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

GLOBAL OFFERING

Sole Sponsor and Sole Global Coordinator

Giraffe 智富

Joint Bookrunners and Joint Lead Managers

CROSBY

Giraffe 智富

茂宸證券有限公司 MASON SECURITIES LIMITED

IMPORTANT: If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

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)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	**125,000,000 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	:	**12,500,000 Shares (subject to adjustment)**
Number of International Placing Shares	:	**112,500,000 Shares (subject to adjustment and the Over-allotment Option)**
Offer Price	:	**Not more than HK$1.10 per Offer Share and expected to be not less than HK$1.00 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	:	**HK$0.01 per Share**
Stock code	:	**1901**

Sole Sponsor and Sole Global Coordinator

Giraffe Capital Limited

Joint Bookrunners and Joint Lead Managers

Giraffe Capital Limited

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "1. Documents delivered to the Registrar of Companies in Hong Kong" in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The final Offer Price is currently expected to be fixed by an agreement between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on the Price Determination Date, which is scheduled on or about Friday, 21 June 2019, or such later date as may be agreed between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters). The Offer Price will not be more than HK$1.10 and is currently expected to be not less than HK$1.00 unless otherwise announced. Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK$1.10 for each Share together with a brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% subject to refund if the Offer Price as finally determined should be lower than HK$1.10.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, with our consent, extend or reduce the indicative Offer Price range stated in this prospectus (which is HK$1.00 to HK$1.10 per Share) at any time on or before the morning of the last day for lodging applications under the Hong Kong Public Offer. In such a case, notices of the extension or reduction in the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), and on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.iflying.com** not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offer. If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on or before Thursday, 27 June 2019, the Global Offering (including the Hong Kong Public Offer) will lapse and will not proceed. See "Structure and Conditions of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act and may not be offered, sold, pledged or transferred, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable US state securities laws. The Offer Shares are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S.

Prospective investors of the Global Offering should note that the Joint Bookrunners are entitled to terminate their obligations under the Hong Kong Underwriting Agreement by notice in writing to our Company given by the Joint Bookrunners upon the occurrence of any of the events set out under "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offer – Grounds for Termination" of this prospectus, at any time prior to 8: 00 a.m. (Hong Kong time) on the Listing Date. Should the Joint Bookrunners terminate their obligations under the Public Offer Underwriting Agreement in accordance with the terms of the Hong Kong Underwriting Agreement, the Global Offering will not proceed and will lapse.

18 June 2019

If there is any change in the following expected timetable of the Hong Kong Public Offer, we will issue an announcement in Hong Kong to be published in English in the South China Morning Post and in Chinese in the Hong Kong Economic Times and on the websites of the Hong Kong Stock Exchange at **www.hkexnews.hk** and our Company at **www.iflying.com**.

	Date[1]
Latest time to complete electronic applications under **HK eIPO White Form** service through the designated website **www.hkeipo.hk**[2]	11:30 a.m. on Friday, 21 June 2019
Application lists of the Hong Kong Public Offer open[3]	11:45 a.m. on Friday, 21 June 2019
Latest time to complete payment of **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Friday, 21 June 2019
Latest time to give **electronic application instructions** to HKSCC[4]	12:00 noon on Friday, 21 June 2019
Latest time to lodge **WHITE** and **YELLOW** Application Forms	12:00 noon on Friday, 21 June 2019
Application lists of the Hong Kong Public Offer close	12:00 noon on Friday, 21 June 2019
Expected Price Determination Date[5]	Friday, 21 June 2019
Announcement of the Offer Price, the level of applications in the Hong Kong Public Offer, the level of indications of interest in the International Placing and the basis of allocation of the Hong Kong Offer Shares to be published in English in the South China Morning Post and in Chinese in the Hong Kong Economic Times and on the websites of the Hong Kong Stock Exchange at **www.hkexnews.hk** and our Company at **www.iflying.com** on or before	Thursday, 27 June 2019
Announcement of results of allocations in the Hong Kong Public Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels including the websites of the Hong Kong Stock Exchange at **www.hkex.com.hk** and our Company at **www.iflying.com** (See "How to Apply for Hong Kong Offer Shares – 11. Publication of results" in this prospectus for further details) from	Thursday, 27 June 2019

Results of allocations in the Hong Kong Public Offer will be available at **www.tricor.com.hk/ipo/result** or **www.hkeipo.hk/IPOResult** with a "search by ID Number/Business Registration Number" function . . . . . .Thursday, 27 June 2019

Despatch/Collection of **HK eIPO White Form** e-Auto Refund payment instructions/refund cheques in respect of wholly or partially successful applications if the final Offer Price is less than the price payable on application (if applicable) and wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offer on or before*(Notes 6 to 8)* . . . . . .Thursday, 27 June 2019

Despatch/Collection of Share certificates on or before . . . . . .Thursday, 27 June 2019

Dealings in the Shares on the Stock Exchange expected to commence on . . . . . .Friday, 28 June 2019

Notes:

(1) All times and dates refer to Hong Kong local time, except as otherwise stated.

(2) You will not be permitted to submit your application through the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 21 June 2019, the application lists will not open on that day. See "How to Apply for Hong Kong Offer Shares – 10. Effect of bad weather on the opening of the application lists" in this prospectus for further details.

(4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to "How to Apply for Hong Kong Offer Shares – 6. Applying by giving **Electronic Application Instructions** to HKSCC via CCASS" in this prospectus.

