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
2023

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS	*Executive Directors* Mr. He Binfeng *(Chairman and Chief Executive Officer)* Mr. Xiong Di Mr. Huang Yu Mr. Wu Bin Ms. Chen Huiling *Non-executive Director* Mr. Shen Yang *Independent Non-executive Directors* Mr. Li Huamin Mr. Yi Ling Ms. Zhao Caihong
AUDIT COMMITTEE	Ms. Zhao Caihong *(Chairlady)* Mr. Li Huamin Mr. Yi Ling
REMUNERATION COMMITTEE	Mr. Li Huamin *(Chairman)* Mr. He Binfeng Ms. Zhao Caihong
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	4/F Wah Yuen Building 149 Queen's Road Central Hong Kong
INDEPENDENT AUDITOR	CCTH CPA Limited *Certified Public Accountants* *Registered Public Interest Entity Auditor*
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 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong
WEBSITE	http://www.iflying.com
STOCK CODE	1901

FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue	**478,560**	6,966
Gross profit	**30,766**	2,719
Profit/(loss) for the Period	**15,899**	(20,031)

- Revenue significantly increased by RMB471.6 million or 6,769.9% for the Period mainly due to (i) increase in sales of the Group's travel related products and services with the recovery of the tourism industry in the PRC; and (ii) the recognition of the Group's majority of sales of FIT Products on a gross basis during the Period (as compared with a net basis in the Previous Period) as the Group changed its role in providing goods and rendering services from an agent to a principal and obtained control over the goods and services to be provided by airline/hotel operators and travel agencies during the Period.

- Gross profit increased by RMB28.0 million or 1,031.5% for the Period as a result of the increase in revenue.

- Net profit of RMB15.9 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**") announces the unaudited consolidated interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2023 (the "**Period**"), together with the comparative figures for the corresponding period of 2022, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Notes	**Six months ended 30 June** **2023** **RMB'000** **(Unaudited)**	2022 RMB'000 (Unaudited)
REVENUE	*5*	**478,560**	6,966
Cost of sales		**(447,794)**	(4,247)
Gross profit		**30,766**	2,719
Other income and gains	*5*	**19,655**	978
Selling and distribution expenses		**(7,403)**	(4,389)
Administrative expenses		**(19,375)**	(10,988)
Impairment on financial assets reversed, net		**447**	1,392
Other expenses		**(917)**	(3,576)
Share of losses of associates		**(1,676)**	(504)
Finance costs	*6*	**(5,575)**	(5,663)
PROFIT/(LOSS) BEFORE INCOME TAX	*7*	**15,922**	(20,031)
Income tax expenses	*8*	**(23)**	–
PROFIT/(LOSS) FOR THE PERIOD		**15,899**	(20,031)
OTHER COMPREHENSIVE (LOSS)/INCOME			
Item that will not be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements		**(12,820)**	4,733
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD		**(12,820)**	4,733
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		**3,079**	(15,298)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO:		
Owners of the Company	**11,219**	(19,527)
Non-controlling interests	**4,680**	(504)
	15,899	(20,031)
TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO:		
Owners of the Company	**(1,745)**	(14,965)
Non-controlling interests	**4,824**	(333)
	3,079	(15,298)

		Six months ended 30 June	
		2023	2022
	Note	**RMB cent**	RMB cent
		(Unaudited)	(Unaudited)
			(Restated)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	*9*		
Basic		**1.40**	(2.71)
Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Notes	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*11*	**38,741**	44,159
Investment properties		**6,467**	6,467
Right-of-use assets		**11,999**	14,205
Intangible asset		**4**	8
Prepayment for acquisition of property, plant and equipment		**17,130**	16,954
Investments in associates		**58,274**	55,858
Deposits		**1,465**	1,898
Deferred tax assets		**361**	361
		134,441	139,910
CURRENT ASSETS			
Inventories		**6,453**	4,817
Trade receivables	*12*	**101,140**	18,430
Prepayments, deposits and other receivables		**175,495**	149,688
Amount due from related parties	*18(b)*	**8,038**	1,289
Financial assets at fair value through profit or loss		**7,758**	11,132
Pledged deposits		**6,146**	9,346
Cash and cash equivalents		**18,109**	43,795
		323,139	238,497
CURRENT LIABILITIES			
Trade payables	*13*	**61,165**	17,412
Advance from customers, other payables and accruals		**83,440**	54,059
Interest-bearing bank and other borrowings	*14*	**203,827**	198,655
Lease liabilities		**4,723**	6,703
Tax payables		**5,007**	4,422
		358,162	281,251
NET CURRENT LIABILITIES		**(35,023)**	(42,754)
TOTAL ASSETS LESS CURRENT LIABILITIES		**99,418**	97,156
NON-CURRENT LIABILITIES			
Lease liabilities		**7,896**	8,946
		7,896	8,946
Net assets		**91,522**	88,210
EQUITY			
Share capital	*15*	**6,850**	6,850
Reserves		**75,578**	77,323
Equity attributable to owners of the Company		**82,428**	84,173
Non-controlling interests		**9,094**	4,037
Total equity		**91,522**	88,210

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium* RMB'000	Capital reserves* RMB'000	Statutory surplus reserves* RMB'000	Accumulated losses* RMB'000	Share award reserves* RMB'000	Special reserves* RMB'000	Foreign currency translation reserves* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2022 (Audited)	5,216	152,318	47,355	8,517	(195,687)	8,001	(255)	(1,306)	24,159	–	24,159
Loss for the period	–	–	–	–	(19,527)	–	–	–	(19,527)	(504)	(20,031)
Other comprehensive income for the period:											
Exchange differences on translation of financial statements	–	–	–	–	–	–	–	4,562	4,562	171	4,733
Total comprehensive income/(loss) for the period	–	–	–	–	(19,527)	–	–	4,562	(14,965)	(333)	(15,298)
Capital contribution by non-controlling shareholders	–	–	–	–	–	–	–	–	–	4,865	4,865
Issuance of shares upon Rights Issue	1,634	77,642	–	–	–	–	–	–	79,276	–	79,276
At 30 June 2022 (Unaudited)	6,850	229,960	47,355	8,517	(215,214)	8,001	(255)	3,256	88,470	4,532	93,002

	Attributable to owners of the Company										
	Share capital RMB'000	**Share premium* RMB'000**	**Capital reserves* RMB'000**	**Statutory surplus reserves* RMB'000**	**Accumulated losses* RMB'000**	**Share award reserves* RMB'000**	**Special reserves* RMB'000**	**Foreign currency translation reserves* RMB'000**	**Total RMB'000**	**Non-controlling interests RMB'000**	**Total equity RMB'000**
At 1 January 2023 (Audited)	**6,850**	**229,960**	**47,355**	**8,517**	**(235,190)**	**8,001**	**(255)**	**18,935**	**84,173**	**4,037**	**88,210**
Profit for the period	**-**	**-**	**-**	**-**	**11,219**	**-**	**-**	**-**	**11,219**	**4,680**	**15,899**
Other comprehensive (loss)/income for the period:											
Exchange differences on translation of financial statements	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(12,964)**	**(12,964)**	**144**	**(12,820)**
Total comprehensive income/(loss) for the period	**-**	**-**	**-**	**-**	**11,219**	**-**	**-**	**(12,964)**	**(1,745)**	**4,824**	**3,079**
Capital contribution by non-controlling shareholders	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**233**	**233**
At 30 June 2023 (Unaudited)	**6,850**	**229,960**	**47,355**	**8,517**	**(223,971)**	**8,001**	**(255)**	**5,971**	**82,428**	**9,094**	**91,522**

