



飛揚集團

— FEIYANG TRAVEL GROUP —

Feiyang International Holdings Group Limited

飛揚國際控股(集團)有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code : 1901



INTERIM REPORT 2020

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. He Binfeng
(Chairman and Chief Executive Officer)
 Mr. Zhang Qinghai
 Mr. Huang Yu
 Mr. Wu Bin
 Mr. Li Da
 Mr. Chen Xiaodong

Independent Non-executive Directors

Mr. Li Huamin
 Mr. Yi Ling
 Ms. Li Chengai

AUDIT COMMITTEE

Ms. Li Chengai *(Chairlady)*
 Mr. Li Huamin
 Mr. Yi Ling

REMUNERATION COMMITTEE

Mr. Li Huamin *(Chairman)*
 Mr. He Binfeng
 Ms. Li Chengai

NOMINATION COMMITTEE

Mr. He Binfeng *(Chairman)*
 Mr. Yi Ling
 Mr. Li Huamin

COMPANY SECRETARY

Mr. Tam Chun Wai Edwin

AUTHORISED REPRESENTATIVES

Mr. He Binfeng
 Mr. Tam Chun Wai Edwin

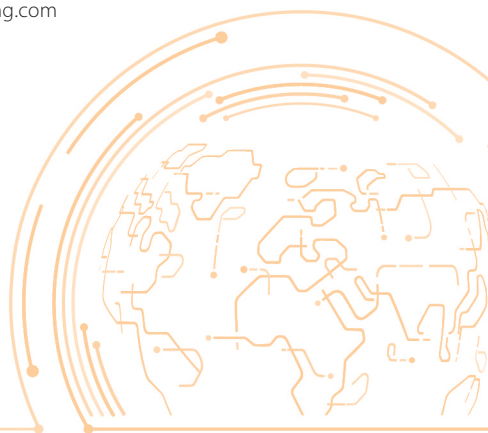
REGISTERED OFFICE IN THE CAYMAN ISLANDS

Suite #4-210, Governors Square
 23 Lime Tree Bay Avenue
 PO Box 32311
 Grand Cayman KY1-1209
 Cayman Islands



CORPORATE INFORMATION

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



FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Revenue	105,960	302,591
Gross profit	28,706	56,253
(Loss)/profit for the Period	(16,986)	1,233

- Revenue decreased by RMB196.6 million or 65.0% for the Period, due to the suspension of local group package tours operation, sales of “air ticketing and hotel booking” products and all outbound tours as a result of the outbreak of the coronavirus disease (“**COVID-19**”).
- Gross profit decreased by RMB27.5 million or 49.0% for the Period as a result of the decrease in revenue.
- Net loss of RMB17.0 million was recorded for the Period.

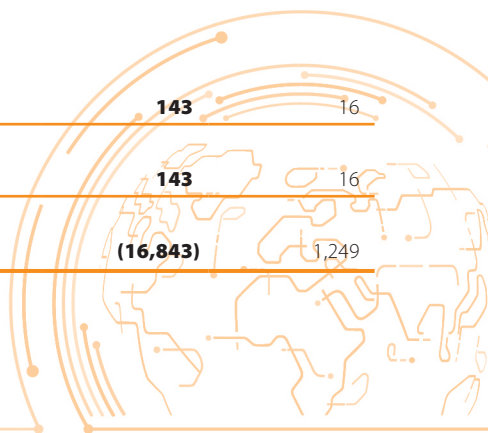


UNAUDITED INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Feiyang International Holdings Group Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2020 (the “**Period**”), together with the comparative figures for the corresponding period of 2019, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	Six months ended 30 June	
		2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
REVENUE	5	105,960	302,591
Cost of sales		(77,254)	(246,338)
Gross profit		28,706	56,253
Other income and gains	5	3,515	7,508
Selling and distribution expenses		(8,381)	(16,434)
Administrative expenses		(16,098)	(35,559)
Other expenses		(22,501)	(1,584)
Finance costs	6	(6,812)	(3,625)
(LOSS)/PROFIT BEFORE TAX	7	(21,571)	6,559
Income tax credit/(expense)	8	4,585	(5,326)
(LOSS)/PROFIT FOR THE PERIOD		(16,986)	1,233
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		143	16
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		143	16
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD		(16,843)	1,249



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2020	2019
	(Unaudited) RMB'000	(Unaudited) RMB'000
(LOSS)/PROFIT FOR THE PERIOD		
ATTRIBUTABLE TO:		
Owners of the parent	(16,986)	1,233
Non-controlling interests	-	-
	(16,986)	1,233
TOTAL COMPREHENSIVE (LOSS)/INCOME		
FOR THE PERIOD ATTRIBUTABLE TO:		
Owners of the parent	(16,843)	1,249
Non-controlling interests	-	-
	(16,843)	1,249
(LOSS)/EARNINGS PER SHARE		
ATTRIBUTABLE TO		
ORDINARY EQUITY HOLDERS		
OF THE COMPANY		
	9	
Basic and diluted (RMB cents)	(3.40)	0.33



