company will consult the Board for any major decisions. Therefore, the Board considers that the balance of power and authority of the present arrangement with the Board and the independent non-executive Directors will not be impaired because such arrangement would not result in excessive concentration of power in one individual which could adversely affect the interest of minority Shareholders. As such, the deviation from code provision 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.

Independent Non-executive Directors

During the Review Period, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors, with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Appointment and Re-election of Directors

The independent non-executive Directors of the Company are appointed for a specific term of three years commencing from the Listing Date, subject to retirement by rotation and re-election at the Annual General Meeting.

The articles of association of the Company (the "**Articles of Association**") provides that all Directors appointed to fill a casual vacancy shall be subject to re-election by shareholders at the first general meeting of the Company after appointment.

Under the Articles of Association, at each annual general meeting, one-third of the Directors for the time being, or if their number is not three or a multiple of three, the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

CORPORATE GOVERNANCE REPORT

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses, for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

Continuous Professional Development of Directors

All Directors, including executive Directors and independent non-executive Directors, should keep abreast of their collective responsibilities as Directors and of the businesses and activities of the Group. Every newly appointed Director has received a formal and comprehensive induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. All Directors are encouraged to attend relevant training courses at the Company's expenses.

The Group provided briefings and other training to develop and refresh the Directors' knowledge and skills, and updates all Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance and to enhance their awareness of good corporate governance code.

The Directors are committed to complying with the code provision A.6.5 on Directors' training. All Directors have participated in continuous professional development and provided a record of training they received for the Year to the Company.

BOARD COMMITTEES

The Board has established 3 committees, namely, the Audit Committee, the Remuneration Committee, and the Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee, Remuneration Committee and Nomination Committee are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

The list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2 of this annual report.

Audit Committee

The Audit Committee consists of three independent non-executive Directors, namely Ms. Li Chengai, Mr. Li Huamin and Mr. Yi Ling. Ms. Li Chengai is the chairlady of the Audit Committee.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditors and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control, or other matters of the Group.

During the Review Period, the Audit Committee held one meeting to review the interim financial results and reports and significant issues on the financial reporting, operational and compliance controls.

On 31 March 2020 and 24 April 2020, the Audit Committee has also reviewed and discussed with the management the annual results of the Group for the year ended 31 December 2019.

Remuneration Committee

The Remuneration Committee consists of three members, namely Mr. Li Huamin, independent non-executive Director, Mr. He Binfeng, executive Director and Ms. Li Chengai, independent non-executive Director. Mr. Li Huamin is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include determining/reviewing and making recommendations to the Board on the remuneration packages of individual Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

A meeting of the Remuneration Committee was held in August 2019. Details of the remuneration of the senior management by band are set out in Note 9 to the Financial Statements.

Nomination Committee

The Nomination Committee consists of three members, namely Mr. He Binfeng, executive Director, Mr. Yi Ling, independent non-executive Director and Mr. Li Huamin, independent non-executive Director. Mr. He Binfeng is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Director Nomination Policy that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

During the Review Period, the Nomination Committee met once to review the structure, size and composition of the Board and the independence of the independent non-executive Directors.

Board Diversity Policy

The Company has adopted a board diversity policy (the "**Board Diversity Policy**") which sets out the approach to achieve diversity of the Board and is available on the website of the Company. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

Pursuant to the Board Diversity Policy, the Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, experience, expertise, qualifications, skills and knowledge as well as independence of the Board.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

The Nomination Committee will review the Board Diversity Policy on a regular basis to ensure its effectiveness.

Director Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company has adopted a director nomination policy (the "**Director Nomination Policy**") which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- character and integrity;
- qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- requirements of independent non-executive Directors on the Board and independence of the proposed independent non-executive Directors in accordance with the Listing Rules; and
- commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings.

Dividend policy

The Company has adopted a dividend policy (the "**Dividend Policy**") which sets out the approach to maintain a balance between meeting shareholders' expectations and prudent capital management with a sustainable dividend policy. The Company does not have any pre-determined dividend payout ratio. The declaration of dividends is subject to the discretion of the Board. Any declaration of final dividend by the Company shall also be subject to the approval of the shareholders in a shareholders' meeting.

The Directors may recommend a payment of dividends in the future after taking into account the Group's operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders' interests and other factors which they may deem relevant at such time. Any declaration and payment as well as the amount of the dividends will be subject to constitutional documents, any applicable laws and regulations, including the Cayman Islands Companies Law. Historical dividend distributions are not indicative of the future dividend distribution. Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in the Group's operations.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

During the Review Period, the Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Employees Written Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

ATTENDANCE RECORDS OF DIRECTORS

The attendance record of each Director at the Board and Board Committee meetings held during the Review Period is set out in the table below:

	Number of Meetings Attended/ Number of Meetings held for the Review Period			
Name of Directors	**Board meeting**	**Audit Committee meeting**	**Remuneration Committee meeting**	**Nomination Committee meeting**
Executive Directors				
Mr. He Binfeng	1/1	–	1/1	1/1
Mr. Zhang Qinghai	1/1	–	–	–
Mr. Huang Yu	1/1	–	–	–
Mr. Wu Bin	1/1	–	–	–
Mr. Li Da	1/1	–	–	–
Mr. Chen Xiaodong	1/1	–	–	–
Independent non-executive Directors				
Mr. Li Huamin	1/1	1/1	1/1	1/1
Mr. Yi Ling	1/1	1/1	–	1/1
Ms. Li Chengai	1/1	1/1	1/1	–

Regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors.

As the Company was only listed on the Stock Exchange on 28 June 2019, the CG Code was not applicable to the Company for the full year from 1 January 2019 to 31 December 2019, but only for the Review Period. During the Review Period, only one regular board meeting was held to review and discuss the interim results. The Company is obliged to comply with the CG Code and will take appropriate arrangements for holding at least four Board meetings, two Audit Committee meetings as well as a meeting between the Chairman and the independent non-executive Directors without the presence of other Directors in the forthcoming year. No general meeting was held during the Review Period.

Apart from the above regular Board meetings of the year, the Board will meet on other occasions when a Board-level decision on a particular matter is required. The Directors will receive details of agenda items for decision in advance of each Board meeting. Board minutes are kept by the Company Secretary and are open for inspection by the Directors. Every Board member is entitled to have access to Board papers and related materials, and has unrestricted access to the advice and services of the Company Secretary, and has the liberty to seek external professional advice if so required. The Board is responsible for maintaining an on-going dialogue with shareholders and in particular, uses annual general meetings or other general meetings to communicate with them and encourage their participation. The Board notes that the Chairman of the Board and the chairmen or, in their absence, other members of the Audit Committee, Nomination Committee and Remuneration Committee of the Company should attend the annual general meeting to answer questions and collect views of shareholders.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation, monitoring and effectiveness of the risk management and internal control systems.

The Company's risk management and internal control systems have been developed with the following features and processes:

(a) The processes used to identify, evaluate and manage significant risks by the Group are summarised as follows:

Risk Identification: Identifies risks that may potentially affect the Group's business and operations.

Risk Assessment: Assesses the risks identified by using the assessment criteria developed by the management; and considers the impact and consequence on the business and the likelihood of their occurrence.

Risk Response: Prioritises the risks by comparing the results of the risk assessment; and determines the risk management strategies and internal control processes to prevent, avoid or mitigate the risks.

Risk Monitoring and Reporting: Performs ongoing and periodic monitoring of the risk and ensures that appropriate internal control processes are in place; revises the risk management strategies and internal control processes in case of any significant change of situation; and reports the results of risk monitoring to the management and the Board regularly.

(b) The main features of the risk management and internal control systems are summarised as follows:

Control procedures have been designed to safeguard assets against misappropriation and disposition; ensure compliance with relevant laws, rules and regulations; ensure proper maintenance of accounting records for provision of reliable financial information used within the business or for publication; ensure that unauthorized access and use of inside information are strictly prohibited; and to provide reasonable assurance against material misstatement, loss or fraud.

The Group has an internal audit function which conducts review on adequacy and effectiveness of the risk management and internal control systems of the Group. Such review is conducted annually and cycles reviewed are under rotation basis. During the year ended 31 December 2019, the Company engaged an external consultant to conduct a review of the risk management and internal control systems of the Group. Management has reported findings and areas for improvement to the Audit Committee and the Board. The Board and the Audit Committee are of the view that there are no material internal control defects noted. All recommendations suggested are properly followed up to ensure that they are implemented within a reasonable period of time. The Board and the Audit Committee therefore considered that the Group's risk management and internal control systems are effective and adequate. The Board also satisfied that there are adequate resources with appropriate qualifications and experience in its accounting and financial reporting team and that sufficient training and budget have been provided.

The Company has developed its Information Disclosure Policy which provides guidelines and procedures to the Company's Directors, senior management and employees in evaluating and handling confidential information, monitoring information disclosure, handling market rumors, leakage of information and responding to enquiries. Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited. The Group has in place a restriction-to-access mechanism to ensure that inside information is restricted to authorised persons on a need-to-know basis in accordance with the nature of transactions.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2019.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Auditor's Report on pages 55 to 57.

AUDITORS' REMUNERATION

The remuneration paid to the external auditor of the Company, Ernst & Young, in respect of audit services of the Group for the year ended 31 December 2019 amounted to RMB1,550,000. No non-audit services were provided by the auditors for the year ended 31 December 2019.

COMPANY SECRETARY

The Company engages an external service provider to provide company secretarial services and has appointed Mr. Tam Chun Wai Edwin as its company secretary. Mr. Tam is not an employee of our Group and he is responsible for advisory to the Group on corporate governance matters. Mr. Zhang Qinghai, executive Director and chief financial officer of the Company, is the person who Mr. Tam can contact for the purpose of code provision F.1.1 of the Code.

Mr. Tam confirmed that he has complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of relevant professional training during the year ended 31 December 2019.

SHAREHOLDERS' RIGHTS

The Company engages with shareholders through various communication channels.

To safeguard shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening an Extraordinary General Meeting

Pursuant to Article 64 of the Articles of Association, The Board may, whenever it thinks fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or a Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting Forward Proposals at Annual General Meetings

There is no provision allowing shareholders to move new resolutions at general meeting under the Cayman Islands Companies Law or the Articles of Association. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

Putting Forward Enquiries to the Board

Shareholders may send written enquiries and concerns to the Company by mail to the Company's principal place of business in Hong Kong at 13/F, Wah Yuen Building, 149 Queen's Road Central, Hong Kong.

INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company is endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings.

The Company has not made any changes to its Memorandum and Articles of Association since the Listing Date. An up to date version of the Memorandum and Articles of Association is available on the Company's website and the Stock Exchange's website.

Policies relating to Shareholders

The Company has in place a Shareholders' Communication Policy to ensure that shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

The Company has adopted a Dividend Policy on payment of dividends pursuant to code provision E1.5 of the CG Code.

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements of the Group for the Year.

GLOBAL OFFERING

The Company was incorporated in the Cayman Islands on 18 October 2018 as an exempted limited liability company. The Company issued 125,000,000 ordinary shares with nominal value of HKD0.01 each (the "**Shares**" and each a "**Share**") through global offering at the offer price of HKD1.05 per Share. The Shares were listed on the Main Board of the Stock Exchange on 28 June 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries of the Company comprise (i) the design, development and sales of outbound travel package tours; (ii) the design, development and sales of FIT Products; and (iii) the provision of other ancillary travel-related products and services. There were no significant changes in the nature of the Group's principal activities during the Year.

BUSINESS REVIEW

Further discussion and analysis of the activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a description of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business, can be found in the Chairman's Statement and Management Discussion and Analysis set out on pages 4 to 14 of this annual report. This discussion forms part of this directors' report.

ENVIRONMENTAL POLICIES AND COMPLIANCE WITH LAWS AND REGULATIONS

The Group is committed to conducting its business in an environmentally conscious manner and minimizing the adverse effects caused by its operations on the environment. The Group continues to make endeavors in saving energy and reducing unnecessary waste by adopting various green measures in its workplace. Such measures include using of energy-efficient light tubes, encouraging use of recycle papers and both sides of papers for printing and copying and keeping office temperature at reasonable level. The Group will review the environmental policy from time to time and will consider implementing further environmentally friendly measures and practices in the operation of the Group's business.

The Board paid attention to the Group's policies and practices on compliance with all significant legal and regulatory requirements essential to is business operations. The Group would seek professional advice from its external legal advisers and consultants to ensure transactions and business to be performed by the Group are in compliance with applicable environmental policies, laws and regulations. During the Year, as far as the Company is aware, it has complied in all material respects of the laws or regulations that have a significant impact on the Group's business and operation.

A report on the environmental, social and governance aspects is prepared in accordance with Appendix 27 to the Listing Rules and will be published on the Company's and the Stock Exchange's websites as close as possible to, and in any event no later than three months after, the publication of the Company's annual report.