* These reserve accounts comprise the consolidated reserves of RMB75,578,000 (31 December 2022: RMB77,323,000) in the condensed consolidated statements of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	For the six months ended 30 June 2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
NET CASH FLOWS USED IN OPERATING ACTIVITIES	**(52,122)**	(42,782)
NET CASH FLOWS GENERATED FROM/(USED IN) INVESTING ACTIVITIES	**2,960**	(36,221)
NET CASH FLOWS GENERATED FROM FINANCING ACTIVITIES	**23,294**	82,142
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(25,868)**	3,139
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**43,795**	43,092
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET	**182**	3,375
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**18,109**	49,606
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**18,109**	49,606

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 sale of outbound travel package tours; (ii) the design, development and sale of free independent traveller ("**FIT**") products; (iii) the provision of other ancillary travel-related products and services; (iv) the provision of health products; and (v) the provision of information system development products and services. In the opinion of the Directors, the ultimate controlling shareholders of the Group are Mr. He Binfeng and Ms. Qian Jie, the spouse of Mr. He (collectively, the "**Controlling Shareholders**").

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

2. BASIS OF PREPARATION AND PRESENTATION

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). These interim financial statements have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss and investment properties which have been measured at fair value. These 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 2022. The accounting policies adopted in the preparation of these unaudited condensed consolidated interim financial statements are followed in the preparation of the Group's annual financial statements for the year ended 31 December 2022, except for the accounting policy changes that are expected to be reflected in the Group's annual financial statements for the year ended 31 December 2022. Details of any changes in accounting policy changes and disclosures are set out in Note 3.

2. BASIS OF PREPARATION AND PRESENTATION (Continued)

Going concern basis

Notwithstanding that the Group's net current liabilities amounted to approximately RMB35,023,000 as at 30 June 2023, the directors of the Company considered it appropriate for the preparation of the consolidated financial statements on a going concern basis for at least twelve months after the end of the reporting period after taking into account the following circumstances and measures:

(i) The Group has been actively negotiating with banks in renewing its short-term borrowings upon their maturities and there is no indication that the banks will not renew the existing borrowings if the Group applies for the renewal;

(ii) The Group is implementing various measures, such as optimising its overall sales network and undergoing effective cost control to improve the profit margin and operating cash flows of its business; and

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

The directors of the Company are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due for at least twelve months after 30 June 2023. Accordingly, the consolidated financial statements have been prepared on a going concern basis. Should the Group be unable to operate as a going concern, adjustments would have to be made to reduce the carrying amounts of the Group's assets to their net realisable amounts, to provide for further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the condensed consolidated financial statements.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the unaudited condensed interim consolidated financial statements are consistent with those applied in the preparation of the Group's annual financial statements for the year ended 31 December 2022, 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.

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform — Pillar Two Model Rules

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies (Continued)

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

Amendments to HKAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty — that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

4. OPERATING SEGMENT INFORMATION

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

Geographical information

The Group's operations are located in the Mainland China and Hong Kong.

Revenue from external customers are allocated based on the geographical areas in which the customers are located.

An analysis of the Group's revenue from external customers and non-current assets (excluding deferred tax assets and financial assets) by geographical location are as follows:

	Revenue from external customers Six months ended 30 June 2023 RMB'000 (Unaudited)	Revenue from external customers Six months ended 30 June 2022 RMB'000 (Unaudited)	**Non-current assets As at 30 June 2023 RMB'000 (Unaudited)**	Non-current assets As at 31 December 2022 RMB'000 (Audited)
Mainland China	**464,529**	6,966	**74,253**	81,421
Hong Kong	**14,031**	–	**58,362**	56,230
	478,560	6,966	**132,615**	137,651

Information about a major customer

No revenue from the Group's sales to a single customer amounted to 10% or more of the Group's revenue for the six months ended 30 June 2023 and 30 June 2022.

5. REVENUE, OTHER INCOME AND GAINS

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

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers *(Note (a))*	**478,560**	6,966

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Other income		
Bank interest income	**139**	103
Government grants	**–**	148
Compensation income *(note)*	**14,024**	–
Rental income on properties	**194**	194
Sundry income	**1,372**	533
	15,729	978
Gains		
Fair value gains on disposal of listed equity securities	**3,926**	–
Total other income and gains	**19,655**	978

note:

On 10 October 2022, Ningbo Zhenhang Business Service Co., Ltd., Zhejiang Feijiada Aviation Service Co., Ltd. ("**Zhejiang Feijiada**") and Hainan Zhenlv International Travel Agency Co., Ltd. ("**Hainan Zhenlv**") agreed to guarantee to Zhejiang Feiyang International Travel Group Co., Ltd. that during the guarantee period, the net profit of Zhejiang Feijiada and Hainan Zhenlv shall not be less than RMB50,400,000 for each year and RMB4,200,000 for each month. Since Zhejiang Feijiada and Hainan Zhenlv could not fulfill the net profit requirement, compensation income amounted to RMB14,024,000 was recognised for the Period, which was calculated by summing up the difference between the monthly net profit requirement and the actual net profit of Zhejiang Feijiada and Hainan Zhenlv, multiplied by the percentage of the Group's shareholding in Zhejiang Feijiada (i.e. 60%).

5. REVENUE, OTHER INCOME AND GAINS (Continued)

Note:

(a) Disaggregation of revenue from contracts with external customers

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Type of products and service		
Sales of package tours		
— Domestic	**64,823**	2,521
Gross revenue from the sales of FIT products	**396,157**	–
Margin income from sales of FIT Products	**42**	622
Sales of digital assets products	**–**	2,672
Sales of ancillary travel related products and services	**413**	251
Information system development services	**3,876**	900
Sales of wines	**2,791**	–
Sales of health products	**4,728**	–
Sales of information technology products	**5,730**	–
	413,737	4,445
Total	**478,560**	6,966

6. FINANCE COSTS

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank loans and other loan	**5,224**	5,180
Interest on lease liabilities	**351**	483
	5,575	5,663

7. PROFIT/(LOSS) BEFORE INCOME TAX

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of services provided	**437,724**	3,565
Cost of inventories sold	**10,070**	682
Depreciation of property, plant and equipment	**4,008**	2,395
Depreciation of right-of-use assets	**2,523**	2,124
Amortisation of intangible asset	**4**	5
(Reversal)/impairment of trade and notes receivables, net	**(448)**	3,349
Reversal of financial assets included in prepayments, deposits and other receivables	**–**	(4,741)
Staff cost	**11,455**	6,905

8. INCOME TAX EXPENSES

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

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

Pursuant to the relevant tax law of the Hong Kong Special Administrative Region, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the Period. No provision for income tax has been made as the Group did not generate any assessable profits in Hong Kong during the Period (30 June 2022: Nil).