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2020 (Unaudited) RMB'000	As at 31 December 2019 (Audited) RMB'000
NON-CURRENT ASSETS			
Investments in associates		55,510	–
Property, plant and equipment		17,566	19,225
Investment properties		9,322	9,322
Right-of-use assets		24,584	27,047
Intangible asset		32	37
Deposits		927	900
Pledged deposits		7,428	7,428
Deferred tax assets		11,284	2,566
Total non-current assets		126,653	66,525
CURRENT ASSETS			
Trade and notes receivables	11	80,643	165,914
Prepayments, deposits and other receivables		274,416	179,840
Due from related parties		175	171
Pledged deposits		7,924	14,604
Cash and cash equivalents		63,084	101,271
Total current assets		426,242	461,800
CURRENT LIABILITIES			
Trade payables	12	30,791	39,559
Advance from customers, other payables and accruals		101,330	72,290
Interest-bearing bank borrowings	13	211,500	189,725
Lease liabilities		5,246	4,686
Tax payable		4,408	4,339
Total current liabilities		353,275	310,599
NET CURRENT ASSETS		72,967	151,201
TOTAL ASSETS LESS CURRENT LIABILITIES		199,620	217,726
NON-CURRENT LIABILITIES			
Lease liabilities		21,423	22,686
Net assets		178,197	195,040
EQUITY			
Equity attributable to owners of the parent			
Issued capital	14	4,398	4,398
Reserves		173,799	190,642
Total equity		178,197	195,040

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the parent								
	Issued capital	Share premium*	Capital reserves*	Statutory	Exchange	Retained profits*	Share	Special reserves*	Total equity
				surplus	fluctuation		award		
				reserves*	reserves*		reserves*		
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2019 (Audited)	90	1,309	47,355	5,561	-	14,733	8,001	(255)	76,794
Profit for the period	-	-	-	-	-	1,233	-	-	1,233
Other comprehensive income for the period:									
Exchange differences on translation of foreign operations	-	-	-	-	16	-	-	-	16
Total comprehensive income for the period	-	-	-	-	16	1,233	-	-	1,249
Capitalisation of issue of share premium	3,208	(3,208)	-	-	-	-	-	-	-
Issue of shares	1,100	114,356	-	-	-	-	-	-	115,456
Share issue expenses	-	(14,987)	-	-	-	-	-	-	(14,987)
At 30 June 2019 (Unaudited)	4,398	97,470	47,355	5,561	16	15,966	8,001	(255)	178,512
At 1 January 2020 (Audited)	4,398	97,470	47,355	8,517	1,395	28,159	8,001	(255)	195,040
Loss for the period	-	-	-	-	-	(16,986)	-	-	(16,986)
Other comprehensive income for the period:									
Exchange differences on translation of foreign operations	-	-	-	-	143	-	-	-	143
Total comprehensive income for the period	-	-	-	-	143	(16,986)	-	-	(16,843)
At 30 June 2020 (Unaudited)	4,398	97,470	47,355	8,517	1,538	11,173	8,001	(255)	178,197

* These reserve accounts comprise the consolidated reserves of RMB173,799,000 (31 December 2019: RMB190,642,000) in the consolidated statements of financial position.



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended	
	30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(3,379)	(35,626)
NET CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES	(48,896)	3,162
NET CASH FLOWS FROM FINANCING ACTIVITIES	13,945	132,042
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(38,330)	99,578
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	101,271	39,353
EFFECT OF FOREIGN EXCHANGE RATE CHANGE, NET	143	16
CASH AND CASH EQUIVALENTS AT END OF PERIOD	63,084	138,947
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	63,084	138,947



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company is an exempted company which was incorporated in the Cayman Islands with limited liability on 18 October 2018. The registered office address of the Company is Suite #4-210, Governors Square, 23 Lime Tree Bay Avenue, PO Box 32311, Grand Cayman, KY1-1209, Cayman Islands. The principal place of business is located at 30 Dashani Street, Haishu District, Ningbo City, Zhejiang Province, the People's Republic of China (the "**PRC**").

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

The shares of the Company (the "**Shares**") were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing**") on 28 June 2019 (the "**Listing Date**").



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2. BASIS OF PREPARATION AND PRESENTATION

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). These interim financial statements have been prepared under the historical cost convention, except for investment properties which have been measured at fair value. These interim financial statements are presented in Renminbi ("**RMB**"), and all values are rounded to the nearest thousand ("**RMB'000**") except when otherwise indicated.

The Group's unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2019. The accounting policies adopted in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("**HKFRSs**") for the first time for the current period's financial information.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to HKFRS 16	<i>Covid-19-Related Rent Concessions (early adopted)</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The nature and the impact of the revised HKFRSs are described below:

- (a) 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 has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

- (b) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.
- (c) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

During the period ended 30 June 2020, certain monthly lease payments for the leases of the Group's office buildings have been reduced or waived by the lessors as a result of the COVID-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the COVID-19 pandemic during the period ended 30 June 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB723,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the period ended 30 June 2020.

- (d) 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. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

4. OPERATING SEGMENT INFORMATION

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

Geographical information

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

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

Information about a major customer

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



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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 Period.