KEY RELATIONSHIPS WITH THE GROUP'S EMPLOYEES, CUSTOMERS, SUPPLIERS AND OTHER STAKEHOLDERS

The Group believes that employees are instrumental to the success of the Group and that their industry knowledge and understanding of the market will enable the Group to maintain the competitiveness in the market. The Group has developed a desirable working environment and provided a variety of benefits and career development to its employees. Share Options may also be granted for the purpose of providing incentives and rewards to eligible participants who contributed to the success of the Group's operations.

The Group also recognizes that maintaining a good and stable relationship with its existing and potential customers, suppliers and other stakeholders are the keys to the sustainable development of the Group. Accordingly, the management has kept good communication with its suppliers and customers in order to monitor the credit quality of the customers and to make timely adjustments to its operating strategies to conform to the market trends. In additional, the Group places effort to build up and maintain good relationships with various commercial banks and financial institutions as the businesses of the Group are capital intensive nature and require on-going funding to maintain continuous growth.

RESULTS AND DIVIDENDS

The Group's profit for the year and the Group's financial position at that date are set out in the consolidated financial statements on pages 58 to 60.

The Directors did not recommend the payment of any dividend for the Year. For the year ended 31 December 2018, Feiyang International, a subsidiary of the Group, paid dividends to the then shareholders with a total amount of RMB25,652,000.

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last four financial years is set out on page 126 of this annual report. This summary does not form part of the audited financial statements.

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

As the shares of the Company have been listed on the Stock Exchange on 28 June 2019, from the Listing Date to the date of this report, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the Year are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the Year are set out in note 24 to the consolidated financial statements.

REPORT OF THE DIRECTORS

RESERVES

Details of the movements in the reserves of the Group and the Company during the Year are set out in notes 26 and 33 to the consolidated financial statements, respectively. As at 31 December 2019, the reserves of the Company available for distribution, as calculated in accordance with statutory provisions applicable in the Cayman Islands was approximately RMB190.6 million (2018: RMB76.7 million).

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, sales to the Group's five largest customers accounted for less than 30% of the total sales for the Year and purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the Year.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's share capital) had any beneficial interest in the Group's five largest customers or suppliers.

DIRECTORS

The Directors during the Year and up to the date of this report were:

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

The biographical details of the Directors are set out in "Biographical Details of Directors and Senior Management" in this report.

In accordance with Articles of Association, all Directors including Mr. He Binfeng, Mr. Zhang Qinghai, Mr. Huang Yu, Mr. Wu Bin, Mr. Li Da, Mr. Chen Xiaodong, Mr. Li Huamin, Mr. Yi Ling and Ms. Li Chengai will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmation of independence from each of the independent non-executive Directors. As at the date of this annual report, they are considered to be independent.

CONTRACT OF SIGNIFICANCE

No contracts of significance in relation to the Group's business in which the Company, any of its subsidiaries or fellow subsidiaries, or its controlling shareholders, was a party and in which a Director had a material interest, whether directly or indirectly, subsisted during or at the end of the Year.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for a fixed term of three years which is subject to termination by either party giving not less than three months' written notice. Each of the independent non-executive Directors has entered into a service contract with the Company for a term of three years from the Listing Date, terminated by either party giving not less than three months' written notice.

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The Directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance covering the liabilities of its Directors and officers in respect of legal actions that may brought against them. The Company has maintained appropriate insurance cover for the Directors and officers throughout the period from the Listing Date to 31 December 2019 and are currently in force.

DIRECTORS AND CONTROLLING SHAREHOLDERS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in this annual report, no Director, controlling shareholders nor a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the holding company of the Company, or any of the Company's subsidiaries was a party during the Year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to the shareholders of the Company by reason of their holding of the Company's securities.

CHARITABLE CONTRIBUTIONS

During the Year, the Group made charitable contributions totalling HK$1,000,000.

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

As at 31 December 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 Binfeng *(Note 1)*	Interest in controlled corporation; interest held jointly with another person	350,162,000	70.0324%
Mr. Li Da *(Note 2)*	Interest in controlled corporation	6,934,000	1.3868%
Mr. Wu Bin *(Note 3)*	Interest in controlled corporation	3,468,000	0.6936%
Mr. Chen Xiaodong *(Note 4)*	Interest in controlled corporation	3,468,000	0.6936%

Notes:

(1) Mr. He Binfeng (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 Binfeng and Ms. Qian Jie are parties acting in concert.

(2) Mr. Li Da 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 Bin 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 Xiaodong 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 Binfeng *(Notes 1 and 2)*	Zhejiang Feiyang International Travel Group Co., Ltd. ("**Feiyang International**")	Beneficial owner; interest in controlled corporation; interest held jointly with another person	44,440,000	95.2830%
	Zhejiang Feiyang Lianchuang Travel Co., Ltd. ("**Feiyang Lianchuang**")	Interest in controlled corporation; interest held jointly with another person	– *(Note 2)*	95.2830%
	Ningbo Qihang Airplane Ticketing Co., Ltd. ("**Ningbo Qihang**")	Interest in controlled corporation; interest held jointly with another person	– *(Note 2)*	95.2830%
	Zhejiang Feiyang Commercial Management Co., Ltd. ("**Zhejiang Feiyang**")	Interest in controlled corporation; interest held jointly with another person	– *(Note 2)*	95.2830%
Mr. Li Da *(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 Bin *(Notes 2 and 4)*	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%

Name of Director	Name of associated corporation	Nature of interest and capacity	Number of shares held/ interested	Approximate percentage of shareholding/ equity interest
Mr. Chen Xiaodong *(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 Binfeng, 1.8868% by Ms. Qian Jie and 75.4717% by Feiyang Management, which is in turn held as to 91.7328% by Mr. He Binfeng and 8.2672% by Ms. Qian Jie. Mr. He Binfeng and Ms. Qian Jie 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 Da.

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

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

Save as disclosed above, as at 31 December 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 Year 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 31 December 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 Binfeng *(Notes 1 and 2)*	Interest in controlled corporation; interest held jointly with another person	350,162,000	70.0324%
Ms. Qian Jie *(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)*	Beneficial owner, interest held jointly with another person	350,162,000	70.0324%
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 2)*	Beneficial owner, interest held jointly with another person	350,162,000	70.0324%

Notes:

(1) Mr. He Binfeng (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 Binfeng and Ms. Qian Jie are parties acting in concert.

(2) Ms. Qian Jie (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 Jie and Mr. He Binfeng are parties acting in concert.

As at 31 December 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 31 December 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. The Share Option Scheme enables the Company to grant options to the Directors, the directors of the Group's subsidiaries and employees of any member of the Group and any other persons (including consultants or advisers) (the "**Eligible Participant**") as incentives or rewards for their contributions to the Group. The Board, at its absolution discretion and subject to the terms of the Scheme, shall be entitled, at any time within ten years commencing from the date the Share Option Scheme was adopted, to make an offer for the grant of an option to any Eligible Participant.

As at the date of this annual report, the total number of shares available for issue under the Share Option Scheme is 50,000,000 shares, representing 10% of the enlarged issued share capital of the Company. The maximum number of shares that may be granted by the Company to any one Eligible Participant shall not exceed 1% of the issued share capital of the Company from time to time.

Upon acceptance of an option to subscribe for shares granted pursuant to the Scheme (the "**Option**"), the Eligible Participant shall pay HK$1.00 to the Company by way of consideration for the grant. The Option will be offered for acceptance for a period of 21 days from the date on which the Option is granted. The subscription price for the shares subject to Options will be a price determined by the Board and notified to each participant and shall be the highest of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the Option, which must be a day on which trading of shares take place on the Stock Exchange (the "Trading Day"); (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five Trading Days immediately preceding the date of grant of the Options; and (iii) the nominal value of a Share on the date of grant, provided that in the event that any Option is proposed to be granted within a period of less than five Trading Dates, the new issue price of the Shares shall be used as the closing price for any business day falling within the period before listing of the Shares on the Stock Exchange.

The Company shall be entitled to issue options, provided that the total number of shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme does not exceed 10% of the shares in issue from the date of listing of the Shares on the Stock Exchange. The Company may at any time refresh such limit, subject to the shareholders' approval and issue of a circular in compliance with the Listing Rules, provided that the total number of shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under all the share option schemes of the Company does not exceed 30% of the shares in issue at the time. An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

Further details of the Share Option Scheme are set out in Appendix V to the Prospectus. Since the adoption of the Share Option Scheme and during the Year, no Option has been granted, exercised, lapsed or cancelled, and as at 31 December 2019, no Options under the Share Option Scheme were outstanding.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association of the Company or the laws of Cayman Islands.

EQUITY-LINKED AGREEMENTS

During the Year, save for the Share Option Scheme, the Company did not enter into any equity-linked agreements in respect of shares of the Company.

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 31 December 2019.

DEED OF NON-COMPETITION

As disclosed in the Prospectus, the controlling shareholders of the Company ("**Controlling Shareholders**") entered into a deed of non-competition in favour of the Company on 11 June 2019 (for itself and as trustee for its subsidiaries) (the "**Deed of Non-Competition**"). Each of the Controlling Shareholders confirmed to the Company that they have compiled with the Deed of Non-Competition during the period from the Listing Date to 31 December 2019.

Pursuant to the Deed of Non-Competition, each of the Controlling Shareholders has irrevocably and unconditionally undertaken to the Company (for itself and as trustee for its subsidiaries) that, subject to certain exceptions, during the period that the Deed of Non- Competition remain effective, each of the Controlling Shareholders shall not, and shall procure that their associates (other than any members of the Group) not to, directly or indirectly, carry on, participate in, be engaged, be interested directly or indirectly, either for their own account or in conjunction with or on behalf of or for any other person in any business in competition with or likely to be in competition with the existing business activity of any member of the Group.

Our independent non-executive Directors have reviewed the declarations made by the Controlling Shareholders regarding the compliance of the Deed of Non-Competition and were satisfied that the terms of the Deed of Non-Competition had been duly complied with and enforced since the Listing Date and up to 31 December 2019.

COMPETING INTERESTS

During the Year, so far as the Directors are aware, none of the Directors, the Controlling Shareholders and substantial shareholders of the Company, and their respective close associates (as defined under the Listing Rules) had held any position or had interest in any businesses or companies that were materially competing or might materially compete with the business of the Group, or gave rise to any concern regarding conflict of interest.

COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS

During the Year, 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 Year, 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

Despite the lack of clear guidance or interpretation on 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 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;

(iv) the Group has been conducting market research on the tourism industry in Hong Kong and liaising with various advisers for establishment of travel agency operations in Hong Kong ; and

(v) 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.

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

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken by the Group during the Year are set out in note 29 to the consolidated financial statements in this annual report. None of such related party transactions constitutes connected transaction which is subject to the reporting, annual review, announcement and/or shareholders' approval requirements under Chapter 14A of the Listing Rules. It is confirmed that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

During the Year and up to the date of this report, the Company and the Group had the following continuing connected transactions:

Continuing connected transactions

Contractual Arrangements

Reasons for using the Contractual Arrangements

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., Zhejiang Feiyang Lianchuang Travel Co., Ltd., Ningbo Qihang Airplane Ticketing Co., Ltd. and Zhejiang Feiyang Commercial Management Co., Ltd. (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 the 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 historical financial information for the Relevant Periods and the PRC Operating Entities are combined in the historical financial information for the Relevant Periods. The Group does not have any equity interests in the PRC Operating Entities.

A description of the business activities of the PRC Operating Entities and their significance to the Group are set out in note 1 to the financial statements.

The Board considers that the PRC Operating Entities are significant to the Group as they hold a majority of assets that are important to the operation of our business, including operating permits and licences.

Summary of the major terms of the Contractual Arrangements

With respect to each of the Structured Contracts, the WFOE, Feiyang International and the Relevant Shareholders and their spouse (where applicable) have entered into a set of the following underlying agreements:

i. Exclusive Consulting Service Agreement (獨家諮詢服務協議);

ii. Intellectual Property Licence Agreement (知識產權授權許可協議);

iii. Exclusive Option Agreement (獨家購買權協議);

iv. Share Pledge Agreement (股份質押協議);

v. Shareholders' Rights Entrustment Agreement (股東權利委託協議); and

vi. Spousal Undertakings (配偶同意函).

Exclusive Consulting Service Agreement

The WFOE entered into the exclusive consulting service agreement with Feiyang International on 18 January 2019, pursuant to which Feiyang International agreed to engage the WFOE as its exclusive provider of technical and management consulting and other related services requested by the Operating Entities from time to time to the extent permitted under PRC laws in exchange for service fees (the "**Exclusive Consulting Service Agreement**").