(5) The Price Determination Date is expected to be on or around Friday, 21 June 2019. If, for any reason, the Offer Price is not agreed by 12:00 noon on Thursday, 27 June 2019 between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Global Offering will not proceed and will lapse accordingly.

(6) Share certificates for the Offer Shares are expected to be issued on or before Thursday, 27 June 2019 but will only become valid certificates of title at 8:00 a.m. on Friday, 28 June 2019 provided that (a) the Global Offering has become unconditional in all respects; and (b) none of the Underwriting Agreements has been terminated in accordance with its terms.

(7) Applicants for 1,000,000 Hong Kong Offer Shares or more on **WHITE** Application Forms who have provided all information required by their Application Forms may collect refund cheques (where relevant) and/or Share certificates (where relevant) from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 27 June 2019 or any other day that we publish in the newspaper as the date of despatch of Share certificates/e-Auto Refund payment instructions/refund cheques.

Individuals who are eligible for personal collection must not authorise any other person(s) to make collection on their behalf. Corporate applicants which are eligible for personal collection must attend by their authorised representative(s) bearing a letter of authorisation from such corporation(s) stamped with the corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar. Applicants for 1,000,000 Hong Kong Offer Shares or more on **YELLOW** Application Forms may collect their refund cheques, if any, in person but may not elect to collect their Share certificates personally, which will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participants' stock accounts, as appropriated. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Applicants who apply through the **HK eIPO White Form** service and paid their applications monies through single bank account may have refund monies (if any) dispatched to their application payment bank account, in the form of e-Auto Refund payment instructions; Applicants who apply through the **HK eIPO White Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions to the **HK eIPO White Form** Service Provider, in the form of refund cheques, by ordinary post at their own risk.

Uncollected Share certificates and refund cheques (if any) will be despatched by ordinary post at the applicant's own risk to the address specified in the relevant Application Form. For further information, applicants should refer to "How to Apply for Hong Kong Offer Shares – 14. Despatch/Collection of Share Certificates and refund monies" in this prospectus.

(8) Refund cheques/e-Auto Refund payment instructions will be despatched in respect of wholly or partially unsuccessful applications and in respect of successful applications if the final Offer Price is less than the maximum Offer Price of HK$1.10 per Offer Share.

You should read carefully the sections headed "Underwriting", "Structure and Conditions of the Global Offering" and "How to Apply for Hong Kong Offer Shares" for details relating to the structure of the Global Offering, procedures on the applications for Hong Kong Offer Shares and the expected timetable, including conditions, effect of bad weather and the despatch of refund monies and share certificates.

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offer and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions, and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees or agents or any other person or party involved in the Global Offering.

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This summary aims to give you an overview of the information contained in this prospectus. Because this is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read this prospectus in its entirety, including our financial statements and the accompanying notes, before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares. Various expressions used herein are defined in the sections headed "Definitions" and "Glossary of Technical Terms" in this prospectus.

OVERVIEW

We are a well-established travel service provider based in Ningbo, Zhejiang Province of the PRC. According to the F&S Report, we ranked fifth among all travel agencies in Zhejiang Province with a market share of 0.9% in terms of revenue in 2017. We principally engage in (i) the design, development and sales of package tours which consist of traditional package tours and tailor-made tours; (ii) the sales of FIT Products which mainly include provision of air tickets and/or hotel accommodation; and (iii) the provision of ancillary travel-related products and services, including but not limited to visa application processing, admission tickets to tourist attractions, conferencing services and arranging purchase of travel insurance for our customers. For the year ended 31 December 2016, 2017 and 2018, our sales of package tours accounted for approximately 90.8%, 87.6% and 85.3% of our total revenue, respectively, whilst our sales of FIT Products accounted for approximately 5.1%, 9.0% and 12.1% of our total revenue, respectively for the corresponding period.

Leveraging on our various sales channels, including our tourism square, our retail branches, our sales offices, our website and our mobile application, we are able to reach a broad customer base efficiently. We have established our tourism square with an operating area of more than 5,700 m^2 and a spacious auditorium, which serves as our headquarters in Ningbo, Zhejiang Province and our venue for hosting promotion events and pre-tour briefing sessions to our customers. It also serves as an effective marketing tool during our reception of our customers. Customers can visit our tourism square to make enquiries, reservations and purchases of travel products and services through our customer service officers and travel consultants. With an increasing number of travel products and services delivered through online travel agencies, we launched our own online platform for the sales of our travel products in 2011. As at the Latest Practicable Date, we operated 28 points of sales, including our tourism square, retail branches and sales offices across various cities such as Ningbo, Wenzhou, Taizhou, Hangzhou and Suzhou of the PRC.

Our "iFlying" iFlying爱飞扬 brand is a well-established brand in the industry and we believe that our customers associate our brand with quality travel products and outstanding customer service. Our quality travel products and services have led us to receive numerous awards and recognition over the years. We ranked top 50 nationwide in 2015 according to the Ranking of Top 100 National Travel Agency published by China National Tourism Administration (國家旅遊局), and we ranked fourth in 2016 based on the Ranking of Top 10 Zhejiang Province Travel Agency published by Zhejiang Provincial Tourism Association (浙江省旅遊協會).We have also received the "First Prize of Ningbo Enterprise Management Modernisation Innovation Award" (寧波市企業管理現代化創新成果一等獎) from Ningbo Association for Commerce (寧波市企業聯合會), Ningbo Entrepreneur Association (寧波市企業家協會) and Ningbo Industrial and Economic Association (寧波市工業經濟聯合會) in 2013 in recognition of our "4+T" service system. See "Business – Awards" for other major awards received by us.