An analysis of revenue and other income is as follows:

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue from contracts with customers	105,960	302,591
Other income		
Bank interest income	151	265
Government grants	2,019	4,895
Rental income on properties	300	150
Value-added tax and other tax refund	–	1,693
Others	1,045	505
	3,515	7,508

Note:

(a) Disaggregation of revenue from contracts with customers

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Type of products and service		
Sales of package tours		
— Domestic	8,988	69,172
— Outbound	33,528	202,874
	42,516	272,046
Margin income from sales of FIT Products	19,703	26,273
Gross revenue from the sales of FIT products	43,227	–
Sales of ancillary travel related products and services	514	4,272
Total	105,960	302,591

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

6. FINANCE COSTS

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest on bank loans	6,172	2,935
Interest on lease liabilities	640	690
	6,812	3,625

7. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Cost of services provided	77,254	246,338
Depreciation of property, plant and equipment	1,669	1,534
Depreciation of right-of-use assets	2,923	2,539
Impairment of trade and notes receivables, net	9,540	1,009
Impairment of prepayments, deposits and other receivables	12,700	–
Amortisation of intangible asset	5	5
Staff cost	15,411	24,651
Listing expenses	–	19,076



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

8. INCOME TAX CREDIT/(EXPENSE)

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

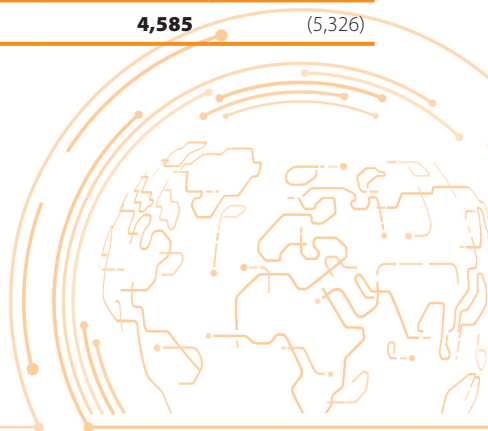
Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands or British Virgin Islands.

The statutory tax rate for the subsidiary in Hong Kong is 16.5%. No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the Period.

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

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

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Current — PRC	(4,133)	(4,414)
Deferred	8,718	(912)
Total tax credit/(charge) for the Period	4,585	(5,326)



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

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

The basic (loss)/earnings per share is/are calculated as follows:

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
(Loss)/profit attributable to equity holders of the Company (RMB'000)	(16,986)	1,233
Weighted average number of ordinary shares in issue ('000)	500,000	377,072
Basic (loss)/earnings per share (RMB cents)	(3.40)	0.33

The number of ordinary shares used to calculate the basic (loss)/earnings per share has been determined on the assumption that the capitalisation issue which took place in relation to the Listing had been effective from 1 January 2019.

Diluted (loss)/earnings per share is/are the same as the basic (loss)/earnings per share as there were no potential dilutive ordinary shares outstanding during the six months ended 30 June 2019 and 2020.

10. INTERIM DIVIDEND

The Board did not declare the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

11. TRADE AND NOTES RECEIVABLES

	As at 30 June 2020 (Unaudited) RMB'000	As at 31 December 2019 (Audited) RMB'000
Trade receivables	96,494	172,557
Notes receivables	332	–
Less: Allowance for impairment	(16,183)	(6,643)
	80,643	165,914

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

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

	As at 30 June 2020 (Unaudited) RMB'000	As at 31 December 2019 (Audited) RMB'000
1 to 60 days	9,986	138,187
61 to 180 days	34,612	17,925
181 to 360 days	37,562	12,834
1 to 2 years	12,249	2,489
Over 2 years	2,085	1,122
	96,494	172,557

As at 30 June 2020, none (31 December 2019: RMB15,330,000) of the Group's trade receivables were pledged to secure bank loans facilities granted to the Group's (note 13(a)(ii)).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

12. TRADE PAYABLES

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

	As at 30 June 2020 (Unaudited) RMB'000	As at 31 December 2019 (Audited) RMB'000
1 to 60 days	15,028	35,941
61 to 180 days	12,372	2,084
181 to 360 days	2,717	811
Over 1 year	674	723
	30,791	39,559

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

13. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate	Maturity	As at 30 June 2020 (Unaudited) RMB'000	As at 31 December 2019 (Audited) RMB'000
	(%)			
Current				
Bank loans — secured	0.00–5.76	2020	130,500	151,725
Bank loans — secured	5.20–5.66	2021	39,000	–
Bank loans — unsecured	4.05–5.655	2020	32,000	38,000
Bank loans — unsecured	5.22	2021	10,000	–
			211,500	189,725



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

13. INTEREST-BEARING BANK BORROWINGS (Continued)

Notes:

- (a) The Group's bank borrowings are secured by:
- (i) mortgages over the Group's investment properties situated in the PRC, which had an aggregate net carrying value of RMB9,322,000 as at 31 December 2019 and 30 June 2020, respectively; and
 - (ii) the pledge of certain of the Group's trade receivables amounting to RMB15,330,000 and nil as at 31 December 2019 and 30 June 2020, respectively.
- (b) Mr. He, Ms. Qian Jie, Mr. Zhang Dayi, and Ms. Zhang Xiaoshan, have jointly guaranteed certain of the Group's bank loans of up to RMB99,950,000 as at 30 June 2020 (as at 31 December 2019: nil). The guarantees are conducted on normal commercial terms and are not secured by the Group's assets.
- (c) All borrowings are denominated in RMB.