The consultation and services provided by the WFOE include but not limited to:

- assisting with contemplating the management model and business plan;
- assisting with the enterprise standardisation, construction of the management system, and integration of the business modules;
- assisting with the establishment of a perfected business process management;
- providing management and consulting services on daily operations, finances, investments, assets, claims and debts, human resources, internal information, and other conventional management and advisory services in the industry;
- providing views and advice on the assets and business operations;
- providing views and advice on the negotiation, execution, and performance of material contracts;
- providing views and advice on the merger and acquisition or other expansion plans;
- assisting with developing marketing plans;
- conducting specialised research and investigations on the industry and the market;
- implementing employee training programs to improve professional skills; and
- other services reasonably requested by the Operating Entities, in conformity with industry practices.

The service fee under the Exclusive Consulting Service Agreement shall consist of 100% of the profits before tax of Feiyang International, after deducting relevant costs and reasonable expenses, and the WFOE has the right to adjust the service fee at any time based on the services provided to Feiyang International.

Feiyang International shall entrust the above services to the WFOE on an exclusive basis, which means that not only does Feiyang International agree to accept the above services provided by the WFOE, it also agrees that, during the term of the Exclusive Consulting Service Agreement, without prior written consent of the WFOE, Feiyang International shall not and shall procure its subsidiaries and joint ventures not to accept professional consultancy and services provided by any third party, that are identical or similar to the services contemplated in the Exclusive Consulting Service Agreement so as to wholly or partially invalidate the rights and obligations of the WFOE to provide services to Feiyang International in accordance with the terms of the Exclusive Consulting Service Agreement.

The Exclusive Consulting Service Agreement shall be effective upon the completion of executing all of the Contractual Arrangements, and shall remain irrevocable ever after, until both parties terminate the Exclusive Consulting Service Agreement in writing or the shares or all the assets of Feiyang International have been legally and effectively transferred to the WFOE and/or its designees. Notwithstanding the above, the WFOE has the right to terminate the Exclusive Consulting Service Agreement at any time by issuing a 30 days' notice in writing, and the WFOE shall not be liable for any defaults for unilaterally terminating the Exclusive Consulting Service Agreement.

Intellectual Property Licence Agreement

The WFOE and Feiyang International entered into an exclusive intellectual property rights licensing agreement on 18 January 2019 (the "**Intellectual Property Licence Agreement**"), pursuant to which, in exchange for a royalty fee, the WFOE agreed to licence to Feiyang International certain intellectual property rights owned by the WFOE from time to time (the "**Relevant IP Rights**").

Feiyang International shall obtain the licence of the Relevant IP Rights from the WFOE on an exclusive basis, which means that not only does Feiyang International agree to licence the Relevant IP Rights from the WFOE, it also agrees that, during the term of the Intellectual Property Licence Agreement, without prior written consent of the WFOE, Feiyang International shall not and shall procure its subsidiaries and joint ventures not to obtain the licence of the Relevant IP Rights from any third party.

The Intellectual Property Licence Agreement shall be effective upon the completion of execution by the legal representatives or authorised representatives of the WFOE and Feiyang International, and shall remain effective for a term of ten years, and shall be automatically renewed for successive terms of five years unless Feiyang International terminate the Intellectual Property Licence Agreement by issuing a 30 days' notice in writing prior to the expiration of the term of the Intellectual Property Licence Agreement.

Exclusive Option Agreement

The WFOE, Feiyang International and the Relevant Shareholders entered into an exclusive option agreement on 18 January 2019 (the "**Exclusive Option Agreement**"), pursuant to which the WFOE (or its designees) was granted an irrevocable and exclusive right (the "**Exclusive Option Rights**") to purchase from the Relevant Shareholders all or any part of their equity interest in and/or assets of Feiyang International and its subsidiary(ies) for a nominal price, unless the relevant government authorities or the PRC laws and regulations request that another amount be used as the purchase price, in which case the purchase price shall be the lowest amount under such request. Such agreement became effective upon its execution and the execution of other Structured Contracts (other than the Spousal Undertakings) on 18 January 2019 and will remain effective during the continuance of the Operating Entities until (i) terminated by written notice from the parties to the agreement (pursuant to the Exclusive Option Rights, the WOFE is granted the right to unilaterally terminate the Exclusive Option Agreement by giving at least 30 days notice to all other parties to this agreement, but the Relevant Shareholders are not entitled to unilaterally terminate the Exclusive Option Agreement at their discretion), (ii) the shareholders of Feiyang International and its subsidiaries legally transferred all of the shares of Feiyang International and the equity of its subsidiaries to the WFOE (or its designee(s)), or (iii) all of the assets of Feiyang International are legally transferred to the WFOE (or its designee(s)). According to the Exclusive Option Agreement, the Relevant Shareholders shall return any amount of the purchase price they have received to the WFOE or its designee(s) without violating relevant PRC laws and regulations. Upon receiving the notice issued by the WFOE (or its designees) to exercise their Exclusive Option Rights (the "**Notice**"), the Relevant Shareholders and Feiyang International will take all necessary actions to engage in and complete the approval, filing, or registration procedures with regulatory authorities without any delay, so that the relevant equity interest in and/or assets of Feiyang International as set out in the Notice, without any security interest attached to them, can be effectively registered under the name of the WFOE (or its designees).

Feiyang International and the Relevant Shareholders, severally and jointly, irrevocably covenant and warrant that they shall, among other things:

- not supplement, change, or amend the business scope and the articles of association of Feiyang International, or increase or reduce the registered capital of Feiyang International, or otherwise change the structure of the registered capital of Feiyang International, without prior written consent of the WFOE;
- maintain the standing of Feiyang International, operate its business and handle its affairs prudently and effectively, in accordance with good financial and commercial standards and practice, and shall not cause the liquidation, close of business, termination or dissolution of Feiyang International;
- not sell, transfer, gift, mortgage, or otherwise dispose of, create any encumbrance over or procure the management of Feiyang International to sell, transfer, gift, mortgage, or otherwise dispose of, create any encumbrance over the legitimate interest or beneficial interest of any assets, business, or incomes of Feiyang International and its subsidiaries at any time since the date of this Exclusive Option Agreement, without prior written consent of the WFOE;
- not terminate or procure the management of Feiyang International to terminate any of the agreements under the Contractual Arrangements executed by Feiyang International, or sign any agreements in conflict with the existing Contractual Arrangements;
- not incur or allow the incurrence of any debts to Feiyang International, unless (i) the debts are incurred in normal or ordinary course of business; or (ii) the debts have been disclosed to and consented in writing by the WFOE;
- operate Feiyang International in the ordinary course of business so as to maintain asset value of Feiyang International, and shall not carry out any action or omission which may affect the operational situation or asset value of Feiyang International;
- not cause Feiyang International to enter into any material contracts with the amount exceeding RMB1 million without prior written consent of the WFOE, except for contracts entered into in the normal course of business);
- not provide any loan or guarantee to any person without prior written consent of the WFOE;
- at the request of the WFOE, provide, among others, all information on the labour, operation, compliance and financial conditions of Feiyang International;
- not procure or consent to the spin-off of Feiyang International, or the merger, the association with or the acquisition of/by any entity, or the investment into any entity by Feiyang International without the written consent of the WFOE;
- if requested by the WFOE, purchase and maintain insurance over the assets and business of Feiyang International from an insurance carrier acceptable to the WFOE, at an amount and type of coverage typical for companies carrying on similar businesses;
- immediately notify the WFOE of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to the assets, business and revenue of Feiyang International, and take all necessary measures in accordance with the reasonable request of the WFOE;

- for the purpose of safeguarding Feiyang International of its rights over its assets, execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate claims or raise necessary and appropriate defenses against all claims;
- acknowledge, in the event that Feiyang International or any of its shareholders fails to fulfill his/her/its tax obligations under applicable laws, leading to an impediment on the exercise of the Exclusive Option Rights by the WFOE, the WFOE has the right to request Feiyang International or the Relevant Shareholders to fulfill such tax obligation, or request Feiyang International or the Relevant Shareholders to pay such amount of tax to the WFOE such that the WFOE shall pay such amount on behalf of Feiyang International or its shareholders;
- not, without prior written consent of the WFOE, in any manner distribute bonuses, dividends, distributable interests, and/or any other income arising from any assets or shares held by the Relevant Shareholders.

The Relevant Shareholders, severally and jointly, irrevocably covenant and warrant that, without prior written consent of the WFOE, they shall, among other things:

- not transfer, pledge, or otherwise dispose of, or allow any encumbrance to be placed on the legitimate or beneficial interest of any equity interest of Feiyang International held by them, except the pledge set on the equity interest of Feiyang International in accordance with the Share Pledge Agreement;
- not vote in favour of or support or execute any shareholder resolutions on meetings of shareholders to approve to sell, transfer, pledge, or otherwise dispose of the legitimate or beneficial interest of any share or asset, or to allow any encumbrance (except the encumbrance made to the WFOE or its designees) to be placed on it;
- without the prior written consent of the WFOE, not vote or support or execute any resolutions at the general meeting of Feiyang International to approve for the merger, association or acquisition with any individual, or the investment to any individual, or the separation or alteration in the registered capital or formation of Feiyang International;
- when the WFOE exercises the exclusive right to purchase, instruct Feiyang International to convene a general meeting in a timely manner to vote for the transfer of the shares or the assets as stipulated in accordance with the Exclusive Option Agreement at the meeting;
- immediately notify the WFOE of any litigation, arbitration or administrative proceedings relating to the shares or assets of Feiyang International owned by them that have occurred or are likely to occur;
- not appoint or replace any director, supervisor, or management of Feiyang International that ought to be appointed by the Relevant Shareholders, and shall immediately appoint or employ personnel designated by the WFOE as directors and senior management of Feiyang International upon the request of the WFOE;
- procure Feiyang International not to distribute dividends, bonus, distributable profits and/or any assets and other proceeds from the shares held by the shareholders of Feiyang International in any form without the prior written consent of the WFOE; and
- strictly abide by the provisions of this Exclusive Option Agreement and other agreements jointly or separately signed by the parties and earnestly perform the obligations under the agreements, and shall not carry out any actions and inactions that may affect the validity and enforceability of such agreements.

Should the event of default (as provided in the Exclusive Option Agreement) by Feiyang International or the Relevant Shareholders occur, unless rectified or remedial measures have been taken within a reasonable period or within 10 days after the WFOE requests ratification in writing, the WFOE shall have the right to terminate the Exclusive Option Agreement and require Feiyang International or the Relevant Shareholders to compensate for the damages.

Share Pledge Agreement

The WFOE and the Relevant Shareholders entered into a share pledge agreement on 18 January 2019 (the "**Share Pledge Agreement**"), pursuant to which the Relevant Shareholders agreed to pledge all of their respective equity interest in Feiyang International to guarantee the performance of the obligation of, and the representations, undertakings, and warrants provided by, Feiyang International and the Relevant Shareholders under the Contractual Arrangements.

The pledge under the Share Pledge Agreement shall take effect upon the completion of registration with the relevant administration for industry and commerce and shall remain valid until the Share Pledge Agreement and other agreements under the Contractual Arrangements have been canceled or terminated.

Should the event of default (as provided in the Share Pledge Agreement) by Feiyang International or the Relevant Shareholders occur, unless rectified or remedial measures have been taken within a reasonable period or within 10 days after the WFOE requests ratification in writing, the WFOE shall have the right to terminate the Share Pledge Agreement and require Feiyang International or the Relevant Shareholders to compensate for the damages.

We have completed registrations of the share pledge of Feiyang International as contemplated under the Share Pledge Agreement on 23 January 2019 with Ningbo Municipal Administration of Market Supervision (寧波市市場監督管理局).

Shareholders' Rights Entrustment Agreement

The WFOE and the Relevant Shareholders entered into the Shareholders' Rights Entrustment Agreement on 18 January 2019 pursuant to which the Relevant Shareholders irrevocably authorised the WFOE or its designated personnel to exercise their shareholders' rights in Feiyang International, including but not limited to, attending shareholders' meetings and exercising voting rights. The WFOE is authorised to exercise any of the shareholders' rights without consulting or obtaining the consent of the Relevant Shareholders. Furthermore, the WFOE is entitled to authorise other individuals to exercise the shareholder's rights within the scope authorised by the Relevant Shareholders.

The Shareholders' Rights Entrustment Agreement became effective upon execution and shall remain effective until (a) acquisition by the WFOE of the entire equity interests or assets of Feiyang International; (b) terminated unilaterally by the WFOE in writing; or (c) the Relevant Shareholders transferred all their respective shares in Feiyang International to the WFOE.