Driven by (i) increasing income level and consumption expenditure on travelling; (ii) more accessible and convenient products and services from online travel agencies; (iii) more favourable governmental policies of tourism industry; and (iv) gradual improvement of tourism infrastructure and facilities, the total tourism consumption in the PRC experienced rapid growth between 2013 and 2017 with a CAGR of 14.9%, and is expected to continue to increase to approximately RMB8,827.5 billion by 2022 with a CAGR of 9.8% between 2018 and 2022, according to the F&S Report. Due to the accumulative effects of rising disposable income and increasing per capita consumption expenditure on tourism of Chinese tourists, our sales of package tours and margin income from sales of FIT Products experienced steady growth, resulting in the increase in our overall revenue during the Track Record Period. Our total revenue increased by RMB54.7 million or 13.3% from RMB410.1 million for the year ended 31 December 2016 to RMB464.8 million for the year ended 31 December 2017, and further increased by RMB28.1 million or 6.0% to RMB492.9 million for the year ended 31 December 2018.

OUR BUSINESS MODEL

We offer diversified products that can cater for different needs of travellers, including the provision of outbound and domestic travel, and other ancillary travel-related products and services. We provide travel-related products and services to our retail, and corporate and institutional customers such as local enterprises, corporations and governmental organisations. We procure products and services from our suppliers, including but not limited to airline operators, ticketing agents, hotel operators, GDS service providers and land operators. The below diagram sets forth our business model:

OUR PRODUCTS AND SERVICES

During the Track Record Period, we provided products and services that can be categorised into three principal segments: (i) package tours, (ii) FIT Products, and (iii) ancillary travel-related products and services. Our package tours can be classified into traditional package tours and tailor-made tours, and they usually comprise flights, hotel accommodations, meals, transfers and sight-seeing as a bundled package, and are accompanied by our tour escorts and/or tour guides throughout the tours. Our FIT Products mainly comprise air tickets, hotel accommodations and a combination of both to our retail customers and corporate and institutional customers. We also offer ancillary travel-related products and services including but not limited to visa application processing, conferencing services, arranging purchase of travel insurance for our customers.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths which differentiate us from our competitors:

- we are one of the leading integrated "one-stop-shop" travel service provider in Zhejiang Province, PRC;
- we provide professional, quality and personalised services by multiple means which meet our customers' needs;
- we have diversified product offerings to cater for different customers' needs;
- our in-depth technical know-how and information technology capabilities served as a backbone for future growth of our FIT Products; and
- we have an experienced and dedicated management team with proven track record of leadership and execution.

OUR BUSINESS STRATEGIES

We plan to further grow our business and to strengthen our position as one of the leading travel service providers. Our key strategies for reach our goals are as follows:

- increase our market share and strengthen our sales by expanding and improving our sales channel and recruitment of relevant experienced and quality personnel for the operation of our new points of sales;
- to strengthen our ability to collectively procure upstream resources through cooperation and collaboration with other travel service providers;
- upgrade our information technology system and continue to focus on operational efficiency;
- enhance our brand recognition and awareness; and
- continue to attract, motivate and retain experienced and quality staff.

OUR CUSTOMERS

Our customers primarily comprise retail customers, and corporate and institutional customers such as local enterprises, corporations and government organisations. For the year ended 31 December 2016, 2017 and 2018, our revenue generated from our five largest customers accounted for approximately 7.9%, 10.6% and 12.8% of our total revenue, respectively, and our revenue generated from our largest customer accounted for approximately 4.3%, 5.1% and 5.1% of our total revenue, respectively for the corresponding period. The following table sets out the breakdown of our revenue by types of customers for the years indicated:

	Year ended 31 December					
	2016		**2017**		**2018**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Retail customers	282,687	68.9	304,526	65.5	291,656	59.2
Corporate and institutional customers	127,428	31.1	160,318	34.5	201,195	40.8
Total	410,115	100.0	464,844	100.0	492,851	100.0

Due to the nature of our business, we do not rely on any major customers. For more details, see "Business – Customers" in this prospectus.

OUR SUPPLIERS

Our suppliers mainly include airlines, ticketing agents, GDS service providers, hotel operators, land operators, tour bus and other local transportation operators, restaurants and attraction operators. Cost of sales from our largest suppliers accounted for approximately 4.3%, 4.8% and 6.3% of our total cost of sales for the year ended 31 December 2016, 2017 and 2018, respectively, whilst cost of sales from our five largest suppliers accounted for approximately 18.1%, 14.9% and 16.8% of our total cost of sales, respectively, for the corresponding period. For more details, see "Business – Suppliers" in this prospectus.

RISK FACTORS

Our business is subject to numerous risks and there are risks relating to an investment in the Offer Shares. A summary of certain of these risk factors is set forth below. This summary should be read together with "Risk Factors" in this prospectus in its entirety. Any of the following developments may have a material and adverse effect on our business, financial condition, results of operations and prospects:

- our Group derives our revenue from customers in the PRC and any downturn in the PRC economy could have a material adverse effect on our business and operating results;
- natural disasters, acts or threats of terrorism, wars, travel-related accidents, outbreak of contagious diseases or other catastrophic events which affect consumer demand for travel products and services or a general apprehension of such events may significantly and adversely impact on our business and operating results;
- any material adverse change in the economic, political or social conditions relating to our destination countries or any deterioration of diplomatic relationships between the PRC and those countries may materially and adversely affect our business and operating results;

- we face increased market competition from competing travel agents, hotel/flight providers, online sales platforms and alternative travel booking media;
- the non-performance or sub-standard performance of our products and services, or any unsatisfactory performance or misconduct by the third-party land operators engaged to provide services for our package tours, may result in complaints from or claims by customers and our business and operating results may be materially and adversely affected if we fail to deal with customer complaints or negative media publicity; and
- the PRC government may determine that the Contractual Arrangements are not in compliance with applicable PRC laws, rules, regulations or policies and may take actions against us or our operation.