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

8. INCOME TAX EXPENSES (Continued)

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Provided for the Period		
— Hong Kong	**–**	–
— Mainland China	**23**	–
Deferred tax charged	**–**	–
	23	–

9. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

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

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
		(Restated)
Earnings/(Loss) for the purpose of basic earnings/(loss) per share		
Earnings/(Loss) for the period attributable to owners of the Company (in RMB'000)	**11,219**	(19,527)
Number of shares for the purpose of basic earnings/(loss) per share		
Weighted average number of ordinary shares in issue during the period ('000) (Note)	**800,000**	719,773
Basic earnings/(loss) per share (RMB cent)	**1.40**	(2.71)

9. EARNINGS/(LOSS) PER SHARE (Continued)

(b) Diluted earnings/(loss) per share

No diluted earnings/(loss) per share for both of the six months ended 30 June 2023 and 2022 is presented as there were no potential ordinary shares in issue for both of the periods.

10. INTERIM DIVIDENDS

The Board did not recommend payment of an interim dividend in respect of the six months ended 30 June 2023 (30 June 2022: Nil).

11. PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group acquired and disposed property, plant and equipment of approximately RMB3,780,000 and RMB27,000, respectively (six months ended 30 June 2022: RMB27,354,000 and nil).

12. TRADE RECEIVABLES

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Trade receivables, gross amount	**163,069**	80,807
Less: Impairment losses recognised	**(61,929)**	(62,377)
	101,140	18,430

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.

12. TRADE RECEIVABLES (Continued)

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

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
1 to 60 days	**80,070**	16,908
61 to 180 days	**6,527**	1,202
181 to 360 days	**11,877**	348
1 to 2 years	**659**	3,058
Over 2 years	**63,936**	59,291
	163,039	80,807

13. 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 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
1 to 60 days	**42,348**	11,497
61 to 180 days	**15,167**	2,152
181 to 360 days	**1,736**	714
Over 1 year	**1,914**	3,049
	61,165	17,412

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

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate (%)	Maturity	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Current				
Bank loans — secured	4.1667–5.655	2023–2024/ on demand	**203,827**	196,373
Bank loan — unsecured	4.80	2023	**–**	1,800
Loan from a financial institution — secured (note (d))	19.25	on demand	**–**	482
			203,827	198,655

Notes:

(a) The Group's bank loans are secured by the mortgages over the Group's investment properties situated in Mainland China, which had an aggregate net carrying value of RMB6,467,000 and RMB6,467,000 as at 31 December 2022 and 30 June 2023, respectively.

(b) During the Period, the Controlling Shareholders have jointly guaranteed certain of the Group's banking facilities of up to RMB366,800,000 (31 December 2022: RMB240,500,000).

(c) Mr. Zhang Dayi, a director of several PRC subsidiaries of the Company, and Ms. Zhang Xiaoshan, the spouse of Mr. Zhang Dayi, had jointly guaranteed certain of the Group's banking facilities of up to RMB46,000,000 as at 30 June 2023 (31 December 2022: RMB46,000,000).

(d) All loans are denominated in RMB except loan from a financial institution denominated in Hong Kong dollars.

15. SHARE CAPITAL

Shares

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Issued and fully paid:		
800,000,000 (As at 31 December 2022: 800,000,000) ordinary shares of HK$0.01 each	**6,850**	6,850

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The Group invests in listed equity investments which are based on quoted market prices.

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments:

As at 30 June 2023 (Unaudited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	**7,758**	**–**	**–**	**7,758**

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

As at 31 December 2022 (Audited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	11,132	–	–	11,132

The Group did not have any financial liabilities measured at fair value as at 30 June 2023 (31 December 2022: Nil).

During the Period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2022: Nil).

17. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Contracted, but not provided for:		
— Machinery	**369**	–

18. RELATED PARTY TRANSACTIONS

The Group's principal related parties are as follows:

Name	Relationship with the Company
Ningbo Haishu Feiyang Investment Management Partnership (Limited Partnership) ("**Haishu Feiyang**")	An entity controlled by the Controlling Shareholders
Ningbo Feiyang Commercial Operation Management Co., Ltd. ("**Feiyang Commercial Operation**")	An entity controlled by the Controlling Shareholders

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) The Group had the following transactions with related parties during the period:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loans to related parties:		
Haishu Feiyang	**7,500**	710
Feiyang Commercial Operation	**50**	150
Ningbo Feiyang Biotechnology Co., Ltd.* (寧波飛揚生物科技有限公司) ("**Feiyang Biotechnology**")	**20**	20

18. RELATED PARTY TRANSACTIONS (Continued)

(b) Outstanding balances with related parties:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Amount due from related parties:		
Haishu Feiyang	**7,542**	805
Feiyang Commercial	**100**	100
Carnary Investment	**39**	38
HHR Group	**39**	38
Michael Group	**39**	38
KVN Holdings	**39**	38
DY Holdings	**39**	38
QJ Holdings	**39**	38
LD Group	**39**	38
WB Holdings	**39**	38
QZ Holdings	**39**	38
CXD Holdings	**45**	42
	8,038	1,289
Amount due to a related party:		
Feiyang Commercial Operation	**100**	100

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

18. RELATED PARTY TRANSACTIONS (Continued)

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Salaries, allowances and benefits in kind	**419**	723
Pension scheme contributions	**8**	39
Total compensation paid to key management personnel	**427**	762

19. EVENT AFTER THE REPORTING PERIOD

Pursuant to the general mandate granted to the Directors by the shareholders of the Company at the annual general meeting of the Company held on 22 June 2022, an aggregate of 32,000,000 shares were placed to placees at the price of HK$1.25 per share and completion took place on 7 July 2023.

20. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were approved and authorised for issue by the Board on 24 August 2023.

BUSINESS REVIEW

The Group is a well-established travel service provider based in Ningbo, Zhejiang Province of the PRC and offers diversified products that cater for different travellers' needs. The Group is principally engaged in (i) the design, development and sales of package tours which consist of traditional package tours and tailor-made tours; (ii) the sales of free independent traveller products (the "**FIT Products**") which mainly include provision of air tickets and/or hotel accommodation; (iii) the provision of ancillary travel-related products and services, including but not limited to visa application processing, admission tickets to tourist attractions, conferencing services and arranging purchase of travel insurance for the customers; (iv) the provision of information system development services; (v) sales of information technology products; (vi) sales of health products; (vii) sales of wines; and (viii) sales of digital assets products.

After undergoing the epidemic for three years, pent-up travel demand is driving strong tailwinds for domestic travel recovery. China's domestic tourism rebounded above pre-pandemic levels during the five-day May Day break. According to the Ministry of Culture and Tourism, domestic sites received over 2.38 billion visits in the first six months in 2023, a 63.9 percent year-on-year increase, mainly due to the optimisation of COVID-19 control policies.

With the lifting of travel restrictions in late 2022, China has achieved a rebound in economic activity across a variety of sectors, as well as a near complete recovery in domestic tourism. Since January 2023, tourism market has fast growth after the government downgraded its management of COVID-19 from category A to B. Starting from February and March 2023, China partly resumed outbound group tours. Travel agencies and online tourism service providers in China are permitted to provide group tours of 60 countries.