Pursuant to the Shareholders' Rights Entrustment Agreement, the WFOE, Feiyang International and the Relevant Shareholders entered into a power of attorney on 18 January 2019 (the "**Power of Attorney**"), pursuant to which the Relevant Shareholders unconditionally and irrevocably appoint the WFOE or its designees as their attorney-in-fact to exercise, pursuant to the instructions of the WFOE, all the rights that they have as the shareholders of Feiyang International as set out in the then-valid articles of association of Feiyang International, including but not limited to:

- proposing to convene and attend the general meeting of shareholders, executing meeting minutes and resolutions, exercising voting rights on all matters that need to be discussed and resolved in the general meeting of shareholders (including but not limited to the appointment, election, or removal of the directors, supervisors, and senior management of Feiyang International) of Feiyang International, and executing any documents that need to be executed by the shareholders of the Feiyang International and submitting any document to the company registration authority for filing purposes;

- resolving on the disposals of the assets of Feiyang International;

- resolving on the dissolution and liquidation of Feiyang International, and forming a liquidation group to legally exercise the rights of powers of the liquidation group during the liquidation period in accordance with the law, including but not limited to resolving on disposals of the assets of Feiyang International;

- deciding to transfer or otherwise dispose of the shares Feiyang International held by the Relevant Shareholders; and

- other shareholders' rights stipulated by applicable PRC laws and regulations (including the amendments, modifications, supplements, and re-enactments, whether entering into force before or after the execution of the Power of Attorney) and the articles of association (as amended) of Feiyang International.

The Relevant Shareholders undertake that they will not revoke the appointment of the WFOE and its designees as their attorney-in-fact, and there are no potential conflicts of interests in relation to such appointment.

The Power of Attorney shall be effective upon execution, and shall remain effective within the effective date of the Shareholders' Rights Entrustment Agreement.

Spousal Undertakings

The spouse of each of the Relevant Shareholders other than Ms. Qiu, where applicable, and the spouse of Ms. Qiu has signed an undertaking (collectively, the "**Spousal Undertakings**") on 18 January 2019 and 21 January 2019, respectively, to the effect that, among others, (i) the shares of Feiyang International held and to be held by each of the Relevant Shareholders do not fall within the scope of communal properties, and (ii) he or she waives any rights or interests that may be granted to him or her under the applicable laws of any jurisdictions, and he or she undertakes not to claim such rights or interests.

The spouse of each of the Relevant Shareholders, where applicable, has also consented to the entering into the Exclusive Option Agreement, the Exclusive Consulting Service Agreement, the Intellectual Property Licence Agreement, the Share Pledge Agreement and the Shareholders' Rights Entrustment Agreement.

Further details of the Structured Contracts are disclosed in the section headed "Contractual Arrangements" in the Prospectus and the Company's website. During the Year, there was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted, and none of the Contractual Arrangements has been unwound as none of the restrictions that led to the adoption of Contractual Arrangements has been removed.

Revenue and Assets in relation to the Contractual Arrangement

During the Year, revenue attributable to the PRC Operating Entities (before any inter-company eliminations) was approximately RMB574.4 million. The total asset and net asset attributable to the PRC Operating Entities (before any inter-company eliminations) as at 31 December 2019 was approximately RMB687.2 million and RMB123.6 million, respectively.

The risks associated with the Contractual Arrangements and actions taken by the Company to mitigate the risks

There are certain risks that are associated with the Contractual Arrangements, including:

- substantial uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law in the PRC which may impact the viability of the current corporate structure, corporate governance and business operations;

- the PRC government may determine that the Contractual Arrangements are not in compliance with applicable PRC laws, rules, regulations or policies and may take actions against the Group's operation;

- the Contractual Arrangements may not be as effective in providing control over the PRC Operating Entities as equity ownership;

- the owners of the PRC Operating Entities may have conflicts of interest with the Group, which may materially and adversely affect the Group's business, financial condition and results of operations;

- the Group may have to incur additional costs and expend substantial resources to enforce the Contractual Arrangements, temporarily or permanently lose control over the primary operations or lose access to primary sources of revenue, if the PRC Operating Entities or their respective ultimate shareholders fail to perform their obligations under the Contractual Arrangements;

- certain terms of the Contractual Arrangements may not be enforceable under the PRC laws;

- the Contractual Arrangements may be considered by the PRC tax authorities as requiring transfer pricing adjustments;

- the Group may lose the ability to use and enjoy certain important assets, which could reduce the size of the Group's operations, impair the ability to generate revenue and materially affect the market price of the Shares, if any of the PRC Operating Entities becomes the subject of a bankruptcy or liquidation proceeding; and

- the Group's ability to acquire the entire equity interest and/or assets of the PRC Operating Entities is subject to restrictions.

Further details of the risks associated with the Contractual Arrangements are set out in the section headed "Risk factors — Risks relating to our Contractual Arrangements" in the Prospectus.

The Group has adopted measures to ensure the effective operation of our Group's businesses with the implementation of the Contractual Arrangements and the compliance with the Contractual Arrangements, including:

1. major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to the Board, if necessary, for review and discussion on an occurrence basis;

2. the Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;

3. the Directors undertake to provide periodic updates in the annual reports regarding the latest development of the FIL; and

4. the Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of WFOE and the PRC Operating Entities to deal with specific issues or matters arising from the Contractual Arrangements.

The independent non-executive Directors have reviewed the Contractual Arrangements set out above and have confirmed that (i) the transactions carried out during the Year have been entered into in accordance with the relevant provisions of the Contractual Arrangements and that the profit generated by the Operating Entities has been substantially retained by the WFOE, (ii) no dividends or other distributions have been made by the Operating Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to us, and (iii) no new contracts have been entered into, renewed or reproduced between the Group and our Operating Entities during the Year.

Pursuant to Rule 14A.55 of the Listing Rules, the Independent non-executive Directors have also reviewed the Contractual Arrangements set out above and have confirmed that the Contractual Arrangements were entered into (i) in the ordinary and usual course of business of the Group, (ii) on normal commercial terms, and (iii) in accordance with the respective agreement governing them on terms that are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Ernst & Young, the Company's external auditor, was engaged to report on the Group's continuing connected transactions in accordance with the Hong Kong Standard on Assurance Engagements 3000 Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 Auditor's Letter on Continuing Connected Transactions under the Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young has issued their unqualified letter containing their findings and conclusions in respect of the transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

REVIEW BY AUDIT COMMITTEE

The annual results and the audited consolidated financial statements of the Group for the year ended 31 December 2019 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the year ended 31 December 2019 comply with applicable reporting standards, the Listing Rules, and that adequate disclosures have been made.

REPORT OF THE DIRECTORS

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events of the Group after the reporting period are set out in note 34 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total number of issued shares were held by the public as at the latest practicable date prior to the date of this annual report.

AUDITOR

The financial statements have been audited by Ernst & Young who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

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.

On behalf of the Board

He Binfeng
Chairman, executive Director and chief executive officer
24 April 2020

INDEPENDENT AUDITOR'S REPORT

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To the shareholders of Feiyang International Holdings Group Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Feiyang International Holdings Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 58 to 125, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements section* of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

EY 安永

KEY AUDIT MATTER *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment assessment for trade receivables	
As at 31 December 2019, trade receivable balance was RMB172.6 million and provision for impairment was RMB6.6 million, which together represented 31.4% of the Group's total assets. The impairment of trade receivables is assessed based on the expected credit loss model which requires significant judgements and estimates from management. In assessing the expected credit loss of the trade receivables, management considered various factors such as the ageing of the balances, existence of disputes, recent historical payment patterns, any other available information concerning the creditworthiness of counterparties and forward-looking information. The assessment is highly judgmental. The Group's disclosures about the impairment of trade receivables are included in notes 2.4, 3 and 17 to the financial statements.	We evaluated the expected credit loss provision methodology used by the Group. We also evaluated management's assessment on the estimates of customers' current financial positions and the forward-looking adjustments by reviewing the detailed analyses of the ageing of the receivables, testing on a sample basis payments received subsequent to year end and historical payment patterns, reviewing correspondence related to any disputes between the parties involved, reviewing the market information about the credit status of the counterparties, where available, and evaluating the analyses of influence from macroeconomics on the loss rates of the Group's customers.

EY 安永

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

EY 安永

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lai Chee Kong.

Ernst & Young
Certified Public Accountants
Hong Kong
24 April 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
REVENUE	5	**685,875**	492,851
Cost of sales		**(567,617)**	(386,191)
Gross profit		**118,258**	106,660
Other income and gains	5	**14,921**	7,070
Selling and distribution expenses		**(36,031)**	(30,504)
Administrative expenses		**(54,010)**	(43,065)
Other expenses		**(6,039)**	(2,509)
Interest expenses	7	**(9,045)**	(4,034)
PROFIT BEFORE TAX	6	**28,054**	33,618
Income tax expense	10	**(11,672)**	(10,122)
PROFIT FOR THE YEAR		**16,382**	23,496
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements		**1,395**	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**1,395**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**17,777**	23,496
EARNING PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	12	**RMB3.73 cents**	RMB6.27 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**19,225**	20,243
Investment properties	14	**9,322**	9,746
Right-of-use assets	15(a)	**27,047**	–
Intangible asset	16	**37**	47
Deposits	18	**900**	–
Pledged deposits	19	**7,428**	–
Deferred tax assets	23	**2,566**	4,851
Total non-current assets		**66,525**	34,887
CURRENT ASSETS			
Trade receivables	17	**165,914**	99,112
Prepayments, deposits and other receivables	18	**179,840**	87,646
Due from related parties	30	**171**	–
Pledged deposits	19	**14,604**	23,388
Cash and cash equivalents	19	**101,271**	39,353
Total current assets		**461,800**	249,499
CURRENT LIABILITIES			
Trade payables	20	**39,559**	40,012
Advance from customers, other payables and accruals	21	**72,290**	54,200
Interest-bearing bank loans	22	**189,725**	110,000
Lease liabilities	15(b)	**4,686**	–
Tax payable		**4,339**	3,380
Total current liabilities		**310,599**	207,592
NET CURRENT ASSETS		**151,201**	41,907

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**217,726**	76,794
NON-CURRENT LIABILITIES			
Lease liabilities	15(b)	**22,686**	–
Net assets		**195,040**	76,794
EQUITY			
Issued capital	24	**4,398**	90
Reserves	26	**190,642**	76,704
Total equity		**195,040**	76,794

He Binfeng
Director

Zhang Qinghai
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

	Attributable to owners of the parent							
	Issued capital RMB'000 (note 24)	Share premium* RMB'000 (note 26)	Capital reserve* RMB'000 (note 26)	Statutory surplus reserves* RMB'000 (note 26)	Retained profits* RMB'000	Share award reserves* RMB'000 (note 25)	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 year	–	–	–	–	23,496	–	–	23,496
Issue of shares	90	1,309	–	–	–	–	–	1,399
Equity-settled share award plan (note 25)	–	–	–	–	–	2,698	–	2,698
Transfer to statutory reserves	–	–	–	1,540	(1,540)	–	–	–
Dividends paid by a subsidiary to the then shareholders (note 11)	–	–	–	–	(25,652)	–	–	(25,652)
At 31 December 2018	90	1,309	47,355	5,561	14,733	8,001	(255)	76,794

Year ended 31 December 2019

	Attributable to owners of the parent								
	Issued capital RMB'000 (note 24)	Share premium* RMB'000 (note 26)	Capital reserve* RMB'000 (note 26)	Statutory surplus reserves* RMB'000 (note 26)	Retained profits* RMB'000	Share award reserves* RMB'000 (note 25)	Special reserves* RMB'000	Foreign currency translation reserves* RMB'000	Total equity RMB'000
At 1 January 2019	90	1,309	47,355	5,561	14,733	8,001	(255)	–	76,794
Profit for the year	–	–	–	–	16,382	–	–	–	16,382
Other comprehensive income for the year:									
Exchange differences on translation of financial statements	–	–	–	–	–	–	–	1,395	1,395
Total comprehensive income for the year	–	–	–	–	16,382	–	–	1,395	17,777
Capitalisation of issue of share premium	3,208	(3,208)	–	–	–	–	–	–	–
Issue of new shares for the initial public offering ("IPO")	1,100	114,356	–	–	–	–	–	–	115,456
Share issue expenses	–	(14,987)	–	–	–	–	–	–	(14,987)
Transfer to statutory reserves	–	–	–	2,956	(2,956)	–	–	–	–
At 31 December 2019	4,398	97,470	47,355	8,517	28,159	8,001	(255)	1,395	195,040

* These reserve accounts comprise the consolidated reserves of RMB190,642,000 (2018: RMB76,704,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**28,054**	33,618
Adjustments for:			
Depreciation of property, plant and equipment	13	**3,256**	2,604
Depreciation of right-of-use assets	15	**4,833**	–
Amortisation of intangible asset	16	**10**	9
Bank interest income	5	**(539)**	(396)
Interest expenses	7	**9,045**	4,034
Foreign exchange losses, net		**(1)**	4
Loss on disposal of items of property, plant and equipment	6	**–**	52
Changes in fair value of investment properties	14	**424**	(79)
Equity-settled share award expenses	25	**–**	2,698
		45,082	42,544
Increase in trade receivables		**(66,802)**	(51,138)
Increase in prepayments, deposits and other receivables		**(92,991)**	(44,129)
Increase in amounts due from related parties		**(171)**	–
Increase/(decrease) in trade payables		**(453)**	4,911
Increase in advance from customers, other payables and accruals		**18,840**	8,801
Cash generated used in operations		**(96,495)**	(39,011)
Income tax paid		**(8,428)**	(13,978)
Net cash flows used in operating activities		**(104,923)**	(52,989)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(3,093)**	(5,913)
Proceeds from disposal of property, plant and equipment		**–**	16
Decrease in pledged deposits		**1,356**	1,465
Interest received		**436**	365
Net cash flows used in investing activities		**(1,301)**	(4,067)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of bank loans		**(198,000)**	(110,000)
Proceeds from bank loans		**277,725**	170,000
Interest paid		**(8,940)**	(3,958)
Proceeds from issue of shares		**115,456**	–
Dividends paid by a subsidiary to the then shareholders		**–**	(16,656)
Principal portion of lease payments		**(4,508)**	–
Contribution from the then shareholders		**–**	1,399
Share issue expense		**(14,987)**	–
Net cash flows generated from financing activities		**166,746**	40,785
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**60,522**	(16,271)
Cash and cash equivalents at beginning of year		**39,353**	55,628
Effect of foreign exchange rate changes, net		**1,396**	(4)
CASH AND CASH EQUIVALENTS AT END OF YEAR (note 19)		**101,271**	39,353

1. CORPORATE AND GROUP INFORMATION

Feiyang International Holdings Group Limited (the "Company") is an exempted company incorporated in the Cayman Islands with limited liability. The registered office address of the Company is Suite #4-210, Governors Square, 23 Lime Tree Bay Avenue, PO Box 32311, Grand Cayman, KY1-1209, Cayman Islands. The principal place of business is located at 30 Dashani Street, Haishu District, Ningbo City, Zhejiang Province, the People's Republic of China (the "PRC").