SUMMARY FINANCIAL INFORMATION AND OPERATIONAL DATA

The following tables set forth, for the periods indicated, selected financial and operating data from our combined financial information. For more details on the financial information, see Appendix I to this prospectus.

Summary of Combined Statements of Profit or Loss

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	410,115	464,844	492,851
Gross profit	69,164	89,703	106,660
Profit before tax	25,441	40,529	33,618
Profit for the year	18,015	29,947	23,496

Non-HKFRS measures

The following table sets forth our adjusted net profit for the years indicated:

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Profit for the year	18,015	29,947	23,496
Add: non-recurring Listing expenses	–	–	9,337
Adjusted net profit for the year	18,015	29,947	32,833

Note: "Adjusted net profit for the year" is calculated by profit for the year excluding the non-recurring Listing expenses charged in the respective year, which is non-HKFRS measure and is not defined in HKFRS. We believe that these non-HKFRS measures provide additional information to investors and others in understanding and evaluating our combined results of operations in the same manner as our management and in comparing financial results across accounting periods.

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

	Year ended 31 December					
	2016		**2017**		**2018**	
	Revenue *RMB'000*	**Percentage of revenue** *%*	**Revenue** *RMB'000*	**Percentage of revenue** *%*	**Revenue** *RMB'000*	**Percentage of revenue** *%*
Sales of package tours	372,456	90.8	407,362	87.6	420,376	85.3
Margin income from sales of FIT Products	21,022	5.1	41,712	9.0	59,764	12.1
Sales of ancillary travel-related products and services	16,637	4.1	15,770	3.4	12,711	2.6
Total	410,115	100.0	464,844	100.0	492,851	100.0

During the Track Record Period, our revenue experienced steady growth, which was attributable to the increase in our sales of package tours and FIT Products. Our sales of package tours increased by RMB34.9 million during the year ended 31 December 2017, and further increased by RMB13.0 million during the year ended 31 December 2018 mainly due to the increase in number of tours as a result of the stable growth of China's economy and the increase in disposable income of Chinese residents. Our margin income from sales of FIT Products increased by RMB20.7 million during the year ended 31 December 2017 mainly due to the increase in sales of air tickets as a result of our acquisition of Ningbo Qihang in July 2016, and further increased by RMB18.1 million during the year ended 31 December 2018 mainly due to the increase in sales of air tickets.

The following table sets out a breakdown of our revenue by online/offline sales channel for the years indicated:

	Year ended 31 December					
	2016		2017		2018	
	Revenue *RMB'000*	Percentage of revenue *%*	Revenue *RMB'000*	Percentage of revenue *%*	Revenue *RMB'000*	Percentage of revenue *%*
Offline[(1)]	357,084	87.1	299,622	64.5	290,244	58.9
Online[(2)]	53,031	12.9	165,222	35.5	202,607	41.1
Total	410,115	100.0	464,844	100.0	492,851	100.0

Notes:

(1) Includes orders placed at our tourism square, retail branches, sales offices and through call centre with physical contracts entered into with our customers.

(2) Includes orders placed through our website and mobile application, online sales platform operated by third parties, and other online travel agencies with electronic contracts entered into with our customers.

The following table sets forth a breakdown of our revenue from package tours by destination for the years indicated:

	Year ended 31 December											
	2016				2017				2018			
	Revenue *RMB'000*	Percentage of revenue *%*	Number of tours	Average revenue per tour *RMB'000*	Revenue *RMB'000*	Percentage of revenue *%*	Number of tours	Average revenue per tour *RMB'000*	Revenue *RMB'000*	Percentage of revenue *%*	Number of tours	Average revenue per tour *RMB'000*
Domestic												
PRC	118,257	31.8	6,401	18	149,536	36.7	9,437	16	156,205	37.2	7,391	21
Outbound												
United States, Europe and Canada	66,013	17.7	456	145	77,890	19.1	443	176	83,518	19.9	504	166
Southeast Asia	55,665	14.9	935	60	67,989	16.7	1,347	50	77,842	18.5	1,467	53
Japan and South Korea	82,474	22.1	1,042	79	66,057	16.2	742	89	61,551	14.6	1,023	60
Other destinations	50,047	13.5	613	82	45,890	11.3	533	86	41,260	9.8	401	103
	254,199	68.2	3,046	83	257,826	63.3	3,065	84	264,171	62.8	3,395	78
Total	372,456	100.0	9,447	39	407,362	100.0	12,502	33	420,376	100.0	10,786	39

The following table sets out the breakdown of our revenue and number of tours from sales of package tours by types for the years indicated:

	Year ended 31 December											
	2016				2017				2018			
	Revenue *RMB'000*	Percentage of revenue *%*	Number of tours	Average revenue per tour *RMB'000*	Revenue *RMB'000*	Percentage of revenue *%*	Number of tours	Average revenue per tour *RMB'000*	Revenue *RMB'000*	Percentage of revenue *%*	Number of tours	Average revenue per tour *RMB'000*
Traditional package tours	304,967	81.9	7,452	41	316,326	77.7	9,341	34	307,930	73.3	7,698	40
Tailor-made tours	67,489	18.1	1,995	34	91,036	22.3	3,161	29	112,446	26.7	3,088	36
Total	372,456	100.0	9,447	39	407,362	100.0	12,502	33	420,376	100.0	10,786	39

The following table sets forth the breakdown of our gross profit and gross profit margin by business segment for the years indicated:

	Year ended 31 December					
	2016		2017		2018	
	Gross profit *RMB'000*	Gross profit margin *%*	Gross profit *RMB'000*	Gross profit margin *%*	Gross profit *RMB'000*	Gross profit margin *%*
Package tours						
– Traditional	29,287	9.6	32,876	10.4	37,232	12.1
– Tailor-made	7,200	10.7	11,177	12.3	12,413	11.0
	36,487	9.8	44,053	10.8	49,645	11.8
FIT Products	19,247	91.6	34,747	83.3	49,058	82.1
Ancillary travel-related products and services	13,430	80.7	10,903	69.1	7,957	62.6
Total	69,164	16.9	89,703	19.3	106,660	21.6

Our gross profit increased by RMB20.5 million during the year ended 31 December 2017, and increased by RMB17.0 million during the year ended 31 December 2018. During the Track Record Period, the fluctuation in our gross profit margin was attributable to the changes in our product and service mix. As revenue for FIT Products are recognised on a net basis, higher proportion of overall revenue generated from FIT Products will lead to a higher overall gross profit margin.

Our net profit increased by RMB11.9 million during the year ended 31 December 2017 mainly due to the increase in our gross profit. Our net profit decreased by RMB6.5 million during the year ended 31 December 2018 due to Listing expenses of RMB9.3 million recognised. Excluding Listing expenses, our net profit would increased by RMB2.9 million to RMB32.8 million for the year ended 31 December 2018 mainly due to the increase in our gross profit.

Summary of Combined Statements of Financial Position

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets	19,128	33,922	34,887
Current assets	114,129	180,365	249,499
Current liabilities	84,391	139,434	207,592
Net current assets	29,738	40,931	41,907
Net assets/total equity	48,866	74,853	76,794

Our non-current assets mainly represented property, plant and equipment and investment properties. Our non-current assets increased as at 31 December 2017 mainly due to the renovation costs in relation to our tourism square, and remained relatively stable as at 31 December 2018.

Our current assets mainly represented cash and cash equivalents, pledged short-term deposits, trade receivables, and prepayments, deposits and other receivables. Our current liabilities mainly represented interest-bearing bank borrowings, trade payables, and advance from customers, other payables and accruals. Our net current assets increased as at 31 December 2017 primarily due to our business growth, and remained relatively stable as at 31 December 2018.

Summary of Combined Statements of Cash Flows

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Net cash flow from operating activities before changes in working capital	34,118	44,226	42,544
Net cash flows generated from/(used in) operating activities	14,382	17,026	(52,989)
Net cash flows used in investing activities	(18,992)	(14,380)	(4,067)
Net cash flows generated from financing activities	15,523	30,701	40,785
Net increase/(decrease) in cash and cash equivalents	10,913	33,347	(16,271)
Cash and cash equivalents at beginning of year	11,368	22,281	55,628
Effect of foreign exchange rate changes, net	–	–	(4)
Cash and cash equivalents at end of year	22,281	55,628	39,353

We recorded a negative cash flow from operating activities of RMB53.0 million despite the net cash flow from operating activities before changes in working capital of RMB42.5 million for the year ended 31 December 2018. The negative cash flow from operating activities for the year ended 31 December 2018 was mainly due to (i) the increase in prepayments and deposits for our procurement of air tickets for package tours and FIT Products; and (ii) the increase in trade receivables mainly as a result of the significant increase in sales of air tickets in particular to corporate and institutional customers and the increase in performance guarantee, which were recorded on gross basis.

With a view of our continued business expansion, in particular our FIT Products, we expect our trade receivables and prepayments, deposits and other receivables will continue to increase. Taking into consideration the financial resources available to us, including cash and cash equivalent, bank borrowings and the estimated net proceeds from the Global Offering, our Directors are of the view that our Group has sufficient working capital to support its operation.

Key Financial Ratios

	Year ended 31 December		
	2016	**2017**	**2018**
Gross profit margin[(1)]	16.9%	19.3%	21.6%
Net profit margin[(2)]	4.4%	6.4%	4.8%
Return on equity[(3)]	49.3%	48.4%	31.0%
Return on total assets[(4)]	17.4%	17.2%	9.4%
Interest coverage[(5)]	216.6 times	23.6 times	9.3 times

	As at 31 December		
	2016	**2017**	**2018**
Current ratio[(6)]	1.4 times	1.3 times	1.2 times
Gearing ratio[(7)]	20.3%	66.8%	143.2%
Net debt to equity ratio[(8)]	N/A	N/A	92.0%

Notes:

(1) Gross profit margin was calculated based on gross profit divided by revenue for the respective year.
(2) Net profit margin was calculated based on profit for the year divided by revenue for the respective year.
(3) Return on equity was calculated based on net profit of the respective year divided by the arithmetic mean of the opening and closing balances of total equity and multiplied by 100%.
(4) Return on total assets was calculated based on net profit of the respective year, divided by the arithmetic mean of the opening and closing balances of total assets and multiplied by 100%.
(5) Interest coverage was calculated based on profit before interest and tax divided by interest expenses of the respective year.
(6) Current ratio was calculated based on the total current assets divided by the total current liabilities.
(7) Gearing ratio was calculated based on total debts (being interest-bearing bank borrowings) divided by total equity as at the end of the respective year and multiplied by 100%.
(8) Net debt to equity ratio was calculated based on net debts (being interest-bearing bank borrowings net of cash and cash equivalents) divided by total equity as at the end of the respective year and multiplied by 100%.