14. SHARE CAPITAL

As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
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Authorised:

10,000,000,000 (As at 31 December 2019:

10,000,000,000) ordinary shares of

HK\$0.01 each

HK\$100,000,000

HK\$100,000,000

Issued and fully paid:

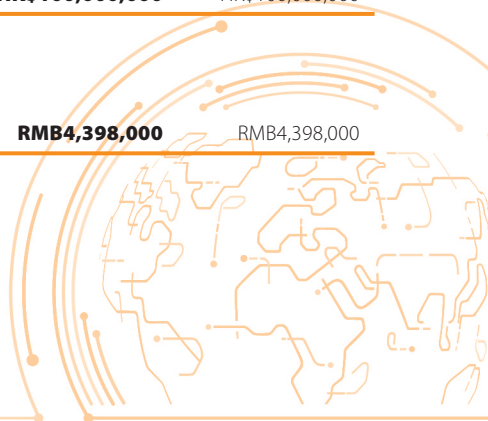
500,000,000 (As at 31 December 2019:

500,000,000) ordinary shares of

HK\$0.01 each

RMB4,398,000

RMB4,398,000



MANAGEMENT DISCUSSION AND ANALYSIS

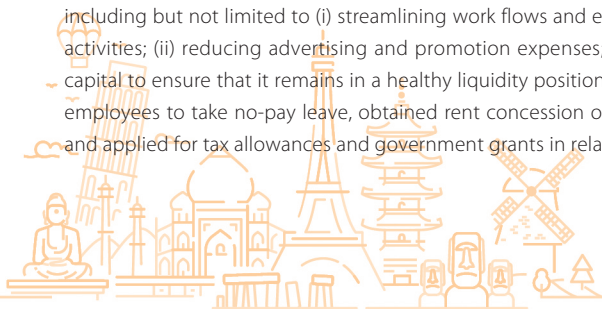
BUSINESS REVIEW

The Group is a well-established travel service provider based in Ningbo, Zhejiang Province of the PRC and offers diversified products that cater for different travellers' needs. The Group is principally engaged in (i) the design, development and sales of package tours which consist of traditional package tours and tailor-made tours; (ii) the sales of 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.

In the first half of 2020, the unexpected outbreak of COVID-19 brought unprecedented impact to the world economy. The Group's business operations have been heavily disrupted by the travel restrictions imposed by nations of its own and across the world. As disclosed in the announcement dated 3 February 2020, pursuant to the notices issued by the General Office of the Ministry of Culture and Tourism (文化和旅遊部辦公廳) dated 24 January 2020 and the Ningbo City Culture, Radio, Television and Tourism Bureau (寧波市文化廣電旅遊局) dated 26 January 2020, the Group suspended its local group packaged tours operation and suspended the sales of "air ticketing and hotel booking" products within the PRC as at 24 January 2020 and all outbound tours as at 26 January 2020. As a result, the Group's revenue decreased by RMB196.6 million from RMB302.6 million for the six months ended 30 June 2019 to RMB106.0 million for the Period and the Group recorded a loss of RMB17.0 million for the Period.

On 14 July 2020, the General Office of the Ministry of Culture and Tourism (文化和旅遊部辦公廳) issued the Notice on Matters Relating to the Promotion of Expanding the Resumption of Business Operations of Tourism Enterprises (關於推進旅遊企業擴大復工復業有關事項的通知), pursuant to which certain operations of tourism enterprises, including cross-provincial package tours and sales of "air ticketing and hotel booking" in the PRC (except for high- and medium-risk areas), are allowed to be carried out, whilst all outbound tours continue to be suspended. As a result, the Group has partially resumed its local package tours operation and sales of "air ticketing and hotel booking" products.

As disclosed in the announcement of the Company dated 11 August 2020, the Group has adjusted its business strategies and adopted cost-saving measures to mitigate the financial impact of COVID-19, including but not limited to (i) streamlining work flows and eliminating non-value added positions or activities; (ii) reducing advertising and promotion expenses; and (iii) actively managing its working capital to ensure that it remains in a healthy liquidity position. In addition, the Group has encouraged employees to take no-pay leave, obtained rent concession on certain office premises from landlords and applied for tax allowances and government grants in relation to COVID-19.



MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

The development of the COVID-19 pandemic remains uncertain as and when it could be controlled. The Board expects that the tourism industry as well as the Group's financial performance in the second half of 2020 will continue to be adversely affected by the pandemic. Facing this challenging and tough period ahead, the Group will continue to adopt cost-saving measures and diversify its income stream.

The Group has been taking initiatives to diversify the business of the Group with an objective to broaden its income stream. The Board believes the demand for domestic travel remains one of the key drivers for the tourism industry as supported by the government's effort to boost domestic travel. In June 2020, the Group and Ningbo Zhongcheng Business Management Co., Ltd.* (寧波中程商業管理有限公司) and Ningbo Tiantuo Material Co., Ltd.* (寧波天拓物資有限公司) (the "**JV Partners**") set up Ningbo Yinjiang Feiyang Cultural Tourism Development Co., Ltd.* (寧波鄞江飛揚文旅開發有限公司) (the "**JV Company**"), which is principally engaged in the management and development of tourist attractions in the PRC. The Board believes that the establishment of the JV Company will provide more business opportunities to the Group by generating stable income from tourist attractions in the PRC.

The Group will closely monitor the development of the COVID-19 pandemic and measures implemented by relevant government authorities and adopt necessary measures and strategies.