The Company is an investment holding company. During the year, the Company's subsidiaries were principally involved in (i) the design, development and sale of outbound travel package tours; (ii) the design, development and sale of free independent traveller ("FIT") products; and (iii) the provision of other ancillary travel-related products and services. In the opinion of the directors of the Company, the ultimate controlling shareholders of the Company and its subsidiaries (together, the "Group") are Mr. He Binfeng and Ms. Qian Jie, the spouse of Mr. He (collectively, the "Controlling Shareholders").

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 28 June 2019.

Information about subsidiaries

Particulars of the Company's subsidiaries which are wholly owned directly or indirectly by the company are as follows:

Name	Place and date of incorporation/ registration and place of business	Issued ordinary/ registered share capital	Principal activities
Directly held:			
Bird Investment Group Limited	British Virgin Islands ("BVI") 25 October 2018	United States dollar ("USD") 50,000	Investment holding
Toucan Investment Holdings Limited	BVI 18 October 2018	USD50,000	Investment holding
Indirectly held:			
Cuckoo HK Holdings Limited 杜鵑香港控股有限公司	Hong Kong 26 October 2018	HKD10,000	Investment holding
Feiyang HK Group Limited 飛揚香港集團有限公司	Hong Kong 2 November 2018	HKD10,000	Investment holding
Ningbo Feiyang Commercial Management Co., Ltd. ("WFOE") (i) 寧波飛揚商業管理有限公司	The PRC/ Mainland China 12 December 2018	HKD1.2 million	Technical support and consultancy related services

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Name	Place and date of incorporation/ registration and place of business	Issued ordinary/ registered share capital	Principal activities
Ningbo Shengda Feiyang Commercial Management Co., Ltd. (ii) 寧波勝大飛揚企業管理有限公司	The PRC/ Mainland China 27 September 2018	RMB1.05 million	Investment holding
Zhejiang Feiyang International Travel Group Co., Ltd. (iii)(iv) 浙江飛揚國際旅遊集團股份有限公司	The PRC/ Mainland China 19 September 2001	RMB46.64 million	Outbound travel business
Ningbo Feiyang Expo Services Co., Ltd. (iii) 寧波飛揚會展服務有限公司	The PRC/ Mainland China 21 February 2011	RMB3.5 million	Exhibition service, conference service and business information consultation services
Zhejiang Feiyang Travel Agency Co., Ltd. (iii) 浙江飛揚旅行社有限公司	The PRC/ Mainland China 11 October 2018	RMB5 million	Domestic and inbound travel business
Zhejiang Ben Niao Travel Co., Ltd. (iii) 浙江笨鳥旅遊有限公司	The PRC/ Mainland China 3 August 2018	RMB5 million	Domestic and inbound travel business
Jiangsu Ben Niao Travel Development Co., Ltd. (iii) 江蘇笨鳥旅遊發展有限公司	The PRC/ Mainland China 19 December 2018	RMB10 million	Domestic and inbound travel business
Zhejiang Hengyue Information Technology Co., Ltd. (iii) 浙江恒越信息科技有限公司	The PRC/ Mainland China 22 December 2011	RMB5 million	Software research and development
Zhejiang Feiyang Lianchuang Travel Co., Ltd. (iii)(iv) 浙江飛揚聯創旅遊有限公司	The PRC/ Mainland China 21 May 2001	RMB10 million	Outbound travel business

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Name	Place and date of incorporation/ registration and place of business	Issued ordinary/ registered share capital	Principal activities
Zhejiang Feiyang Commercial Management Co., Ltd. (iii)(iv) 浙江飛揚商務管理有限公司	The PRC/ Mainland China 13 June 2017	RMB10 million	Air ticketing business
Ningbo Qihang Airplane Ticketing Co., Ltd. (iii)(iv) 寧波啟航航空票務有限公司	The PRC/ Mainland China 3 August 2012	RMB15 million	Air ticketing business

Notes:

(i) This entity is a wholly-foreign owned enterprise established under the PRC law.

(ii) This entity is a Sino-foreign joint venture enterprise established under the PRC law.

(iii) These entities are limited liability enterprises established under the PRC law.

(iv) These entities are controlled by the company through a series of structured contracts entered into between the WFOE and these entities ("Structured Contracts"). They are collectively referred to as "PRC Operating Entities".

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investments retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

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 to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the adoption of HKFRS 16, the amendments to HKFRS 9, HKAS 19, HKAS 28, HK(IFRIC)-Int 23 and *Annual Improvements to HKFRSs 2015–2017 Cycle*, which are not relevant to the preparation of the Group's financial statements for the year ended 31 December 2019, the nature and the impact of HKFRS 16 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 to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. HKFRS 16 did not have any significant impact on leases where the Group is the lessor.

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

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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

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 and motor vehicles. 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 with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as interest expenses).

Impact 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 Group elected to present the lease liabilities separately in the statement of financial position. 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:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

Financial impact at 1 January 2019

The impact arising from the adoption of HKFRS 16 at 1 January 2019 was as follows:

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

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

Operating lease commitments as at 31 December 2018	**34,619**
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	(627)
	33,992
Weighted average incremental borrowing rate as at 1 January 2019	5.46%
Discounted operating lease commitments as at 1 January 2019	28,425
Lease liabilities as at 1 January 2019	**28,425**

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Definition of a Business*[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group’s financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combination and goodwill

Business combination not under common control is accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combination and goodwill *(Continued)*

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Merger accounting for business combination under common control

The merger method of accounting involves incorporating the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling party.

Fair value measurement

The Group measures its investment properties at fair value through profit or loss at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement *(Continued)*

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than investment properties, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

Computer and office equipment	3–5 years
Motor vehicles	5–8 years

Leasehold improvements over the shorter of the lease improvements' useful life and the lease term.

The rates of residual values of certain property, plant and equipment are as follows:

Computer and office equipment	5%
Motor vehicles	5%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents leasehold improvements under construction and certain office equipment under installation, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

Investment properties are interests in land and buildings which would otherwise meet the definition of an investment property held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" for owned property and/or accounts for such property in accordance with the policy stated under "Right-of-use assets" for property held as a right-of-use asset up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation of property, plant and equipment. Changes in the values are dealt with as movements in the revaluation reserve. On disposal of the property, the relevant portion of the revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

Transfers to or from investment property shall be made when, and only when, there is a change in use evidenced by:

(a) commencement of owner-occupation, for a transfer from investment property to owner-occupied property;

(b) commencement of development with a view to sale, for a transfer from investment property to inventories;

(c) end of owner-occupation, for a transfer from owner-occupied property to investment property; or

(d) commencement of an operating lease to another party, for a transfer from inventories to investment property.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Purchased software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 10 years.

Leases (applicable from 1 January 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). 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. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Office units	2 to 10 years
Motor vehicles	3 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases (applicable from 1 January 2019) *(Continued)*

Group as a lessee *(Continued)*

(b) 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 its incremental borrowing rate at the lease commencement date because 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 the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are presented separately in the statement of financial position.

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of office equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income is accounted for on a straight-line basis over the lease terms and is included in other income in profit or loss due to its non-operating nature.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases (applicable before 1 January 2019)

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are charged to profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" above.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Subsequent measurement

The Group's financial assets measured at amortised costs (debt instruments) are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred assets is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for the expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment and financial assets *(Continued)*

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies a simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, interest-bearing bank loans, other payables and accruals and lease liabilities.

Subsequent measurement

The subsequent measurement of loans and borrowings is as follows:

Financial liabilities measured at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on temporary differences at the end of each of reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue from contracts with customers

The Group is mainly involved the business of providing travel-related products and services. Revenue from contracts with customers is recognised when control of the products and services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those products and services.

The disclosure of significant accounting judgement relating to revenue from contracts with customers is provided in note 3 to the financial statements.

Sales of travel-related products and services

(i) Revenue from sales of package tours is recognised over time because it is simultaneously received and consumed by the customer when the Group performs. The revenue is recognised based on the actual service provided to the end of the year as a proportion of the total services to be provided. This is determined based on the actual day spent at the destination relative to the total expected tour days.

(ii) When the Group is acting as a principal in sales of FIT products (such as air tickets and hotel rooms), the revenue from the sales of FIT products is recorded on the gross basis and is recognised at the point in time when the products are sold to the customers.

(iii) When the Group is acting as an agent in sales of FIT products, the margin income from the sales of FIT products is recognised at the point in time when the services have been rendered.

(iv) Income from sales of ancillary travel-related products and services (such as visa application processing, admission tickets to tourist attractions and arranging the purchase of travel insurance for customers), except for income from conferencing services, which is recognised when the services are provided to customers.

(v) Income from provision of conferencing services is recognised over time because of continuous transfer control of to the customer. The revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided.

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and the payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Rental income is recognised on a time proportion basis over the lease terms.

Contract liabilities (included in "Advance from customers, other payables and accruals)
A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related products or services to the customer).

Share-based payments

A subsidiary of the Company operates a share award scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value of the shares at the date at which they are granted less the subscription prices paid by the employees.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity of the subsidiary, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payments *(Continued)*

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Other employee benefits

Pension schemes

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Memorandum and Articles of Association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

The financial statements are presented in RMB because the Group's principal operations are carried out in Mainland China. The functional currency of the Company and certain subsidiaries incorporated outside Mainland China is HKD and the functional currency of the subsidiaries established in Mainland China is RMB, which is the currency of the primary economic environment in which those entities operate. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

As at the end of the reporting period, the assets and liabilities of these entities are translated into Renminbi at the exchange rates prevailing at the end of the reporting period and their profit or loss are translated into Renminbi at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the financial statements requires management to make significant judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Judgements *(Continued)*

Structured Contracts

The PRC Operating Entities are engaged in the outbound travel business and air ticketing business. Under the PRC laws and regulations, foreign investors are prohibited or restricted to invest in such business.

The Group exercises control over the PRC Operating Entities and enjoys substantially all economic benefits of the PRC Operating Entities through the Structured Contracts.

The Group does not have any equity interests in the PRC Operating Entities. However, as a result of the Structured Contracts, the Company has power over the PRC Operating Entities, has rights to variable returns from its involvement with the PRC Operating Entities and has the ability to affect those returns through its power over the PRC Operating Entities and is therefore considered to have control over them. Consequently, the Company regards the PRC Operating Entities as indirect subsidiaries. The Company has consolidated the financial positions and results of the PRC Operating Entities in the financial statements during the reporting period.

Principal versus agent

Determining whether revenue of the Group should be reported gross or net is based on a continuing assessment of various factors. When determining whether the Group is acting as the principal or agent in offering goods or services to the customer, the Group needs to first identify who controls the specified goods or services before they are transferred to the customer. The Group is a principal that obtains control of any of the following: (i) a good or another asset from the other party that the Group then transfers to the customer; (ii) a right to a service to be performed by the other party, which gives the Group the ability to direct that party to provide the service to the customer on the Group's behalf; (iii) a good or service from the other party that the Group then combines with other goods or services in providing the specified good or service to the customer. If control is unclear, when the Group is primarily obligated in a transaction, is subject to inventory risk, has latitude in establishing prices and selecting suppliers, or has several but not all of these indicators, the Group records revenues on a gross basis. Otherwise, the Group records the net amount earned as commissions from products sold or services provided.