The increase in the gearing ratio throughout the Track Record Period was mainly attributable to our significant increase in our bank borrowings to support our business growth, in particular our FIT Products. Our bank borrowings increased from RMB9.9 million as at 31 December 2016 to RMB50.0 million as at 31 December 2017 and further increased to RMB110.0 million as at 31 December 2018.

Listing Expenses

Assuming an Offer Price of HK$1.05 per Share, being the mid-point of the indicative Offer Price range of HK$1.00 to HK$1.10 per Offer Share, the total estimated Listing expenses in connection with the Global Offering (including underwriting commission) was HK$43.6 million.

For the year ended 31 December 2016, 2017 and 2018, Listing expenses of nil, nil and RMB9.3 million (equivalent to approximately nil, nil and HK$10.6 million), respectively, were charged to our profit or loss, while nil, nil and RMB3.0 million (equivalent to approximately nil, nil and HK$3.4 million), respectively, were recognised as a prepayment of Listing expenses which is expected to be charged against equity upon completion of the Listing. For the year ending 31 December 2019, we expect to incur additional Listing expenses of HK$29.6 million, of which an estimated amount of HK$17.2 million will be charged to profit or loss and HK$12.4 million will be accounted for as a deduction from equity upon successful Listing under relevant accounting standards. The Listing expenses above are the best estimate as at the Latest Practicable Date and for reference only and the actual amount may differ from this estimate.

OUR CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, Mr. He, Ms. Qian, HHR Group, Michael Group, KVN Holdings, DY Holdings and QJ Holdings are our Controlling Shareholders and a group of Controlling Shareholders (as defined in the Listing Rules). Mr. He and Ms. Qian are spouses and hence are parties acting in concert. HHR Group, Michael Group, KVN Holdings and DY Holdings are companies limited by shares incorporated in the BVI which are directly wholly owned by Mr. He. QJ Holdings is a company limited by shares incorporated in the BVI which is directly wholly owned by Ms. Qian.

Immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account the Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme), Mr. He, Ms. Qian, HHR Group, Michael Group, KVN Holdings, DY Holdings and QJ Holdings are our Controlling Shareholders holding approximately 70.0324% of the issued share capital of our Company.

There is no competition between the business of our Controlling Shareholders and our businesses. Our Directors believe that our Group is capable of carrying out its businesses independently of our Controlling Shareholders and their associates. For details of the shareholding structure of our Company, see "History, Reorganisation and Corporate Structure" in this prospectus.

PRE-IPO INVESTMENT

Pursuant to the capital contribution agreement originally dated 27 November 2018 and subsequently amended to be dated 14 November 2018 by an addendum dated 16 January 2019 entered into between Feiyang International, Cuckoo HK and Shengda Feiyang (the "**Capital Contribution Agreement**"), Cuckoo HK agreed to contribute capital of RMB52,632.0 to Shengda Feiyang which amounted to 5.0000% of the enlarged registered capital of Shengda Feiyang which was determined based on the then registered capital of Shengda Feiyang. Cuckoo HK was a then wholly-owned subsidiary of Carnary Investment, which is wholly-owned by Mr. Lau Wing Chuk (劉永足) ("**Mr. Lau**"). The capital contributed by Cuckoo HK was irrevocably settled on 20 December 2018. Cuckoo HK was given the right to nominate one director to the board of Shengda Feiyang with respect to its capital contribution to Shengda Feiyang. Mr. Lau was nominated as a director of Shengda Feiyang on 15 November 2018 and resigned on 23 January 2019. The terms of the Capital Contribution Agreement did not impose any lock-up obligations over the equity interests of Shengda Feiyang held by Cuckoo HK.

Pursuant to the Pre-IPO Subscription Agreement dated 25 December 2018 entered into between our Company, Carnary Investment and Mr. Lau, Carnary Investment subscribed, and our Company allotted and issued to Carnary Investment, 196,552 Shares, representing 1.9262% of the issued share capital of our Company immediately before the Capitalisation Issue and the Global Offering. The total consideration was RMB1,346,368.0 which was determined based on the net asset value of our Group as at 30 September 2018. The subscription was irrevocably settled on 26 December 2018. Carnary Investment was not given any special rights with respect to its investment in our Company pursuant to the Pre-IPO Subscription Agreement and the terms of such agreement did not impose any lock-up obligations over the equity interests of our Company held by Carnary Investment.

Immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account the Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme), Carnary Investment will hold 1.5000% of the issued share capital of our Company. For more details, see "History, Reorganisation and Corporate Structure – Pre-IPO Investments" in this prospectus.