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

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

	Six months ended 30 June			
	2020		2019	
	Revenue (Unaudited) RMB'000	Percentage of revenue %	Revenue (Unaudited) RMB'000	Percentage of revenue %
Sales of air tickets and hotel accommodations	43,227	40.8	–	–
Sales of package tours	42,516	40.1	272,046	89.9
Margin income from sales of FIT Products	19,703	18.6	26,273	8.7
Sales of ancillary travel-related products and services	514	0.5	4,272	1.4
Total	105,960	100.0	302,591	100.0

The Group generated revenue from: (i) sales of air tickets and hotel accommodation; (ii) sales of package tours; (iii) margin income from sales of FIT Products; and (iv) sales of ancillary travel-related products and services. The Group's customers primarily comprised retail customers, and corporate and institutional customers. The revenue of the Group decreased by RMB196.6 million from RMB302.6 million for the six months ended 30 June 2019 to RMB106.0 million for the Period, which was mainly due to the temporary suspension of the Group's operations as a result of the outbreak of COVID-19.



MANAGEMENT DISCUSSION AND ANALYSIS

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 RMB43.2 million for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

Sales of package tours

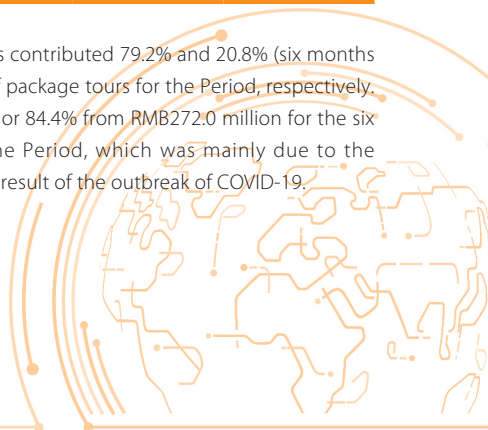
The sales of package tours mainly represented the fees received from customers for the package tours. The Group's package tours can be classified into (i) traditional package tours, which are group tours with standardised itineraries; and (ii) tailor-made tours, which are group tours with non-standardised itineraries and provide freedom for customers to select their preferred mode of transportations, hotels and tourist attractions. The decrease in sales of package tours was mainly due to the suspension of the Group's operation on package tours as a result of the outbreak of COVID-19.

Package tours by type

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

	Six months ended 30 June			
	2020		2019	
	Revenue (Unaudited) RMB'000	Percentage of revenue %	Revenue (Unaudited) RMB'000	Percentage of revenue %
Traditional package tours	33,663	79.2	204,279	75.1
Tailor-made tours	8,853	20.8	67,767	24.9
Total	42,516	100.0	272,046	100.0

The sales of traditional package tours and tailor-made tours contributed 79.2% and 20.8% (six months ended 30 June 2019: 75.1% and 24.9%) of our total sales of package tours for the Period, respectively. Our sales of package tours decreased by RMB229.5 million or 84.4% from RMB272.0 million for the six months ended 30 June 2019 to RMB42.5 million for the Period, which was mainly due to the suspension of the Group's operation on package tours as a result of the outbreak of COVID-19.



MANAGEMENT DISCUSSION AND ANALYSIS

Margin income from sales of FIT Products

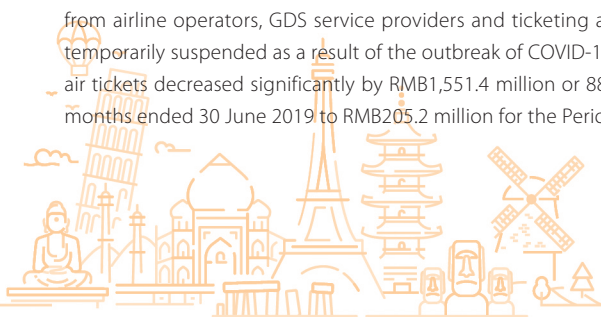
FIT Products mainly include air tickets, hotel accommodation and a combination of both. The Group's margin income from sales of FIT Products is recognised on a net basis, being the sales invoice amount of the FIT Products netted off against the associated direct costs, as the Group render services as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

FIT Products by type

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

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Air tickets		
Gross sales proceeds	205,231	1,756,560
Cost of air tickets	(187,773)	(1,747,481)
Revenue from sales of air tickets	17,458	9,079
Incentive commission	2,008	16,043
Margin income from sales of air tickets	19,466	25,122
Others		
Margin income from sales of other FIT Products	237	1,151
Total	19,703	26,273

The Group's total margin income from sales of FIT Products decreased by RMB6.6 million or 25.1% from RMB26.3 million for the six months ended 30 June 2019 to RMB19.7 million for the Period, which was mainly due to the decrease in number of air tickets sold and the incentive commission received from airline operators, GDS service providers and ticketing agents as the sales of FIT Products were temporarily suspended as a result of the outbreak of COVID-19. Our gross sales proceeds from sales of air tickets decreased significantly by RMB1,551.4 million or 88.3%, from RMB1,756.6 million for the six months ended 30 June 2019 to RMB205.2 million for the Period.



MANAGEMENT DISCUSSION AND ANALYSIS

Sales of ancillary travel-related products and services

The Group also offered other ancillary travel-related products and services to the customers. The sales of ancillary travel-related products and services decreased by RMB3.8 million or 88.3% from RMB4.3 million for the six months ended 30 June 2019 to RMB0.5 million for the Period as a result of the suspension of business due to the outbreak of COVID-19.