The Group's management performs the assessment based on the above-mentioned factors and reaches the conclusion that the Group acts as a principal in the provision of package tour services, conferencing services and sale of FIT products since the Group controls the services and subject to inventory risk before they are transferred to the customers. The Group acts as an agent in the margin income from sales of FIT products since the Group does not obtain control over the services performed by the airline companies, hotels, tourist attractions and the relevant government authorities for visa application processing services. Accordingly, the Group recognises revenue from the provision of package tour services, conferencing services and sales of FIT products on a gross basis and recognises the margin income from sales of FIT Products and ancillary travel-related products and services except for conferencing services on a net basis.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are described below.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data, including the estimated rental value and discount rate, less incremental costs for disposing of the asset. The carrying amount of property, plant and equipment at the end of the reporting period is disclosed in note 13 to the financial statements.

Estimation of fair value of investment properties

Investment properties carried at fair value, were revalued at the end of each reporting period based on the appraised market value provided by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

The principal assumptions for the Group's estimation of the fair value include those related to estimated rental values with reference to the current market rents for similar properties in the same location and condition and appropriate capitalisation rates. The carrying amount of investment properties at 31 December 2019 was RMB9,322,000 (2018: RMB9,746,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 14 to the financial statements.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groups of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information such as gross domestic products, inflationary changes and so on. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Provision for expected credit losses on trade receivables *(Continued)*

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The provision for impairment of trade receivables at 31 December 2019 was RMB6,643,000 (2018: RMB2,066,000), details of which are set out in note 17 to the financial statements.

Leases — Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Current and deferred income tax

The Group is subject to income taxes in the PRC. Judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxation. There are transactions and calculations for which the ultimate tax determination is uncertainty during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the periods in which such determination are made.

Deferred income tax assets relating to certain temporary differences are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and tax expense in the periods in which such estimate is changed.

4. OPERATING SEGMENT INFORMATION

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

Geographical information

All external revenue of the Group during the years ended 31 December 2019 and 2018 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 Mainland China.

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 years ended 31 December 2019 and 2018.

5. REVENUE, OTHER INCOME AND GAINS

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

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

	2019 RMB'000	2018 RMB'000
Revenue from contracts with customers	**685,875**	492,851
Other income		
Bank interest income	**539**	396
Government grants*	**10,328**	5,512
Value-added tax and other tax refund	**1,693**	–
Rental income on properties	**300**	450
Technical service income	**708**	–
Others	**1,119**	233
	14,687	6,591
Gains		
Changes in fair value of investment properties	**–**	79
Others	**234**	400
	234	479
Total other income and gains	**14,921**	7,070

* The government grants mainly represent incentives awarded by the local governments to support the Group's successful IPO and to support the Group's operation in Zhejiang, the PRC. There are no unfulfilled conditions or contingencies relating to these grants.

5. REVENUE, OTHER INCOME AND GAINS *(Continued)*

Notes:

(a) Disaggregation of revenue from contracts with customers

	2019 RMB'000	2018 RMB'000
Type of products and services		
Sales of package tours		
— Domestic	**138,320**	156,205
— Outbound	**430,399**	264,171
	568,719	420,376
Margin income from sales of FIT products	**59,303**	59,764
Gross revenue from the sales of FIT products	**47,131**	–
Sales of ancillary travel-related products and services	**10,722**	12,711
Total	**685,875**	492,851

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

	2019 RMB'000	2018 RMB'000
Timing of revenue-recognition		
Over time:		
— Sales of package tours	**568,719**	420,376
— Sales of ancillary travel-related products and services	**763**	5,741
	569,482	426,117
At a point in time:		
— Margin income from the sales of FIT products	**59,303**	59,764
— Sales of FIT products	**47,131**	–
— Sales of ancillary travel-related products and services	**9,959**	6,970
	116,393	66,734
Total	**685,875**	492,851

5. REVENUE, OTHER INCOME AND GAINS *(Continued)*

Notes: (continued)

(b) Contract liabilities

Details of contract liabilities are as follow:

	2019 RMB'000	2018 RMB'000
Current*	**48,917**	29,284

* Included in "Advance from customers, other payables and accruals" in the consolidated statement of financial position

(i) Significant changes in contract liabilities

Contract liabilities represent the obligations to transfer products and services to a counterparty for which the Group has received consideration. The changes in the contract liabilities are mainly attributable to the receipt of advances from customers and the recognition of revenue when fulfilling the performance obligations.

(ii) Revenue recognised in relation to contract liabilities

Revenue recognised during the year ended 31 December 2019 related to contract liability balance at the beginning of the year amounted to RMB29,284,000 (2018: RMB26,624,000).

(iii) Unsatisfied performance obligations

At 31 December 2019, the remaining performance obligations (unsatisfied or partially unsatisfied) are expected to be recognised within one year. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

6. PROFIT BEFORE TAX

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

	Notes	2019 RMB'000	2018 RMB'000
Cost of services provided		**567,617**	386,191
Depreciation of property, plant and equipment	13	**3,256**	2,604
Depreciation of right-of-use assets	15(a)	**4,833**	–
Amortisation of an intangible asset	16	**10**	9
Minimum lease payments under operating lease		**–**	5,750
Lease payments not included in the measurement of lease liabilities	15(c)	**763**	–
Auditor's remuneration		**1,550**	–
Government grants		**(10,328)**	(5,512)
Bank interest income		**(539)**	(396)
Loss on disposal of items of property, plant and equipment		**–**	52
Impairment of trade receivables	17	**4,577**	1,453
Changes in fair value of investment properties	14	**424**	(79)
Listing expenses		**19,076**	9,337
Employee benefit expense (excluding directors' and the chief executive's remuneration (note 8)):			
Wages and salaries		**40,789**	36,661
Pension scheme contributions		**6,466**	8,565
Staff welfare expenses		**923**	2,015
Equity-settled share award expenses	25	**–**	2,698
		48,178	49,939

7. INTEREST EXPENSES

An analysis of interest expenses is as follows:

	2019 RMB'000	2018 RMB'000
Interest on bank loans	**7,683**	4,034
Interest on lease liabilities	**1,362**	–
	9,045	4,034

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2019 RMB'000	2018 RMB'000
Fee	213	–
Other emoluments:		
Salaries, bonus, allowances and benefits in kind	1,443	1,409
Pension scheme contributions	376	258
	1,819	1,667

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2019 RMB'000	2018 RMB'000
Mr. Li Huamin	71	–
Mr. Yi Ling	71	–
Ms. Li Cheng'ai	71	–
	213	–

Mr. Li Huamin, Mr. Yi Ling and Ms. Li Cheng'ai were appointed as independent non-executive directors of the Company on 29 April 2019.

There were no other emoluments payable to the independent non-executive directors during the year (2018: Nil).

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

(b) Executive directors and a non-executive director

	Salaries, bonus, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2019			
Executive directors:			
Mr. He Binfeng*	**259**	**69**	**328**
Mr. Li Da	**251**	**63**	**314**
Mr. Wu Bin	**256**	**66**	**322**
Mr. Chen Xiaodong	**256**	**64**	**320**
Mr. Huang Yu	**180**	**50**	**230**
Mr. Zhang Qinghai	**241**	**64**	**305**
	1,443	**376**	**1,819**
2018			
Executive directors:			
Mr. He Binfeng	259	56	315
Mr. Li Da	240	53	293
Mr. Wu Bin	243	47	290
Mr. Chen Xiaodong	246	50	296
Mr. Huang Yu	180	11	191
Mr. Zhang Qinghai	241	41	282
	1,409	258	1,667

* Mr. He Binfeng is also the chief executive of the Company.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included five directors, one of which being the chief executive (2018: two), details of whose remuneration are set out in note 8 above. Details of the remuneration for the remaining three highest paid employees who are neither a director nor chief executive of the Company during the year ended 31 December 2018 are as follows:

	2018 RMB'000
Salaries, allowances and benefits in kind	557
Pension scheme contributions	162
Equity-settled share award expenses	1,811
	2,530

During the year ended 31 December 2018, there were three non-director and non-chief executive highest paid employees whose remuneration were within the range of nil to HKD1,000,000.

10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which the members of the Group are domiciled and operate.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and British Virgin Islands.

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/2019. The first HKD2,000,000 of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

During the year, 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% (2018: 25%) of the assessable profits of the subsidiaries of Mainland China as determined in accordance with the Corporate Income Tax Law.

10. INCOME TAX *(Continued)*

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

	2019 RMB'000	2018 RMB'000
Current — Mainland China	**9,387**	11,707
Deferred (note 23)	**2,285**	(1,585)
Total tax charge for the year	**11,672**	10,122

A reconciliation of the tax expense applicable to profit before tax at the statutory rate in Mainland China to the tax expense at the effective tax rate are as follows:

	2019 RMB'000	2018 RMB'000
Profit before tax	**28,054**	33,618
Tax at the statutory tax rate of 25% in Mainland China	**7,014**	8,404
Lower tax rates enacted by local authorities	**(581)**	(4)
Expenses not deductible for tax	**4,954**	1,822
Income not subject to tax	**(72)**	–
Tax losses utilised from previous periods	**(1,138)**	(422)
Tax losses not recognised	**1,495**	322
Tax charge at the Group's effective rate	**11,672**	10,122

11. DIVIDENDS

At a meeting of the directors held on 24 April 2020, the directors resolved not to declare dividend.

For the year ended 31 December 2018, Feiyang International, a subsidiary of the Group, paid dividends to the then shareholders with a total amount of RMB25,652,000. The dividends, net of individual income tax of RMB572,000, were paid in the form of cash with an amount of RMB16,656,000, paid by offsetting the amount due from a related party of RMB7,020,000, and paid by offsetting the amount due from a director of RMB1,404,000.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit attributable to ordinary equity of the parent of RMB16,382,000 (2018: RMB23,496,000), and the weighted average number of ordinary shares of 439,041,000 in issue during the year (2018: 375,000,000 ordinary shares, as adjusted to reflect the capitalisation issue, as if the shares had been in issue throughout the year ended 31 December 2018), representing the number of shares of the Company immediately after the capitalisation issue, as if the shares had been in issue throughout the year ended 31 December 2019.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2019 and 2018 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2019 and 2018.

13. PROPERTY, PLANT AND EQUIPMENT

	Computer and office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2019					
At 1 January 2019:					
Cost	8,026	2,244	14,927	–	25,197
Accumulated depreciation	(1,947)	(1,389)	(1,618)	–	(4,954)
Net carrying amount	6,079	855	13,309	–	20,243
At 1 January 2019, net of accumulated depreciation	6,079	855	13,309	–	20,243
Additions	487	3	196	1,552	2,238
Transfers	–	–	1,552	(1,552)	–
Depreciation provided during the year	(1,242)	(130)	(1,884)	–	(3,256)
At 31 December 2019, net of accumulated depreciation	5,324	728	13,173	–	19,225
At 31 December 2019:					
Cost	8,513	2,247	16,675	–	27,435
Accumulated depreciation	(3,189)	(1,519)	(3,502)	–	(8,210)
Net carrying amount	5,324	728	13,173	–	19,225

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Computer and office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2018					
At 1 January 2018:					
Cost	1,709	2,317	2,982	18,965	25,973
Accumulated depreciation	(1,159)	(1,291)	(2,777)	–	(5,227)
Net carrying amount	550	1,026	205	18,965	20,746
At 1 January 2018, net of accumulated depreciation	550	1,026	205	18,965	20,746
Additions	695	–	122	1,352	2,169
Disposals	(9)	(18)	(41)	–	(68)
Depreciation provided during the year	(959)	(153)	(1,492)	–	(2,604)
Transfers	5,802	–	14,515	(20,317)	–
At 31 December 2018, net of accumulated depreciation	6,079	855	13,309	–	20,243
At 31 December 2018:					
Cost	8,026	2,244	14,927	–	25,197
Accumulated depreciation	(1,947)	(1,389)	(1,618)	–	(4,954)
Net carrying amount	6,079	855	13,309	–	20,243

14. INVESTMENT PROPERTIES

	2019 RMB'000	2018 RMB'000
Carrying amount at 1 January	**9,746**	9,667
Net (loss)/gain from a fair value adjustment	**(424)**	79
Carrying amount at 31 December	**9,322**	9,746

The Group's investment properties contain office units located in Mainland China and are held under medium term leases.

The Group's investment properties were pledged to secure general banking facilities granted to the Group (note 22).

As at 31 December 2018 and 2019, the Group's investment properties were revalued based on valuations performed by Ningbo Gongping Real Estate Land Valuation Advisory Limited （寧波公評資產評估有限公司）, an independent professionally qualified valuer. The investment properties are leased to third parties under operating leases, further details of which are included in note 15 to the financial statements.

Fair value hierarchy

The recurring fair value measurement hierarchy of the Group's investment properties is under Level 3 as the valuation requires significant unobservable inputs.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2018: Nil).