Following these arrangement, the Group's business has a strong bounce back in the first half of 2023. During the Period, the Group's total revenue significantly increased from RMB7.0 million for the six months ended 30 June 2022 (the "**Previous Period**") to RMB478.6 million for the Period which was mainly attributable to (i) increase in sales of the Group's travel related products and services with the recovery of the tourism industry in the PRC; and (ii) the recognition of the Group's majority of sales of FIT Products on a gross basis during the Period (as compared with a net basis in the Previous Period) as the Group changed its role in providing goods and rendering services from an agent to a principal and obtained control over the goods and services to be provided by airline/hotel operators and travel agencies during the Period. The Group recorded a net profit of RMB15.9 million for the Period (Previous Period: loss of RMB20.0 million), which was mainly due to (i) the increase in gross profits from sales of travel related products and services; and (ii) the recognition of compensation income of RMB14.0 million generated from Zhejiang Feijiada as a result of the non-fulfillment of the net profit requirement during the Period.

PROSPECTS

There are signs of strong domestic travel recovery, thanks to surging demand since Covid-related travel restrictions being lifted in late 2022. According to China's Ministry of Culture and Tourism data, the Chinese New Year holidays in 2023 saw 308 million domestic trips, this upswing indicates that domestic travel volume has recovered to 90% of 2019 pre-pandemic figures. A total of 5.5 billion trips are expected within China during 2023, according to the China Tourism Academy. On 10 August 2023, the General Office of the Ministry of Culture and Tourism announced that China has lifted a Covid-era ban on outbound group tours to more countries, including Japan, South Korea and the United States. Travel agencies and online tourism service providers in China can resume offering group tours to a longer list of countries and regions. After the announcement, the Group immediately resumed more travel related products and services.

The World Travel & Tourism Council's 2023 Economic Impact Research (EIR) reveals China's Travel & Tourism sector's GDP contribution is forecast to grow more than 150% this year. The first half of 2023 has been a positive period for the Group, and we have seen a trend of continued improvement in the performance of our travel business and the related products in the second half of 2023. Our confidence in the long-term future of China's tourism remains resolute.

The Group has been taking initiatives to diversify its business with an objective to broaden its income stream and expand into targeting segments. The Group launched its new business in nutraceutical market through sales of health products in 2022 to cater the growing awareness among consumers of the importance of wellbeing and prevention, which has become more established and anticipate a continued solid performance throughout the second half of 2023. The Group will continue to distribute health products, including nicotinamide mononucleotide (NMN) longevity supplements, liver detoxification supplements and other related products, and commence sales of these health products through its online platform and engage external manufacturers to produce health products developed and marketed under the brands of the Group. To complement with the Group's travel business expansion in Hong Kong, the Group also plans to open offline shops in Hong Kong and to create a synergistic effect between travel and shopping by making these shops as shopping stops for tourists in guided tours. The Group plans to offer a diverse range of products for sale in these shops, including local souvenirs, health products and luxury goods. Furthermore, the Group will promote its online platforms to tourists who visit its shops so that they can continue to shop with the Group online after the tours.

To further diversify the income stream, the Group also commenced the provision of information system development services and sales of digital assets products in 2022. The Group plans to continue to strengthen its information system development services by increasing the number of registered users on the Group's platform and to expand its business scope and scale in the area of cultural IP and continue to generate more revenue from selling IP collectibles on the Group's platform.

The Group has been devising and implementing strategies to ride on its existing operations and diversify into the cultural tourism business based on digital information technology, laying a solid foundation for the overall expansion and upgrading of the Group in the future.

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			
	2023		2022	
	Revenue RMB'000 (Unaudited)	**Percentage of revenue %**	Revenue RMB'000 (Unaudited)	Percentage of revenue %
Travel-related products and services				
(i) Sales of package tours	**64,823**	**13.5**	2,521	36.2
(ii) Gross income from sales of FIT Products	**396,157**	**82.8**	–	–
(iii) Margin income from sales of FIT Products	**42**	**–**	622	8.9
(iv) Sales of ancillary travel-related products and services	**413**	**0.1**	251	3.6
	461,435	**96.4**	3,394	48.7
Sales of information technology products	**5,730**	**1.2**	–	–
Sales of health products	**4,728**	**1.0**	–	–
Information system development services	**3,876**	**0.8**	900	12.9
Sales of wines	**2,791**	**0.6**	–	–
Sales of digital assets products	**–**	**–**	2,672	38.4
Total	**478,560**	**100.0**	6,966	100.0

The Group generated revenue from: (i) provision of travel-related products and services, including sales of package tours, gross income from sales of FIT Products, margin income from sales of FIT Products and sales of ancillary travel-related products and services; (ii) sales of information technology products; (iii) sales of health products; (iv) provision of information system development services; (v) sales of wines; and (vi) sales of digital assets products. The Group's customers primarily comprised retail customers, and corporate and institutional customers. The revenue of the Group increased by RMB471.6 million from RMB7.0 million for the Previous Period to RMB478.6 million for the Period, which was mainly attributable to (i) increase in sales of the Group's travel related products and services with the recovery of the tourism industry in the PRC; and (ii) the recognition of the Group's majority of sales of FIT Products on a gross basis during the Period (as compared with a net basis in the Previous Period) as the Group changed its role in providing goods and rendering services from an agent to a principal and obtained control over the goods and services to be provided by airline/hotel operators and travel agencies during the Period.

Travel-related products and services

(i) Sales of package tours

The sales of package tours mainly represented the fees received from customers for the package tours. The Group's package tours can be classified into (i) traditional package tours, which are group tours with standardised itineraries; and (ii) tailor-made tours, which are group tours with non-standardised itineraries and provide freedom for customers to select their preferred mode of transportations, hotels and tourist attractions.

Package tours by type

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

	Six months ended 30 June			
	2023		2022	
	Revenue RMB'000 (Unaudited)	**Percentage of revenue %**	Revenue RMB'000 (Unaudited)	Percentage of revenue %
Traditional package tours	**54,330**	**83.8**	482	19.1
Tailor-made tours	**10,493**	**16.2**	2,039	80.9
Total	**64,823**	**100.0**	2,521	100.0

The sales of traditional package tours and tailor-made tours contributed 83.8% and 16.2% (Previous Period: 19.1% and 80.9%) of the Group's total sales of package tours for the Period, respectively. The Group's sales of package tours increased by RMB62.3 million or 2,471.3% from RMB2.5 million for the Previous Period to RMB64.8 million for the Period, which was mainly due to the relaxation of COVID-19 restrictions on cross-provincial travel and quarantine requirement in late 2022 which lead to increase in demand for package tours during the Period.

(ii) Gross income from sales of FIT Products

Gross income from sales of FIT products of air tickets and hotel accommodations to customers which were recorded on a gross basis as the Group changed its role in providing goods and rendering services from an agent to a principal and obtained control over the goods and services to be provided by airline operators, hotel operators and other travel agencies during the Period. During the Period, the Group's gross income from sales of FIT Products amounted to RMB396.2 million (Previous Period: nil).