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 decreased by RMB169.0 million or 68.6% from RMB246.3 million for the six months ended 30 June 2019 to RMB77.3 million for the Period. Such decrease was in line with the decrease in the Group's total revenue.

Gross profit and gross profit margin

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

	Six months ended 30 June			
	2020		2019	
	Gross profit (Unaudited) RMB'000	Gross profit margin %	Gross profit (Unaudited) RMB'000	Gross profit margin %
Sales of air tickets and hotel accommodations	8,076	18.7	–	–
Package tours				
— Traditional	3,401	10.1	24,923	12.2
— Tailor-made	467	5.3	7,830	11.6
	3,868	9.1	32,753	12.0
FIT Products	16,276	82.6	20,349	77.5
Ancillary travel-related products and services	486	94.6	3,151	73.8
Total	28,706	27.1	56,253	18.6

The Group recorded gross profit of RMB56.3 million and RMB28.7 million, representing gross profit margin of 18.6% and 27.1% for the six months ended 30 June 2019 and 2020, respectively. The decrease in the overall gross profit was in line with the decrease in revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance costs

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

Income tax credit/(expense)

Income tax expenses amounted to RMB5.3 million for the six months ended 30 June 2019, and income tax credit amounted to RMB4.6 million for the Period. The income tax credit for the Period was mainly due to the recognition of deferred tax assets in relation to the tax loss.

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

As a result of the foregoing, profit for the period attributable to the owners of the Company was RMB1.2 million for the six months ended 30 June 2019 and the loss for the period attributable to the owners of the Company was RMB17.0 million for the Period.

LIQUIDITY AND FINANCIAL REVIEW

As at 30 June 2020, the Group's current assets and current liabilities were RMB426.2 million and RMB353.3 million (as at 31 December 2019: RMB461.8 million and RMB310.6 million), respectively, of which the Group maintained cash and bank balances of RMB63.1 million (as at 31 December 2019: RMB101.3 million) and pledged short-term deposits of RMB7.9 million (as at 31 December 2019: RMB14.6 million). The Group's outstanding borrowings as at 30 June 2020 represented interest-bearing bank borrowings of RMB211.5 million (as at 31 December 2019: RMB189.7 million). Accordingly, the Group's gearing ratio as at 30 June 2020, which was calculated on the basis of outstanding borrowings as a percentage of equity attributable to equity holders of the Company, was 118.7% (as at 31 December 2019: 97.3%). The increase in gearing ratio was mainly attributable to the loss for the Period.

The average turnover days of trade receivables were 73.7 days and 210.6 days for the six months ended 30 June 2019 and 2020, respectively. The increase in average turnover days of trade receivables during the Period was mainly due to the temporary suspensions of certain of our customers' business operations in relation to the COVID-19 outbreak and the delay in settlement of the receivable balance.

As at 30 June 2020, the Company had 500,000,000 Shares in issue. The Group adopts conservative treasury policies in cash and financial management. Cash is generally placed in current deposits mostly denominated in RMB and Hong Kong dollars. The Group's liquidity and financing requirements are reviewed regularly.



MANAGEMENT DISCUSSION AND ANALYSIS

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

CAPITAL STRUCTURE

The Shares have been listed on the Main Board of the Stock Exchange since 28 June 2019. There is no material change in the capital structure of the Company during the Period. The capital of the Company comprises only ordinary shares.

FOREIGN EXCHANGE RISK MANAGEMENT

Most of the Group's sales, procurements and operating costs are denominated in RMB, except for certain air tickets from international airline operators which were mainly denominated and settled in Hong Kong dollars and such foreign currency transactions and exposure were not material to our total cost of air tickets as a whole. During the Period, the Group had not entered into any hedging transactions to reduce the exposure to foreign exchange risk, which the Directors consider not material to our Group's financial performance. However, the Group will continue to closely monitor all possible exchange risk arising from the Group's existing operations and new investments in the future and will implement the necessary hedging arrangement(s) to mitigate any significant foreign exchange exposure.

CHARGE ON ASSETS

As at 30 June 2020 and 31 December 2019, the Group's bank loan facilities were 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 as at 30 June 2020 and 31 December 2019; and
- (ii) the pledge of certain of the Group's trade receivables amounting to nil and RMB15.3 million as at 30 June 2020 and 31 December 2019, respectively.



MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

As at 30 June 2020 and 31 December 2019, the Group did not have any significant contingent liabilities.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2020, the total number of employees of the Group was 401 (31 December 2019: 539). Staff costs (including Directors' emoluments) amounted to RMB15.4 million for the Period (six months ended 30 June 2019: RMB24.7 million). Remuneration of the employees includes salary and discretionary bonuses based on the Group's results and individual performance. Retirement benefits schemes and inhouse training programmes are made available to all levels of personnel.