Below is a summary of the key inputs to the "Income method" valuation technique of investment properties:

As at 31 December 2019:

Significant unobservable input	Rate of unobservable inputs	Sensitivity of fair value to the input
Estimated rental value	**RMB105.0 per square metre per month**	**19% increase/decrease in rental value would result in increase/ decrease in fair value by RMB1,403,000**
Discount rate	**4.40%**	**35% increase/28% decrease in discount rate would result in decrease/increase in fair value by RMB1,403,000**

14. INVESTMENT PROPERTIES *(Continued)*

Fair value hierarchy *(Continued)*

As at 31 December 2018:

Significant unobservable input	Rate of unobservable inputs	Sensitivity of fair value to the input
Estimated rental value	RMB105.0 per square metre per month	22% increase/decrease in rental value would result in increase/decrease in fair value by RMB1,681,000
Discount rate	4.58%	38% increase/27% decrease in discount rate would result in decrease/increase in fair value by RMB1,681,000

Estimated market rents are estimated based on the independent valuer's view of recent renting transactions within the subject properties and other comparable properties. A significant increase (decrease) in the estimated rental value in isolation would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the term yield in isolation would result in a significant decrease (increase) in the fair value of the investment properties. Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the term yield.

15. LEASES

The Group as a lessee

The Group has lease contracts for various items of office units and a motor vehicle used in its operations. Leases of office units generally have lease terms between 2 and 10 years and the motor vehicle has lease terms for 3 years. Other office units generally have lease terms of 12 months or less. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Office units RMB'000	**Motor vehicle** RMB'000	**Total** RMB'000
As at 1 January 2019	28,425	–	28,425
Additions	3,185	270	3,455
Depreciation charge	(4,794)	(39)	(4,833)
As at 31 December 2019	26,816	231	27,047

15. LEASES *(Continued)*

The Group as a lessee *(Continued)*

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	RMB'000
As at 1 January 2019	28,425
New leases	3,455
Accretion of interest recognised during the year	1,362
Payments	(5,870)
As at 31 December 2019	27,372
Analysed into:	
Current portion	4,686
Non-current portion	22,686

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2019 RMB'000
Interest on lease liabilities	1,362
Depreciation charge of right-of-use assets	4,833
Expense relating to short-term leases	763
Total amount recognised in profit or loss	6,958

The Group as a lessor

The Group leases its investment properties (note 14) under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits. Rental income recognised by the Group during the year was RMB300,000 (2018: RMB450,000), details of which are included in note 5 to the financial statements.

At 31 December 2019, the Group had total undiscounted minimum lease payments receivables by the Group in future periods under non-cancellable operating leases with its tenants falling due are as follows:

	2019 RMB'000	2018 RMB'000
Within one year	600	600
After one year but within two years	623	600
After two year but within three years	654	615
After three year but within four years	165	646
After four year but within five years	–	181
	2,042	2,642

16. INTANGIBLE ASSET

Software

	2019 RMB'000	2018 RMB'000
Cost at beginning of year, net of accumulated amortisation	**47**	56
Amortisation provided during the year	**(10)**	(9)
At end of year	**37**	47
At end of year:		
Cost	**96**	96
Accumulated amortisation	**(59)**	(49)
Net carrying amount	**37**	47

17. TRADE RECEIVABLES

	2019 RMB'000	2018 RMB'000
Trade receivables	**172,557**	101,178
Less: Impairment	**(6,643)**	(2,066)
	165,914	99,112

The credit terms granted by the Group generally up to two months, extending up to one year for certain customers. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancement over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	2019 RMB'000	2018 RMB'000
1 to 60 days	**138,187**	89,227
61 to 180 days	**17,925**	8,617
181 to 365 days	**12,834**	2,212
1 to 2 years	**2,489**	396
Over 2 years	**1,122**	726
	172,557	101,178

17. TRADE RECEIVABLES *(Continued)*

The movement in provision for impairment of trade receivables is as follows:

	2019 RMB'000	2018 RMB'000
At beginning of year	2,066	613
Impairment losses recognised	4,577	1,453
At end of year	6,643	2,066

The Group has applied the simplified approach to provide for expected credit losses, which permits the use of the lifetime expected loss provision for all trade receivables. The Group overall considers the credit risk characteristics and the days past due of each type of trade receivables to measure the expected credit losses. For certain trade receivables from certain large Online Travel Agencies ("OTA"), the balances were settled on a T+1 working day basis. Except for these trade receivables, the Group considers the historical loss rate and adjusts for forward-looking macroeconomic data in calculating the expected credit loss rate. As at 31 December 2019 and 2018, the expected losses were determined according to the provision matrix as follows:

	As at 31 December 2019		
	Amount RMB'000	Expected loss rate	Expected credit losses RMB'000
Trade receivables from OTA	36,888	0.10%	37
Other trade receivables aged:			
Less than 1 year	132,058	3.14%	4,153
Between 1 and 2 years	2,489	53.48%	1,331
Over 2 years	1,122	100.00%	1,122
	172,557		6,643

	As at 31 December 2018		
	Amount RMB'000	Expected loss rate	Expected credit losses RMB'000
Trade receivables from OTA	44,749	0.10%	45
Other trade receivables aged:			
Less than 1 year	55,307	2.13%	1,179
Between 1 and 2 years	396	29.21%	116
Over 2 years	726	100.00%	726
	101,178		2,066

As at 31 December 2019, an amount of RMB15,330,000 (2018: RMB25,511,000) of the Group's trade receivables was pledged to secure bank loans granted to the Group (note 22(a)(ii)).

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019 RMB'000	2018 RMB'000
Non-current:		
Rental deposits	**900**	–
Current:		
Prepayments	**95,651**	37,315
Deferred listing expenses	**–**	2,991
Deposits and other receivables	**81,959**	46,902
Prepaid expenses	**1,445**	407
Interest receivables	**134**	31
Value-added tax recoverable	**651**	–
	179,840	87,646
	180,740	87,646

Other receivables are unsecured and non-interest-bearing. For deposits to airline companies included in "Deposits and other receivables", the balances are repayable according to the terms of the deposit contracts. Except for the deposits to airline companies, the other receivables are repayable on demand. As at 31 December 2019 and 2018, the loss allowance was assessed to be minimal.

19. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2019 RMB'000	2018 RMB'000
Cash and bank balances	**101,271**	39,353
Pledged deposits — current	**14,604**	–
— non-current	**7,428**	23,388
	123,303	62,741
Less: Pledged time deposits:		
Pledged for letters of performance guarantee	**(16,178)**	(18,088)
Pledged for service quality*	**(5,354)**	(5,300)
Pledged for credit card facility (note 22(a))	**(500)**	–
Cash and cash equivalents	**101,271**	39,353
Denominated in:		
RMB	**83,953**	37,954
HKD	**17,318**	1,399
Cash and cash equivalents	**101,271**	39,353

* A guarantee deposit for the Group's tourism operation as required by the PRC government

19. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS *(Continued)*

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. The remittance of funds out of Mainland China is subject to exchange restrictions imposed by the PRC government.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between one day and thirty-six months, and earn interest at the respective time deposit rates. The bank balances and pledged time deposits are deposited with creditworthy banks with no recent history of default.

The carrying amounts of the cash and cash equivalents approximate to their fair values.

20. TRADE PAYABLES

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

	2019 RMB'000	2018 RMB'000
1 to 60 days	**35,941**	34,724
61 to 180 days	**2,084**	4,422
181 to 365 days	**811**	602
Over 1 year	**723**	264
	39,559	40,012

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

21. ADVANCE FROM CUSTOMERS, OTHER PAYABLES AND ACCRUALS

	2019 RMB'000	2018 RMB'000
Advance from customers	**48,917**	29,284
Payroll payables	**12,192**	13,825
Tax payable other than corporate income tax	**5,736**	3,059
Interest payable	**242**	137
Accruals	**1,150**	4,330
Other payables	**4,053**	3,565
	72,290	54,200

Other payables are non-interest-bearing and repayable on demand.

22. INTEREST-BEARING BANK LOANS

	Effective interest rate (%)	Maturity	2019 RMB'000	2018 RMB'000
Bank loans — secured	4.80–6.09	2019	–	110,000
Bank loans — secured	0.00–5.76	2020	151,725	–
Bank loans — unsecured	5.22–5.655	2020	38,000	–
			189,725	110,000

Notes:

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

(i) mortgages over the Group's investment properties situated in Mainland China with a net carrying amount of RMB9,322,000 (2018: RMB9,746,000) (note 14); and

(ii) the pledge of certain of the Group's trade receivables amounting to RMB15,330,000 (2018: RMB25,511,000) (note 17).

In addition, the Group's credit card facility amounting to RMB1,000,000 (2018: Nil), of which RMB225,000 had been utilised as at 31 December 2019, is secured by the pledge of certain of the Group's time deposits amounting to RMB500,000 (2018: Nil) (note 19).

(b) During the year ended 31 December 2018, the Controlling Shareholders have jointly guaranteed certain of the Group's banking facilities of up RM262,000,000.

(c) Ningbo Feiyang Business Management Company Limited （寧波飛揚企業管理有限公司, "Feiyang Management"), a registered shareholder of Zhejiang Feiyang International Travel Group Co., Ltd. and a company controlled by Mr. He Binfeng, have guaranteed certain of the Group's banking facilities of up to nil (During the year ended 31 December 2018: RMB130,000,000).

(d) All loans are denominated in RMB.

23. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

2019

Deferred tax assets

	Lease liabilities RMB'000	Impairment of trade receivable RMB'000	Accrued expenses RMB'000	Impairment of investment properties RMB'000	Total RMB'000
At 31 December 2018	–	265	4,287	415	4,967
Effect of adoption of HKFRS 16	6,974	–	–	–	6,974
At 1 January 2019 (restated)	6,974	265	4,287	415	11,941
Deferred tax credited/(charged) to profit or loss during the year (note 10)	(148)	704	(3,160)	86	(2,518)
Gross deferred tax assets	6,826	969	1,127	501	9,423

Deferred tax liabilities

	Right-of use assets RMB'000	Fair value change of investment properties RMB'000	Accelerated depreciation for tax purposes RMB'000	Total RMB'000
At 31 December 2018	–	20	96	116
Effect of adoption of HKFRS 16	6,974	–	–	6,974
At 1 January 2019 (restated)	6,974	20	96	7,090
Deferred tax charged/(credited) to profit or loss during the year (note 10)	(310)	(20)	97	(233)
Gross deferred tax liabilities	6,664	–	193	6,857

23. DEFERRED TAX *(Continued)*

2018

Deferred tax assets

	Impairment of trade receivable RMB'000	Accrued expenses RMB'000	Impairment of investment properties RMB'000	Total RMB'000
At 1 January 2018	67	2,784	415	3,266
Deferred tax credited to profit or loss during the year (note 10)	198	1,503	–	1,701
Gross deferred tax assets at 31 December 2018	265	4,287	415	4,967

Deferred tax liabilities

	Fair value change of investment properties RMB'000	Accelerated depreciation for tax purposes RMB'000	Total RMB'000
At 1 January 2018	–	–	–
Deferred tax charged to profit or loss during the year (note 10)	20	96	116
Gross deferred tax liabilities at 31 December 2018	20	96	116

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2019 RMB'000	2018 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**2,566**	4,851

The Group has tax losses arising in Mainland China of RMB6,553,000 (2018: RMB5,125,000), which will expire in one to five years for offsetting against taxable profits.

23. DEFERRED TAX *(Continued)*

Deferred tax liabilities *(Continued)*

The Group has no tax losses arising in Hong Kong as at 31 December 2019 (2018: Nil) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. As at 31 December 2019 and 2018, no deferred tax liability has been recognised for withholding taxes that would be payable on unremitted earnings of the Group's subsidiaries established in Mainland China. In the opinion of the Company's directors, it is not probable that these subsidiaries will distribute such earnings to foreign entities in the foreseeable future. The aggregate amounts of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB27,727,000 (2018: RMB14,733,000).

24. SHARE CAPITAL

Shares

	2019 RMB'000	2018 RMB'000
Issued and fully paid:		
500,000,000 (2018:10,204,082) ordinary shares of HKD0.01 each	**4,398**	90

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

	Number of shares in issue	**Issued capital** RMB'000
Issued and fully paid:		
At incorporation on 18 October 2018	10,000,000	88
Subscription on 25 December 2018	196,552	2
Share swap on 27 December 2018	7,530	–
At 31 December 2018 and 1 January 2019	10,204,082	90
Capitalisation issue on 28 June 2019 (note (a))	364,795,918	3,208
Issuance of shares on 28 June 2019 (note (b))	125,000,000	1,100
At 31 December 2019	500,000,000	4,398

24. SHARE CAPITAL *(Continued)*

Shares *(Continued)*

During the year ended 31 December 2019, the movements in share capital were as follows:

(a) 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 HKD3,647,959 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.

(b) In connection with the Company's IPO, 125,000,000 shares of HKD0.01 each were issued at a price of HKD1.05 per share for a total cash consideration, before share issue expense, of approximately HKD131,250,000.