LEGAL COMPLIANCE AND PROCEEDINGS

During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that our Group has obtained all material licences, permits and approvals required for carrying on our business activities. During the Track Record Period, our Group experienced two non-compliance incidents, including: (i) failure to enter into labour contract with employees within one month from the commencement of the employment of the employee; and (ii) failure to make social insurance and housing provident fund contributions in full in the PRC. See "Business – Legal Compliance and Proceedings" in this prospectus for further details. Save as disclosed in "Business – Legal Compliance and Proceedings" in this prospectus, our Directors confirm that our Group has complied with all applicable laws and regulations in all material respects and was not involved in any other legal proceedings or disputes or subject to any material claims, damages or losses during the Track Record Period and up to the Latest Practicable Date.

CONTRACTUAL ARRANGEMENTS

Since certain of our businesses are subject to foreign investment restrictions and legal impediments and impracticalities, in order to comply with such laws and regulations while maintaining effective control over our operations, on 18 January 2019, we entered into the Contractual Arrangements, pursuant to which, the WFOE, being one of our subsidiaries, has acquired effective control over the financial and operational policies of the Operating Entities and has become entitled to all the economic benefits derived from their operations.

The following simplified diagram illustrates the flow of economic benefits from the Operating Entities to our Group stipulated under the Contractual Arrangements.

Notes:

(1) The WFOE is entrusted with the shareholders' rights of the Relevant Shareholders in the Operating Entities.

(2) The WFOE is granted exclusive options to acquire all or part of the equity interest in the Operating Entities from the Relevant Shareholders.

(3) The WFOE is granted priority security interests over all the share in the Operating Entities as held by the Relevant Shareholders.

(4) The WFOE provides services on an exclusive basis to the Operating Entities in return for service fees.

(5) The Operating Entities are granted the exclusive rights by the WFOE to use our Group's intellectual property rights.

The MOFCOM published the discussion draft of the proposed draft foreign investment law in 2015 ("**2015 Draft**"), which purports to introduce the principle of "*actual control*" in determining whether a company is considered a foreign invested enterprise, or an foreign invested entity. On 15 March 2019, the National People's Congress of the PRC ("**NPC**") adopted the Foreign Investment Law of the PRC 《中華人民共和國外商投資法》 which will come into effect on 1 January 2020 ("**FIL**"). The FIL did not mention the principle of "*actual control*" (including VIE structures) that the 2015 Draft purported to introduce and set out instead, the following four specific categories of foreign investment activities: (i) a foreign investor, by itself or with other investors, establishing foreign invested enterprises; (ii) a

foreign investor obtaining shares, equity, share of property or other similar rights of a PRC domestic enterprise; (iii) a foreign investor, by itself or with other investors, investing in new PRC domestic projects; and (iv) investing in any other ways as stipulated under laws, administrative regulations or provisions of the State Council of the PRC. The FIL also sets out that the investment in specific sectors by foreign investors should be subject to the Special Management Measures (Negative List) for the Access of Foreign Investment (2018 Revision) (《外商投資准入特別管理措施(負面清單)(2018年版》) ("**Negative List**"). As the interpretation and implementation of the FIL has not been officially promulgated, there are uncertainties as to whether it will impact the viability of our current corporate structure, corporate governance and business operations.

CORNERSTONE PLACING

On 10 June 2019, each of Ning Shing (Holdings) Company Limited (寧興(集團)有限公司) ("**Ning Shing**") and WWPKG Holdings Company Limited (縱橫遊控股有限公司), a company listed on GEM of the Stock Exchange (stock code: 8069) ("**WWPKG**"), and on 11 June 2019, Junan Resources (Hong Kong) Co., Limited (君安物產香港有限公司) ("**Junan Resources**") each entered into a cornerstone investment agreement with our Company and the Sole Global Coordinator, pursuant to which Ning Shing, Junan Resources and WWPKG have each agreed to subscribe, subject to certain conditions, HK$25.0 million, HK$10.0 million and HK$5.0 million, respectively, for 23,808,000, 9,522,000 and 4,760,000 Offer Shares assuming the mid-point of the indicative Offer Price range, respectively, representing 4.8%, 1.9% and 1.0% of our Company's enlarged issued share capital (assuming Over-allotment Option is not exercised), respectively. See "Cornerstone Investors" for further details.

RECENT DEVELOPMENTS

There has been continuing trade tension between the United States and the PRC. Since 2018, the United States government has imposed additional tariffs on top of the normal tariff duties on certain products imported from the PRC into the United States. The demand for travel products bound for the United States may decrease as a result of the continuation or any escalation of the trade war between the United States and the PRC and our operating performance may be adversely affected. For details, see "Risk Factors – Any material adverse change in the economic, political or social conditions relating to our destination countries or any deterioration of diplomatic relationships between the PRC and those countries may adversely affect our business and operating results". According to the F&S Report, the overall influence of trade war on the PRC tourism industry and integrated travel service providers is insignificant, and the number of outbound tourist visits from China continued to grow from 2017 to 2018. Our Directors believe that (i) the customers who had travel plan would opt for other destinations such as Europe and Canada; and (ii) the fact that our package tours bound for the United States and Canada only accounted for approximately 5.7%, 3.8% and 4.5% of our total revenue for the year ended 31 December 2016, 2017 and 2018, respectively, the US-China trade tension will not have any material adverse impact on our financial condition, results of operations and growth prospects. Despite our sales of package tours bound for the United States and Canada decreased slightly for the four months ended 30 April 2019 compared to the corresponding period in 2018, our total revenue derived from our sales of package tours increased for the four months ended 30 April 2019 compared to the corresponding period in 2018.