(iii) Margin income from sales of FIT Products

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

FIT Products by type

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Margin income from sales of other FIT Products	**42**	472
Margin income from sales of air tickets	**–**	150
Total	**42**	622

The Group's total margin income from sales of FIT Products decreased by RMB0.6 million or 93.2% from RMB0.6 million for the Previous Period to RMB42,000 for the Period.

During the Period, there is no margin income from sales of air tickets (Previous Period: RMB0.2 million) as the Group reduced rendering services as an agent.

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

The Group also offered other ancillary travel-related products and services to the customers. The sales of ancillary travel-related products and services slightly increased by RMB0.1 million from RMB0.3 million for the Previous Period to RMB0.4 million for the Period.

Sales of information technology products

During the Period, the Group generated revenue from the sales of information technology products including computing machines and computer components and storage, such as processors, motherboards, hard drives and server components. The revenue generated from sales of information technology products amounted to RMB5.7 million during the Period (Previous Period: nil).

Sales of health products

In 2022, the Group ventured into new business opportunities into nutraceutical market through sales of health products including NMN longevity supplements, liver detoxification supplements and related products so as to address the increasing attention to health and prevention by the consumers. Revenue generated from sales of health products amounted to RMB4.7 million for the Period (Previous Period: nil).

Information system development services

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

Sales of wines

The Group sold wines together with wine non-fungible token ("**NFT**"). The wine NFT linked to a physical bottle or barrel of wine, which the winemaking information from planting to bottling can be specified on the NFT. Revenue from sales of wines amounted to RMB2.8 million for the Period (Previous Period: nil).

Sales of digital assets products

The Group launched the "Feiyang Metaverse" Digital Cultural and Creative Collectibles Platform in 2022, which focuses on the distribution and sales of cultural and creative collectibles (with blockchain contract uniqueness authentication) through a combination of "digital + physical" models in the PRC. No revenue from sales of cultural and creative collectibles was generated for the Period (Previous Period: RMB2.7 million).

Cost of sales

The Group's cost of sales mainly represented the (i) costs incurred for sales of FIT Products; and (ii) direct costs incurred for the sales of package tours including land and cruise operation, air ticket and local transportation, hotel accommodation and others. Cost of sales significantly increased by RMB443.5 million or 10,443.8% from RMB4.2 million for the Previous Period to RMB447.8 million for the Period. Such increase was due to increase in cost incurred for sales of FIT Products as a result of the recovery of the tourism industry in the PRC since relaxation of COVID-19 restrictions on cross-provincial travel in late 2022, while the Group recognised majority of sales of FIT Products on a gross basis during the Period (as compared with a net basis in the Previous Period), which further contributed to the increase in cost of sales during the Period.

Gross profit and gross profit margin

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

	Six months ended 30 June			
	2023		2022	
	Gross profit RMB'000 (Unaudited)	**Gross profit margin %**	Gross profit RMB'000 (Unaudited)	Gross profit margin %
Travel-related products and services				
(i) Package tours				
— Traditional	**9,410**	**17.3**	76	15.8
— Tailor-made	**1,971**	**18.8**	144	7.1
	11,381	**17.6**	220	8.7
(ii) Gross revenue from sales of FIT Products	**13,294**	**3.4**	–	–
(iii) Margin income from sales of FIT Products	**7**	**16.7**	22	3.5
(iv) Ancillary travel-related products and services	**104**	**25.2**	251	100.0
	24,786	**5.4**	493	14.5
Sales of information technology products	**2,240**	**39.1**	–	–
Sales of health products	**840**	**17.8**	–	–
Information system development services	**2,801**	**72.3**	236	26.2
Sales of wines	**99**	**3.5**	–	–
Sales of digital assets products	**–**	**–**	1,990	74.5
Total	**30,766**	**6.4**	2,719	39.0

The Group recorded gross profit of RMB2.7 million and RMB30.8 million, representing gross profit margin of 39.0% and 6.4% for the Previous Period and the Period, respectively. The increase in the overall gross profit was mainly due to the gross profit contributed by package tours and sales of FIT Products of RMB24.7 million as a result of the lifting of restrictions for outbreak of COVID-19 in late 2022.

The overall gross profit margin decreased from 39.0% for the Previous Period to 6.4% for the Period, which was mainly due to the proportion of travel-related products and services's profit margin increased significantly from 18.1% for the Previous year to 80.6% for the Period which travel-related products and services had relatively lower profit margin compared to other business segments.

The overall gross profit margin of package tours increased by 8.9 percentage points from 8.7% for the Previous Period to 17.6% for the Period was mainly due to increase in sales of package tours for long-haul travel which has higher gross profit margin than short-haul since the optimisation of COVID-19 control policy in late 2022.

Other income and gains

Other income and gains mainly represented compensation income, fair value gains on disposal of listed equity securities and government grants. The amount increased from RMB1.0 million for the Previous Period to RMB19.7 million for the Period was mainly due to (i) recognition of compensation income of RMB14.0 million from Ningbo Zhenhang Business Service Co., Ltd., Zhejiang Feijiada and Hainan Zhenlv as a result of failure to fulfill the net profit requirement during the Period (Previous Period: Nil) ; and (ii) increase in fair value gains on disposal of listed equity securities of RMB3.9 million (Previous Period: Nil). For details of the non-fulfillment of the net profit requirement, please refer to the announcement of the Company dated 22 August 2023.

Selling and distribution expenses

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

The Group's selling and distribution expenses increased by RMB3.0 million or 68.7% from RMB4.4 million for the Previous Period to RMB7.4 million for the Period mainly attributable to the increase in staff costs by RMB3.0 million as a result of the increase in headcount due to the resumption of certain business operations of the Group.

Administrative expenses

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

Administrative expenses increased by RMB8.4 million or 76.3% during the Period was mainly due to (i) increase in depreciation by RMB3.6 million due to addition of property, plant and equipment for the Period; (ii) the increase in staff costs by RMB3.3 million as a result of headcount increment for research and development and administration department due to new businesses launched in late 2022; and (iii) increase in legal and professional fee by RMB1.0 million.

Other expenses

The Group's other expenses decreased by RMB2.7 million from RMB3.6 million for the Previous Period to RMB0.9 million for the Period, which was mainly due to no fair value loss on financial assets at fair value through profit or loss during the Period (Previous Period: RMB3.6 million).

Interest expenses

The Group's interest expenses represented interest expenses on bank and other borrowings and lease liabilities, which slightly decreased by RMB0.1 million from RMB5.7 million for the Previous Period to RMB5.6 million for the Period.

Income tax expense

Income tax expenses amounted to RMB23,000 for the Period (Previous Period: nil).

Profit/(loss) for the Period attributable to the owners of the Company

As a result of the foregoing, the Group recorded profit for the period attributable to the owners of the Company of RMB11.2 million for the Period (Previous Period: loss of RMB19.5 million).