25. SHARE AWARD SCHEME

The Group adopted a share award arrangement (the "Arrangement") in order to recognise and reward the contribution of eligible employees to the growth and development of the Group; to retain certain eligible employees for the continual operation and development of the Group; and to attract suitable personnel for further development of the Group through the award of certain subsidiaries' shares.

Under the Arrangement, there were no performance target requirements except that certain eligible employees were required to remain as employees during a five-year vesting period. The fair value of the services received in return for the equity interests of certain subsidiaries acquired by the eligible employees is measured based on the difference between (a) the fair value of equity interests of the shares granted at the grant date and (b) the subscription price paid by such employees.

During the year ended 31 December 2018, all the shares awarded under the Arrangement have been fully vested and share award expenses of RMB2,698,000 were charged to profit or loss.

26. RESERVES

The amounts of the Group's reserves and the movements therein for the year are presented in the consolidated statement of changes in equity of the Group.

Capital reserve

The capital reserve of the Group represents the aggregate paid-up capital of the subsidiaries comprising the Group.

Share premium

The application of the share premium account is governed by the Companies Law of the Cayman Islands. Under the constitutional documents and the Companies Law of the Cayman Islands, the share premium is distributable as dividend on condition that the Company is able to pay its debts when they fall due in the ordinary course of business at the time the proposed dividend is to be paid.

26. RESERVES *(Continued)*

Statutory surplus reserves

In accordance with the Company Law of the PRC, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserves may be converted to increase share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

27. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

The Group had non-cash additions to right-of-use assets and lease liabilities of RMB3,455,000 and RMB3,455,000, respectively, in respect of lease arrangements for office units and a motor vehicle (2018: Nil).

(b) Changes in liabilities arising from financing activities

2019

	Lease liabilities RMB'000	Interest-bearing bank loans RMB'000	Interest payable RMB'000
At 31 December 2018	–	110,000	137
Effective of HKFRS 16	28,425	–	–
At 1 January 2019 (restated)	28,425	110,000	137
New leases	3,455	–	–
Changes from financing cash flows	(5,870)	79,725	(7,578)
Finance costs	1,362	–	7,683
At 31 December 2019	27,372	189,725	242

2018

	Interest-bearing bank loans RMB'000	Interest payable RMB'000
At 1 January 2018	50,000	61
Changes from financing cash flows	60,000	(3,958)
Finance costs	–	4,034
At 31 December 2018	110,000	137

27. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(c) The total cash outflow for leases included in the statement of cash flows is as follows:

	2019 RMB'000
Within operating activities	763
Within financing activities	5,870
	6,633

28. OPERATING LEASE COMMITMENTS

The Group leased certain of its office properties under operating lease arrangements. Leases for properties were negotiated for terms from one to ten year.

As at 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 RMB'000
Within one year	5,013
In the second to fifth years, inclusive	15,930
Over five years	13,676
	34,619

29. RELATED PARTY TRANSACTIONS

The Group's principal related parties are as follows:

Name	Relationship with the Company
Feiyang Management	An entity controlled by the Controlling Shareholder
Mr. He Binfeng	Controlling Shareholder and executive director
Ms. Qian Jie	Controlling Shareholder
Mr. Li Da	Executive director
Mr. Wu Bin	Executive director
Mr. Chen Xiaodong	Executive director
Mr. Huang Yu	Executive director
Mr. Zhang Qinghai	Executive director

Carnary Investment Holdings Limited ("Carnary Investment"), HHR Group Holdings Limited ("HHR Group"), Michael Group Holdings Limited ("Michael Group"), KVN Holdings Limited ("KVN Holdings"), DY Holdings Limited ("DY Holdings"), QJ Holdings Limited ("QJ Holdings"), LD Group Holdings Limited ("LD Group"), WB Holdings Group Limited ("WB Holdings"), QZ Holdings Limited ("QZ Holdings"), and CXD Holdings Limited ("CXD Holdings") are shareholders of the Company.

(a) Outstanding balances with related parties:

	2019 RMB'000	2018 RMB'000
Due from related parties:		
Carnary Investment	17	–
HHR Group	17	–
Michael Group	17	–
KVN Holdings	17	–
DY Holdings	17	–
QJ Holdings	17	–
LD Group	17	–
WB Holdings	17	–
QZ Holdings	17	–
CXD Holdings	18	–

The balances due from the above related parties arose from payments made on behalf by the Group on these related parties during the year ended 31 December 2019.

The balances with related parties are non-trade, unsecured, interest-free and repayable on demand.

29. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Maximum amount outstanding during the year for advances to a director:

	2019 RMB'000	2018 RMB'000
Mr. He Binfeng	–	1,404

The maximum amount outstanding during the year ended 31 December 2018 represented the balance due from Mr. He Binfeng brought forward from prior years which had been fully settled in 2018.

(c) Compensation of key management personnel of the Group:

	2019 RMB'000	2018 RMB'000
Salaries, allowances and benefits in kind	1,443	1,409
Pension scheme contributions	376	258
Total compensation paid to key management personnel	1,819	1,667

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

30. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the year are as follows:

Financial assets — at amortised cost

	2019 RMB'000	2018 RMB'000
Trade receivables	165,914	99,112
Financial assets included in prepayments, deposits and other receivables	82,993	46,933
Due from related parties	171	–
Pledged deposits	22,032	23,388
Cash and cash equivalents	101,271	39,353
	372,381	208,786

Financial liabilities — at amortised cost

	2019 RMB'000	2018 RMB'000
Trade payables	39,559	40,012
Financial liabilities included in advance from customers, other payables and accruals	5,445	8,032
Lease liabilities	27,372	–
Interest-bearing bank loans	189,725	110,000
	262,101	158,044

31. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade receivables, amounts due from related parties, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in advance from customers, other payables and accruals, and the interest-bearing bank loans approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the finance manager. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the finance manager. The valuation process and results are discussed with the directors once a year for annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The Group did not have any financial assets and financial liabilities measured at fair value as at 31 December 2019 and 2018.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank loans, cash and cash equivalents and pledged deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rates and terms of repayments of the bank loans are disclosed in note 22.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk. The Group does not consider that it has any significant exposure to the risk of fluctuation in the interest rate as a reasonable possible change of fifty basis points in the interest rate would have no significant impact on the Group's profit for the year.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalents, pledged deposits, amounts due from related parties, trade receivables and other receivables. The carrying amounts of each class of the above financial assets represent the Group's maximum exposure to credit risk in relation to financial assets.

To manage the risk arising from cash and cash equivalents and pledged deposits, the Group only transacts with state-owned or reputable financial institutions in Mainland China and reputable international financial institutions outside Mainland China. There has been no recent history of default in relation to these financial institutions. The expected credit loss is close to zero.

To manage the risk arising from trade receivables, the Group has policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and the management performs ongoing credit evaluations of its counterparties. The credit period granted to the customers is usually no more than 60 days and the credit quality of these customers is assessed, which takes into account their financial position, past experience and other factors. The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The expected loss allowance provision for these balances was not material during the year. In view of the collection history of trade receivables, management believes that the credit risk inherent in the Group's outstanding trade receivable balances is not significant.

For amounts due from related parties and other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experiences. As at 31 December 2019 and 2018, the credit assessment of other receivables and amounts due from related parties were performed. The Group assessed that the expected credit losses for these receivables and amounts due from related parties are not material under the 12-month expected losses method. In view of the history of cooperation with debtors and the collection history of these receivables, management believes that the credit risks inherent in the Group's outstanding other receivable and amounts due from related parties balances are not significant.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g., trade receivables and other financial assets) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank loans and lease liabilities.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

The maturity profile of the Group's financial liabilities as at the end of the year, based on the contractual undiscounted payments, is as follows:

	2019					
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade payables	3,618	35,941	–	–	–	39,559
Lease liabilities	–	1,819	4,955	16,257	9,612	32,643
Financial liabilities included in advance from customers, other payables and accruals	5,445	–	–	–	–	5,445
Interest-bearing bank loans	–	122,221	71,149	–	–	193,370
	9,063	159,981	76,104	16,257	9,612	271,017

	2018					
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade payables	5,288	34,724	–	–	–	40,012
Financial liabilities included in advance from customers, other payables and accruals	8,032	–	–	–	–	8,032
Interest-bearing bank loans	–	20,966	91,797	–	–	112,763
	13,320	55,690	91,797	–	–	160,807

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 31 December 2018.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management *(Continued)*

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

	31 December 2019 RMB'000	1 January 2019 RMB'000	31 December 2018 RMB'000
Interest-bearing bank loans	**189,725**	110,000	110,000
Lease liabilities	**27,372**	28,425	–
Trade payables	**39,559**	40,012	40,012
Advance from customers, other payables and accruals	**72,290**	54,200	54,200
Less: Cash and cash equivalents	**(101,271)**	(39,353)	(39,353)
Pledged deposits	**(22,032)**	(23,388)	(23,388)
Net debt	**205,643**	169,896	141,471
Equity attributable to owners of the parent	**195,040**	76,794	76,794
Total capital and net debt	**400,683**	246,690	218,265
Gearing ratio	**51%**	69%	65%

Note: The Group has adopted HKFRS 16 using the modified retrospective approach and the effect of the initial adoption is adjusted against the opening balances as at 1 January 2019 with no adjustments to the comparative amounts as at 31 December 2018. This resulted in an increase in the Group's net debt and hence the Group's gearing ratio increased from 65% to 69% on 1 January 2019 when compared with the position as at 31 December 2018.

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	53	53
Due from subsidiaries	44,789	–
TOTAL NON-CURRENT ASSETS	44,842	53
CURRENT ASSETS		
Prepayments, other receivables and other assets	537	–
Due from related parties	171	–
Due from subsidiaries	41,717	–
Cash and cash equivalents	17,152	1,346
TOTAL CURRENT ASSETS	59,577	1,346
CURRENT LIABILITIES		
Due to subsidiaries	122	–
Other payables and accruals	179	86
TOTAL CURRENT LIABILITIES	301	86
NET CURRENT ASSETS	59,276	1,260
TOTAL ASSETS LESS CURRENT LIABILITIES	104,118	1,313
Net assets	104,118	1,313
EQUITY		
Issued capital	4,398	90
Reserves (note)	99,720	1,223
Total equity	104,118	1,313

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

A summary of the Company's reserves is as follows:

	Issued capital RMB'000	Share premium RMB'000	Accumulated losses Retained profits RMB'000	Foreign currency translation reserves RMB'000	Total RMB'000
At 18 October 2018	–	–	–	–	–
Total comprehensive income for the year	–	–	(86)	–	(86)
Issue of shares	90	1,309	–	–	1,399
At 31 December 2018 and 1 January 2019	**90**	**1,309**	**(86)**	**–**	**1,313**
Total comprehensive income for the year	**–**	**–**	**444**	**–**	**444**
Issuance of shares for IPO	**1,100**	**114,356**	**–**	**–**	**115,456**
Capitalisation of issue of share premium	**3,208**	**(3,208)**	**–**	**–**	**–**
Share issue expenses	**–**	**(14,987)**	**–**	**–**	**(14,987)**
Exchange differences related to foreign operations	**–**	**–**	**–**	**1,892**	**1,892**
At 31 December 2019	**4,398**	**97,470**	**358**	**1,892**	**104,118**

34. EVENTS AFTER THE RELEVANT PERIODS

Due to the outbreak of the novel coronavirus ("COVID-19"), the Ningbo City Culture, Radio, Television and Tourism Bureau （寧波市文化廣電旅遊局） (the "Bureau") announced the suspension of operations of all tourism enterprises, including the Group's operations of packaged tours and "air ticketing and hotel booking" products within Mainland China. On 20 March 2020, the Bureau announced the suspension of all tourism enterprises' operations, including cross-provincial and mainland outbound packaged tours and "air ticketing and hotel booking" products. As most of the Group's revenue is generated from customers in the PRC and a number of travel restrictions remain in place in the PRC, the number of PRC outbound travel and package tours are significantly affected. The duration and intensity of this global health emergency and related disruptions are uncertain, including potential broader impacts outside of China if travel continue to be restricted. Given the dynamic nature of these circumstances, the impact of the COVID-19 situation on the Group's consolidated results of operations, cash flows and financial condition can be material, but the extent of which could not be reasonably estimated as at the date of the report.

35. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 24 April 2020.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and assets and liabilities of the Group for the last four financial years, as extracted from the audited consolidated financial statements and the Prospectus, is set out below.

RESULTS

	For the year ended 31 December			
	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
Revenue	**685,875**	492,851	464,844	410,115
Profit before tax	**28,054**	33,618	40,529	25,441
Income tax expenses	**(11,672)**	(10,122)	(10,582)	(7,426)
Profit for the year	**16,382**	23,496	29,947	18,105

ASSETS AND LIABILITIES

	As at 31 December			
	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
Total assets	**528,325**	284,386	214,287	133,257
Total liabilities	**333,285**	207,592	139,434	84,391
Total equity	**195,040**	76,794	74,853	48,866