OTHER INFORMATION

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

Name of Director	Name of associated corporation	Nature of interest and capacity	Number of shares held/ interested	Approximate percentage of shareholding/ equity interest
Mr. He (Notes 1 and 2)	Zhejiang Feiyang International Travel Group Co., Ltd.* (浙江飛揚國際旅遊集團股份有限公司) (“Feiyang International”)	Beneficial owner; interest in controlled corporation; interest held jointly with another person	44,440,000	95.2830%
	Zhejiang Feiyang Lianchuang Travel Co., Ltd.* (浙江飛揚聯創旅遊有限公司) (“Feiyang Lianchuang”)	Interest in controlled corporation; interest held jointly with another person	– (Note 2)	95.2830%
	Ningbo Qihang Airplane Ticketing Co., Ltd.* (寧波啟航航空票務有限公司) (“Ningbo Qihang”)	Interest in controlled corporation; interest held jointly with another person	– (Note 2)	95.2830%
	Zhejiang Feiyang Commercial Management Co., Ltd.* (浙江飛揚商務管理有限公司) (“Feiyang Commercial”)	Interest in controlled corporation; interest held jointly with another person	– (Note 2)	95.2830%
	Mr. Li (Notes 2 and 3)	Feiyang International	Beneficial owner	880,000
Feiyang Lianchuang		Interest in controlled corporation	– (Note 2)	1.8868%
Ningbo Qihang		Interest in controlled corporation	– (Note 2)	1.8868%
Feiyang Commercial		Interest in controlled corporation	– (Note 2)	1.8868%
Mr. Wu (Notes 2 and 4)		Feiyang International	Beneficial owner	440,000
	Feiyang Lianchuang	Interest in controlled corporation	– (Note 2)	0.9434%



OTHER INFORMATION

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

Notes:

- (1) Feiyang International is directly owned as to 17.9245% by Mr. He, 1.8868% by Ms. Qian and 75.4717% by Feiyang Management, which is in turn held as to 91.7328% by Mr. He and 8.2672% by Ms. Qian. Mr. He and Ms. Qian are parties acting in concert.
- (2) Each of Feiyang Lianchuang, Feiyang Commercial and Ningbo Qihang is a limited liability company established in the PRC and a wholly-owned subsidiary of Feiyang International.
- (3) Feiyang International is directly owned as to 1.8868% by Mr. Li.
- (4) Feiyang International is directly owned as to 0.9434% by Mr. Wu.
- (5) Feiyang International is directly owned as to 0.9434% by Mr. Chen.

Save as disclosed above, as at 30 June 2020, 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.



OTHER INFORMATION

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" below, at no time during the Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

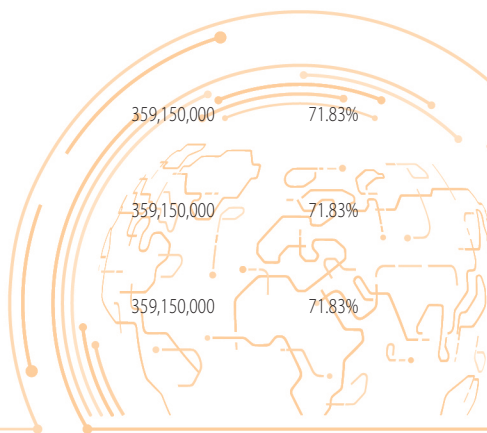
SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as is known to the Directors and the chief executive of the Company, as at 30 June 2020, 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, or as otherwise recorded in the register required to be kept under section 336 of the SFO:

Long Positions in ordinary shares of the Company:

Long Position in the Shares

Name of Substantial Shareholder	Nature of interest and capacity	Number of Shares held/interested	Approximate percentage of shareholding
Mr. He (Notes 1 and 2)	Beneficial owner, interest in controlled corporation and interest held jointly with another person	359,150,000	71.83%
Ms. Qian (Note 2)	Interest in controlled corporation; interest held jointly with another person	359,150,000	71.83%
HHR Group (Note 1)	Beneficial owner, interest held jointly with another person	359,150,000	71.83%
Michael Group (Notes 1 and 2)	Beneficial owner, interest held jointly with another person	359,150,000	71.83%



OTHER INFORMATION

Name of Substantial Shareholder	Nature of interest and capacity	Number of Shares held/interested	Approximate percentage of shareholding
KVN Holdings (Note 1)	Beneficial owner, interest held jointly with another person	359,150,000	71.83%
DY Holdings (Note 1)	Beneficial owner, interest held jointly with another person	359,150,000	71.83%
QJ Holdings Limited ("QJ Holdings") (Note 2)	Beneficial owner, interest held jointly with another person	359,150,000	71.83%

Notes:

- Mr. He (i) directly owns 8,988,000 Shares or approximately 1.7976% of the issued share capital of the Company; (ii) 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 (iii) is deemed to own 29,864,000 Shares or approximately 5.9728% of the issued share capital of the Company in which Mr. He and Ms. Qian are parties acting in concert.
- Ms. Qian (i) directly owns 100% of QJ Holdings, which holds 29,864,000 Shares or approximately 5.9728% of the issued share capital of the Company; and (ii) is deemed to own 320,298,000 Shares or approximately 64.0596% of the issued share capital of the Company in which Ms. Qian and Mr. He are parties acting in concert.

As at 30 June 2020, so far as is known to the Directors, other than the Company, no other persons were interested in 10% or more of any class of share capital carrying rights to vote in all circumstances at general meetings of any of the subsidiaries.

Save as disclosed above, as at 30 June 2020, 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.



OTHER INFORMATION

SHARE OPTION SCHEME

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors are set out in the section headed “Directors and Senior Management Profile” in the annual report of the Company for the year ended 31 December 2019. The Directors confirm that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

AUDIT COMMITTEE

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

The Audit Committee has reviewed and discussed with the management the accounting principles and practices adopted by the Group and auditing, internal controls and financial reporting matters, and the Company’s policies and practices on corporate governance. The Audit Committee has also reviewed and discussed with the management this report and the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2020.