Prepayments, deposits and other receivables

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

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Non-current:		
Rental deposits	**1,465**	1,898
Current:		
Deposit and other receivables, net	**104,381**	78,667
Prepayments	**62,092**	35,235
Refund from suppliers	**8,807**	30,631
Deposit for investment	**–**	5,040
Prepaid expenses	**215**	115
	175,495	149,688
	176,960	151,586

The prepayments, deposits and other receivables increased by RMB25.4 million from RMB151.6 million as at 31 December 2022 to RMB177.0 million as at 30 June 2023 primarily attributable to (i) the increase in prepayment for procurement of air tickets of RMB26.2 million; and (ii) the increase in other receivables of RMB15.0 million from newly acquired subsidiary in late 2022, which partially offset by the decrease in refund from suppliers of RMB21.8 million.

Deposits and other receivables, net

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

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Deposits — procurement of air tickets	**76,468**	69,743
Deposits — others	**230**	229
Other receivables	**27,683**	8,695
	104,381	78,667

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

The increase in deposits and other receivables, net by RMB25.7 million from RMB78.7 million as at 31 December 2022 to RMB104.4 million as at 30 June 2023, primarily due to the increase in deposits for procurement of air tickets of RMB6.7 million and other receivables of RMB15.0 million from newly acquired subsidiary in late 2022.

Prepayments

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

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Travel-related products and services		
— Air tickets	**43,238**	17,082
— Hotel accommodation, meal and tour guide	**3,954**	3,449
— Land and cruise operators	**980**	3,110
Health products and wine	**5,203**	6,368
Research and development expenses	**2,907**	1,608
Rental expenses for equipment	**–**	715
Others	**5,810**	2,903
	62,092	35,235

The Group's prepayments mainly represented prepayments for (i) procurement of air tickets for both of package tours and FIT Products which were required by the Group's air ticket suppliers; (ii) package tours to land operators, cruise holiday packages to cruise operators, hotel reservation, meal and other related expense for package tours and FIT Products that which had not departed as at the end of reporting period and; (iii) procurement for health products and wine.

The increase in prepayments by RMB26.9 million from RMB35.2 million as at 31 December 2022 to RMB62.1 million as at 30 June 2023 was mainly due to (i) increase in procurement of air tickets as a result of the lifting of restrictions for outbreak of COVID-19 and resumption of outbound travelling; and (ii) partial reclassification from refund from suppliers for air tickets.

Refund from suppliers

Refund from suppliers mainly represented prepayments and deposits made which were reclassified to refund from suppliers as such amount would not be used for future procurement from respective air ticket suppliers, land and cruise operators and other suppliers and refundable to the Group.

The Group recorded refund from air ticket suppliers, land and cruise operators and other suppliers of RMB30.6 million and RMB8.8 million as at 31 December 2022 and 30 June 2023, respectively. The decrease was mainly due to the settlement by certain air ticket suppliers during the Period.

Deposit for investment

The deposit for investment of RMB5.0 million as at 31 December 2022 represented the deposit recognised for the acquisition of Zhejiang Feijiada.

Impairment assessment

The Group performed recoverability assessment on prepayment, deposits and other receivables, including but not limited to information about the strength of the suppliers to make the refund or honour the settlement obligations, under the expected credit loss model upon application of HKFRS 9, reversal of impairment loss of RMB0.4 million (Previous Period: impairment loss of RMB3.3 million) was recognised for the Period as there and is decrease in credit risk inherent in the Group's outstanding balance of deposits and other receivables. The Directors will regularly review the recoverability of these deposits and receivables and take follow-up actions as and when appropriate to recover amounts overdue.

Receivables relating to trade and other debtors with known financial difficulties, dispute or significant doubt on collection of receivables are assessed individually for provision for impairment allowance. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

The Group uses a provision matrix to calculate expected credit losses ("**ECL**") for trade receivables. To measure the provision rates, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The Group calibrates the matrix to adjust the current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The ECL of refund from suppliers, deposits and other receivables are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. During the Period, the Group received settlements from certain debtors, which reduced the loss rate due to an increase in the likelihood of receiving payments from the debtors. After consideration of decrease in credit risk inherent in the outstanding balance of deposits and other receivables, a reversal of impairment loss of RMB0.4 million was therefore provided during the Period.

The Directors are of the view that (i) the above method used in determining the amount of the impairments comply with the requirements of Hong Kong Financial Reporting Standards ("**HKFRSs**"); (ii) the basis used reasonably reflected past events, current conditions and forecasts of future economic development; and (iii) the amount of impairments has been fairly estimated with reference to the risks and uncertainties faced by the Group as a result of the COVID-19 pandemic.

In order to recover the impaired balances, the Group has taken relevant measures including commencing litigation against certain debtors and has applied to court for seizure of assets from the debtors for cases where judgment was obtained in favour of the Group.

LIQUIDITY AND FINANCIAL REVIEW

As at 30 June 2023, the Group's current assets and current liabilities were RMB323.1 million and RMB358.2 million (31 December 2022: RMB238.5 million and RMB281.3 million), respectively, of which the Group maintained cash and bank balances of RMB18.1 million (31 December 2022: RMB43.8 million) and pledged short-term deposits of RMB6.1 million (31 December 2022: RMB9.3 million). As at 30 June 2023, the Group's current ratio was 0.9 times (31 December 2022: 0.8 times).

The Group's outstanding borrowings as at 30 June 2023 represented bank and other borrowings of RMB203.8 million (31 December 2022: RMB198.7 million) which bore fixed interest rates and denominated in RMB. As at 30 June 2023, all bank and other borrowings are repayable on demand or within one year. The Group's gearing ratio, which was calculated on the basis of total borrowings as a percentage of equity of the Company, remained relatively stable at 222.7% and 225.2% as at 30 June 2023 and 31 December 2022, respectively.

The average turnover days of trade receivables were 45.6 days and 279.9 days for the Period and the Previous Period, respectively. The decrease in average turnover days of trade receivables during the Period was mainly due to quicker settlement by debtors. The average turnover days of trade payables for the Period decreased to 32.0 days (Previous Period: 401.0 days) as the Group settled the trade payables balance more quickly.

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

During the Period, the Group's primary source of funding included, cash generated from operation, and the credit facilities granted by banks in the PRC. The Directors believe that the Group's current cash and bank balances, together with the unutilised banking facilities available, fund raising activities and the expected cash flow from operations, will be sufficient to satisfy its current operational and working capital requirements.

CAPITAL STRUCTURE

Save for the placing of new shares under general mandate as disclosed in the section headed "Fund Raising Activities" below, there is no material change in the capital structure of the Company during the Period. The capital of the Company comprises only ordinary shares.

FUND RAISING ACTIVITIES

Placing of New Shares under General Mandate

On 7 June 2023, the Company and Silverbricks Securities Company Limited (the "**Placing Agent**") entered into a placing agreement (as supplemented by a supplemental agreement dated 27 June 2023) (the "**Placing Agreement**"), pursuant to which the Company has conditionally agreed to place, through the Placing Agent on a best effort basis, a maximum of 160,000,000 placing shares at the placing price of HK$1.25 per placing share (the "**Placing**") to not less than six placees (the "**Placees**"), who and whose ultimate beneficial owner(s) are independent third parties. The placing shares rank pari passu in all respects among themselves and with the Shares in issue on the date of allotment and issue of the placing shares. The price of HK$1.25 per placing share was determined after arm's length negotiations between the Company and the Placing Agent with reference to the prevailing market price of the Shares on the Stock Exchange. The placing price represents a discount of approximately 9.42% to the closing price of HK$1.38 per Share as quoted on the Stock Exchange on the date of the Placing Agreement. On 7 July 2023, a total of 32,000,000 Shares have been successfully placed by the Placing Agent to not less than six Placees at placing price of HK$1.25 per Share pursuant to the terms and conditions of the Placing Agreement. The gross proceeds from the Placing and net proceeds from the Placing, after deduction of the placing commission and other related expenses, amounted to HK$40 million and approximately HK$38.65 million, respectively, and the net price per Share is approximately HK$1.21.