OTHER INFORMATION

INTERIM DIVIDEND

The Board did not declare the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

USE OF PROCEEDS

The planned use of proceeds as stated in the Prospectus, the unutilised amount as at 31 December 2019, the actual use of proceeds for the Period, the unutilised amount as at 30 June 2020 and the expected timeline for utilising the unutilised proceeds 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	Unutilised amount as at 31 December 2019 HKD'000	Actual use of proceeds for the Period HKD'000	Unutilised amount as at 30 June 2020 HKD'000	Expected timeline for utilising the unutilised proceeds
Set up new retail branches and points of sales and refurbish existing retail branches	16,380	20%	16,380	414	15,966	By 31 December 2021
Increase deposits and prepayments to air ticket suppliers	28,665	35%	-	-	-	Fully utilised
Upgrade the information technology system	8,190	10%	8,190	863	7,327	By 31 December 2021
Increase marketing effort in traditional media	8,190	10%	8,190	1,676	6,514	By 31 December 2021
Repay part of the bank borrowings	12,285	15%	-	-	-	Fully utilised
Use as general working capital	8,190	10%	-	-	-	Fully utilised
	81,900	100%	32,760	2,953	29,807	

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. The Company does not anticipate any change to its plan on the use of proceeds as stated in the Prospectus. However, the Board expects that the timeline of use of proceeds for the year ending 31 December 2020 will be delayed due to the outbreak of COVID-19. The unutilised proceeds have been deposited in licensed banks in Hong Kong and the PRC as at 30 June 2020.

OTHER INFORMATION

COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS

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

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

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

Efforts and Actions Undertaken to Comply with the Qualification Requirements

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

- (i) Feiyang HK Group Limited (“**Feiyang HK**”) was incorporated in Hong Kong in November 2018 for the purposes of establishing and expanding the Group’s operations in Hong Kong;
- (ii) the Group has applied for the registration of a number of trademarks in Hong Kong and have successfully registered a number of them;
- (iii) Feiyang HK has applied for a number of domain names and intends 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.



OTHER INFORMATION

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

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

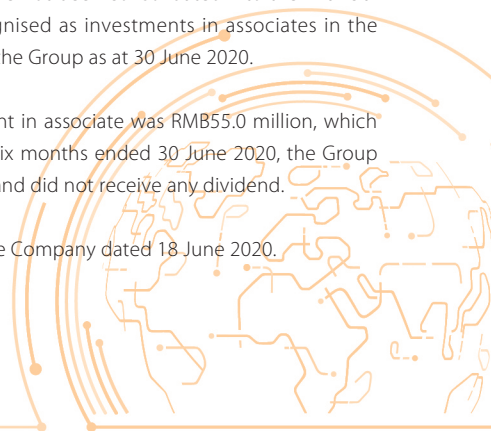
On 18 June 2020, Ningbo Feiyang Lianchuang Cultural Tourism Development Co., Ltd* 寧波飛揚聯創文旅發展有限公司 ("**Ningbo Feiyang Lianchuang**"), an indirect wholly-owned subsidiary of the Company, and the JV Partners entered into an investment cooperation agreement dated 18 June 2020 in relation to the formation of the JV Company. The JV Company is principally engaged in the management and development of tourist attractions in the PRC.

The Company has been looking for suitable investment or business opportunities to diversify the business of the Group with an objective to broaden its income sources and eventually to maximise the return to the Shareholders. The Board believes that due to the travel restrictions imposed as a result of the COVID-19, there will be an increasing demand for local tourist attractions and considers that the JV Company can leverage on the experience of the Group and the JV Partners to cater for the demand for the management and development of tourist attractions in the PRC. Moreover, the Board is of the view that the establishment of the JV Company will provide more business opportunities to the Group by enhancing its sales network and customer base in the PRC.

Ningbo Feiyang Lianchuang made capital contribution of RMB57.0 million, representing 19% of the registered capital of the JV Company. Accordingly, the JV Company is owned as to 19% by Ningbo Feiyang Lianchuang and 81% by the JV Partners. As the JV Company is not a subsidiary of the Company, the financial statements of the JV Company have not been consolidated into the financial statements of the Group, and the investment was recognised as investments in associates in the unaudited consolidated statement of financial position of the Group as at 30 June 2020.

As at 30 June 2020, the carrying amount of our investment in associate was RMB55.0 million, which represented 9.9% of the Group's total assets. During the six months ended 30 June 2020, the Group did not recognise any realised and unrealised gain or loss and did not receive any dividend.

For further details, please refer to the announcement of the Company dated 18 June 2020.



OTHER INFORMATION

Save as disclosed above, there were no other significant investments, material acquisitions and disposals by the Company during the Period.

SUBSEQUENT EVENT

Save as disclosed in this report, the Group had no significant events occurred subsequent to the end of the Period.

FORWARD LOOKING STATEMENTS

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

APPRECIATION

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

By Order of the Board

Feiyang International Holdings Group Limited
He Binfeng

Chairman, executive Director and chief executive officer

Ningbo, the PRC, 25 August 2020

* *For identification purpose only and should not be regarded as the official English translation of the Chinese names. In the event of any inconsistency, the Chinese name prevails.*

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