The Company intended that (i) approximately 54.55% of the net proceeds of the Placing will be used for the operation of the Group's travel and tourism related businesses within 18 months in order to cope with the post-COVID-19 pandemic rebound of travel businesses; (ii) approximately 27.27% of the net proceeds of the Placing will be used for repayment of loans of the Group within six months; and (iii) approximately 18.18% of the net proceeds of the Placing will be used for replenishment of working capital and general business operation within 24 months.

In view of the market conditions, the Directors are of the view that the Placing can enlarge the shareholder base and the capital base of the Company and to raise capital for the Group's repayment of loans, replenishment of working capital and general business operation. The Directors consider that the terms of the Placing Agreement are fair and reasonable and the Placing is in the interests of the Company and the Shareholders as a whole.

The new shares were issued under the general mandate granted to the Directors pursuant to an ordinary resolution of the Company passed at the annual general meeting held on 22 June 2022. For further details, please refer to the announcements of the Company dated 7 June 2023, 14 June 2023, 27 June 2023 and 7 July 2023.

FOREIGN EXCHANGE RISK MANAGEMENT

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

CHARGE ON ASSETS

(a) The Group's bank loans are secured by the mortgages over the Group's investment properties situated in Mainland China, which had an aggregate net carrying value of RMB6.5 million and RMB6.5 million as at 31 December 2022 and 30 June 2023, respectively.

(b) During the Period, the Controlling Shareholders had jointly guaranteed certain of the Group's banking facilities of up to RMB366.8 million (31 December 2022: RMB240.5 million).

(c) Mr. Zhang Dayi, a director of certain subsidiaries in the PRC of the Company, and Ms. Zhang Xiaoshan, the spouse of Mr. Zhang Dayi, had jointly guaranteed certain of the Group's banking facilities of up to RMB46.0 million as at 30 June 2023 (31 December 2022: RMB46.0 million).

CONTINGENT LIABILITIES

As at 30 June 2023 and 31 December 2022, the Group did not have any significant contingent liabilities.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2023, the total number of employees of the Group was 281 (31 December 2022: 189). Staff costs (including Directors' emoluments) amounted to RMB11.5 million for the Period (Previous Period: RMB6.9 million). Remuneration of the employees includes salary and discretionary bonuses based on the Group's results and individual performance. Retirement benefits schemes and inhouse training programmes are made available to all levels of personnel.

INVESTMENT PROPERTIES

The Group's investment properties contain offices in Mainland China and are leased to third parties under operating leases for rental income. As at 30 June 2023 the Group's investment properties amounted to RMB6.5 million (31 December 2022: RMB6.5 million) and were revalued based on valuations performed by an independent professionally qualified valuer.

INVESTMENT IN ASSOCIATES

The Group's investments in associates are primarily represented by its interest in Ningbo Yinjiang Feiyang Cultural Tourism Development Co., Ltd.* (寧波鄞江飛揚文旅開發有限公司) ("**Ningbo Yinjiang**") and Zhejiang Ninglv Feiyang Cultural Tourism Development Co., Ltd.* (浙江寧旅飛揚文旅發展有限公司), which were principally engaged in the management and development of tourist attractions. During the Period, the Group recorded share of losses of associates of RMB1.7 million (Previous Period: RMB0.5 million).

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group held a significant investment, with a value of over 5% of the total assets of the Group as at 30 June 2023, in Ningbo Yinjiang. As at 30 June 2023, the Group held 19% equity interest in Ningbo Yinjiang, with investment cost of RMB57 million. The Group's investment in Ningbo Yinjiang amounted to RMB55.8 million, representing approximately 12.2% of the total assets of the Group as at 30 June 2023. The Board considers that the investment in Ningbo Yinjiang can cater for the demand for the management and development of tourist attractions in the PRC and provide more business opportunities to the Group by enhancing its sales network and customer base in the PRC. No dividend was received by the Group from Ningbo Yinjiang during the Period.

In May 2023, the Company and Radiant Goldstone Holdings Limited ("**Radiant Goldstone**") entered into a non-legally binding memorandum of understanding ("**MOU**") for acquisition of 60% equity interest in Radiant Assets Management International Limited ("**Radiant Assets**") from Radiant Goldstone at a total consideration of not more than HK$90 million. Radiant Assets indirectly holds certain equity interests in (i) Beiwen Times (Beijing) Culture Co., Ltd.* (北文時代(北京)文化有限公司) ("**Beiwen Times**"), a leading pan-cultural IP operator and integrated digital cultural content service provider in China; and (ii) Beijing Five Cats Culture Technology Co., Ltd.* (北京五隻貓文化科技有限公司) ("**Five Cats**"), the first social consumer metaverse in China to open up online and offline channels. Radiant Assets or its designated entity intent to launch a cultural and tourism industry fund and act as its general partner, which will be dedicated to promoting the assets securitisation of Beiwen Times and Five Cats. The MOU commenced on 15 May 2023 and the parties agreed to have an exclusivity period of six months. Up to the date of this report, no formal agreement has been entered into in relation to the acquisition. For further details, please refer to the announcement of the Company dated 15 May 2023.

In August 2023, the Company and SHINTO Holdings, Inc. entered into a cooperation agreement for establishment of a joint venture fund management company in Hong Kong ("**JV Company**"), which proposed to set up and manage a fund for investment in high-end hotel and high-quality homestay assets in Japan and other locations such as the 'PRC and Southeast Asia (the "**Fund**"). It is expected that the Fund intends to operate in the form of limited partnership, with the JV Company as the general partner and other qualified institutions and individual investors as limited partners. The scale of the funds to be raised by the Fund is expected to be no more than HK$1 billion. The actual set-up terms and contribution amounts of the Fund shall be subject to further negotiations. Up to the date of this report, no binding agreement(s) regarding the establishment and the subscription of the Fund has been entered into yet. The JV Company will engage professional managers and team to manage and operate the Fund. For further details, please refer to the announcement of the Company dated 1 August 2023.

Save as disclosed in this report, as at 30 June 2023, the Group did not hold any significant investment that accounted for more than 5% of the Group's total assets as at 30 June 2023, and there were no other significant investments, material acquisitions and disposals by the Company during the Period.

SUBSEQUENT EVENTS

There is no significant event occurred after the end of the Period.

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

As at 30 June 2023, 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 ("**Mr. He**") *(Note 1)*	Beneficial owner, interest in controlled corporation and interest of spouse	328,574,700	41.0718%
Mr. Shen Yang	Beneficial owner	18,422,000	2.3028%
Mr. Wu Bin ("**Mr. Wu**") *(Note 2)*	Interest in controlled corporation	3,468,000	0.4335%

Notes:

(1) Mr. He (i) directly owned 10,056,000 Shares or approximately 1.2570% of the issued share capital of the Company; (ii) directly owned 100% of each of HHR Group, Michael Group, KVN Holdings and DY Holdings, which in aggregate held 288,654,700 Shares or approximately 36.0818% of the issued share capital of the Company; and (iii) was deemed to own 29,864,000 Shares or approximately 3.7330% of the issued share capital of the Company owned by Ms. Qian Jie ("**Ms. Qian**"), spouse of Mr. He.

(2) Mr. Wu directly owned 100% of WB Holdings which held 3,468,000 Shares or approximately 0.4335% of the issued share capital of the Company.

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

Name of Director	Name of associated corporation	Nature of interest and capacity	Number of shares held/ interested	Approximate percentage of shareholding/ equity interest
Mr. He *(Notes 1 and 2)*	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 of spouse	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 of spouse	– *(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 of spouse	– *(Note 2)*	95.2830%
	Zhejiang Feiyang Commercial Management Co., Ltd.* (浙江飛揚商務管理有限公司) ("**Zhejiang Feiyang Commercial**")	Interest in controlled corporation; interest of spouse	– *(Note 2)*	95.2830%
Mr. Wu *(Notes 2 and 3)*	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%
	Zhejiang 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, Zhejiang 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 0.9434% by Mr. Wu.

Save as disclosed above, as at 30 June 2023, 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" 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 2022, 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)*	Beneficial owner, interest in controlled corporation and interest of spouse	328,574,700	41.0718%
Ms. Qian *(Note 2)*	Interest in controlled corporation; interest of spouse	328,574,700	41.0718%
HHR Group *(Note 1)*	Beneficial owner, interest held jointly with another person	328,574,700	41.0718%
Michael Group *(Note 1)*	Beneficial owner, interest held jointly with another person	328,574,700	41.0718%
KVN Holdings *(Note 1)*	Beneficial owner, interest held jointly with another person	328,574,700	41.0718%
DY Holdings *(Note 1)*	Beneficial owner, interest held jointly with another person	328,574,700	41.0718%
QJ Holdings *(Note 2)*	Beneficial owner, interest held jointly with another person	328,574,700	41.0718%

Notes:

(1) Mr. He (i) directly owned 10,056,000 Shares or approximately 1.2570% of the issued share capital of the Company; (ii) directly owned 100% of each of HHR Group, Michael Group, KVN Holdings and DY Holdings, which in aggregate held 288,654,700 Shares or approximately 36.0818% of the issued share capital of the Company; and (iii) was deemed to own 29,864,000 Shares or approximately 3.7330% of the issued share capital of the Company owned by Ms. Qian, spouse of Mr. He.

(2) Ms. Qian (i) directly owned 100% of QJ Holdings, which held 29,864,000 Shares or approximately 3.7330% of the issued share capital of the Company; and (ii) was deemed to own 298,710,700 Shares or approximately 37.3388% of the issued share capital of the Company owned Mr. He, spouse of Ms. Qian.

As at 30 June 2023, 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 2023, 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 details of which are set out in the prospectus of the Company dated 18 June 2019. No share option has been granted under the Share Option Scheme since its adoption.

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. Zhao Caihong (Chairlady), Mr. Li Huamin and Mr. Yi Ling. None of them are members of the former or existing auditors of the Company. The Board considers that the Audit Committee has extensive commercial experience in business, financial and legal matters. The primary duties of the Audit Committee include, among other matters, to review and monitor financial reporting and the judgment contained therein; to review financial and internal controls, accounting policies and practices with management and external auditors; and to review the Company's compliance with the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules.

The Audit Committee has reviewed and discussed with the management the accounting principles and practices adopted by the Group and auditing, internal controls and financial reporting matters, and the Company's policies and practices on corporate governance. The Audit Committee has also reviewed and discussed with the management the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2023.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Group are committed to maintaining a high standard of corporate governance which is reviewed and strengthened from time to time. The Company's corporate governance practices are based on principles and code provisions as set out in the CG Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules. Except for the deviation from provision C.2.1 of the CG Code, the Company's corporate governance practices have complied with the CG Code during the Period.

Provision C.2.1 of the CG Code stipulates that the role of chairman and chief executive officer should be separated and should not be performed by the same individual. Mr. He is the chairman and the chief executive officer of the Company. Since Mr. He has been operating and managing Feiyang International, the main operating subsidiary of the Company since its establishment and due to his familiarity with the operations of the Group, the Board is of the view that it is in the best interest of the Group to have Mr. He taking up both roles for effective management and business development of the Group following the Listing and Mr. He will provide a strong and consistent leadership to the Group. This arrangement ensures a more effective and efficient overall strategic planning of the Group as this structure enables the Company to make and implement decisions promptly and effectively. Further, the Company has put in place an appropriate check-and-balance mechanism through the Board and three independent non-executive Directors. The independent non-executive Directors are able to retain independence of character and judgment and are able to express their views without any constraint. In addition, the Board also consists of five other executive Directors who are familiar with the day-to-day business of the Company. The Company will consult the Board for any major decisions. Therefore, the Board considers that the balance of power and authority of the present arrangement with the Board and the independent non-executive Directors will not be impaired because such arrangement would not result in excessive concentration of power in one individual which could adversely affect the interest of minority Shareholders. As such, the deviation from provision C.2.1 of the CG Code is appropriate in such circumstance. The Board will continue to review and consider splitting the roles of the chairman of the Board and the chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its own code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code during the Period.

INTERIM DIVIDEND

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

USE OF PROCEEDS

The plan of use of proceeds from the global offering of the Company has been set out in the prospectus of the Company dated 18 June 2019 and the announcement of the Company dated 29 March 2021. The analysis of the unutilised amount, the actual use of proceeds and the expected timeline for utilising the unutilised proceeds are set out as below:

Business objective	Planned use of proceeds HK$'000	Percentage of net proceeds	Change of allocation of the unutilised net proceeds HK$'000	Unutilised amount as at 31 December 2022 HK$'000	**Actual use of proceeds for the Period HK$'000**	**Unutilised amount as at 30 June 2023 HK$'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%	(15,176)	–	-	-	Fully utilised
Increase deposits and prepayments to air ticket suppliers	28,665	35%	–	–	-	-	Fully utilised
Upgrade the information technology system	8,190	10%	–	–	-	-	Fully utilised
Increase marketing effort in traditional media	8,190	10%	–	–	-	-	Fully utilised
Repay part of the bank borrowings	12,285	15%	–	–	-	-	Fully utilised
Use as general working capital	8,190	10%	–	–	-	-	Fully utilised
Invest in the management and development of tourist attractions in the PRC	–	–	15,176	2,839	**(2,839)**	-	Fully utilised
	81,900	100%	–	2,839	**(2,839)**	-	

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 obtained the Travel Agents Licence in Hong Kong in August 2023 for the purposes of establishing the Group's travel agency operations in Hong Kong.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during 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, 24 August 2023

* *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.*

Website: http://www.iflying.com