For the four months ended 30 April 2019, our Group recorded an increase in sales of our package tours and our FIT Products compared to the corresponding period in 2018. Save as disclosed above, to the best information and knowledge of our Directors, up to the date of this prospectus, there are no material changes to the market condition which would materially affect the operation or performance of our principal business. On 12 June 2019, we entered into a framework cooperation agreement with a subsidiary of WWPKG, pursuant to which the parties will collaborate to create and promote travel related products and services for the tourism market in Hong Kong and the PRC.

For the year ending 31 December 2019, our Group expects to incur additional Listing expenses of HK$17.2 million which will be charged to profit or loss and our Directors expect that our Company's financial results for the year ending 31 December 2019 is likely to be materially affected by the Listing expenses.

Save as disclosed above, our Directors confirmed that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospect of our Company or its subsidiaries since 31 December 2018, being the end of the reporting period in Appendix I to this prospectus, and there has been no event since 31 December 2018 which would materially affect the information shown in Appendix I to this prospectus.

USE OF PROCEEDS

Assuming an Offer Price of HK$1.05 per Offer Share, being the mid-point of the indicative Offer Price, we estimate that we will receive net proceeds of approximately HK$87.7 million from the Global Offering after deducting the underwriting commissions and other estimated expenses in connection with the Global Offering if the Over-allotment Option is not exercised. We intend to use the net proceeds from the Global Offering for the following purposes:

(i) approximately 20.0% of the net proceeds of the Global Offering (approximately HK$17.5 million) will be used to increase our market share and strengthen our sales by expanding and improving our sales channel, including (i) setting up of new retail branches and points of sales in coastal cities in Eastern China, such as Hangzhou and Shanghai; (ii) recruitment of the relevant experienced and quality personnel for the operation of our new retail branches and points of sales; and (iii) refurbishment of our existing retail branches;

(ii) approximately 35.0% of the net proceeds of the Global Offering (approximately HK$30.7 million) will be used to increase our deposits and prepayments to our air ticket suppliers in exchange for sufficient ticketing authority, the assignment of electronic ticket numbers and/or better terms and policies for air ticket;

(iii) approximately 10.0% of the net proceeds of the Global Offering (approximately HK$8.8 million) will be used to upgrade our information technology system including but not limited to (i) upgrade of our information technology infrastructure; (ii) development of our own system that enables us to integrate and connect with budget airline operators; and (iii) explore and develop our own automation software tool to handle customers' inquiries;

(iv) approximately 10.0% of the net proceeds of the Global Offering (approximately HK$8.8 million) will be used to enhance our brand recognition and awareness by increasing our marketing effort in traditional media such as placing of advertisements on newspaper and television and new media, such as enhancing our digital marketing efforts on Internet, social network and mobile applications;

(v) approximately 15.0% of the net proceeds of the Global Offering (approximately HK$13.1 million) will be used to optimise the Group's capital structure and improve the Group's liquidity profile by repaying part of our bank borrowings; and

(vi) approximately 10.0% of the net proceeds of the Global Offering (approximately HK$8.8 million) will be used for general working capital.

Although our operating costs, including but not limited to staff costs and rental costs, will increase in light of our expansion plans, we expect that our revenue will also increase as a result of our expansion of business operation, thereby increasing the overall profitability of the Group. Therefore, we do not expect that our expansion plans will cause any material effect on our financial results for the years ending 31 December 2020 and 2021.

For details, see "Business – Our Business Strategies" and "Future Plans and Use of Proceeds".

STATISTICS OF THE GLOBAL OFFERING

	Based on an Offer Price of HK$1.00	Based on an Offer Price of HK$1.10
Market capitalisation of the Shares[(1)]	HK$500.0 million	HK$550.0 million
Unaudited pro forma adjusted net tangible assets per Share[(2)]	HK$0.36	HK$0.38

Notes:

(1) The calculation of market capitalisation is based on each indicative Offer Price and 500,000,000 Shares in issue immediately after completion of the Capitalisation Issue and the Global Offering but takes no account of any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme or any Shares which may be allotted, issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in the paragraph headed "3. Written resolutions of our Shareholders passed on 11 June 2019" in "Statutory and General Information" in Appendix V to this prospectus.

(2) The unaudited pro forma adjusted net tangible assets value per Share has been arrived at after the adjustments referred to in the paragraph headed "Unaudited pro forma adjusted combined net tangible assets" under "Financial information" and on the basis of 500,000,000 Shares in issue immediately after completion of the Global Offering but takes no account of any Shares which may fall to be issued under the Over-allotment Option or any Shares which may be issued upon the exercise of any options which have been or may be granted under the Share Option Scheme or any Shares which may be allotted, issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in the paragraph headed "3. Written resolutions of our Shareholders passed on 11 June 2019" in "Statutory and General Information" in Appendix V to this prospectus.

DIVIDENDS

During the Track Record Period, no dividend has been paid or declared by our Company since its date of incorporation. The dividend declared by Feiyang International, which is deemed to be an indirect wholly-owned subsidiary of our Company pursuant to the Contractual Arrangements, to its then shareholders was nil, RMB4.7 million and RMB25.7 million for the year ended 31 December 2016, 2017 and 2018, respectively. All dividends declared have been fully settled by cash and the offset with balances with a director and a related party as at the Latest Practicable Date.

We do not have any pre-determined dividend payout ratio. The declaration of dividends is subject to the discretion of our Board. Any declaration of final dividend by our Company shall also be subject to the approval of our Shareholders in a Shareholders' meeting. Our Directors may recommend a payment of dividends in the future after taking into account our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders' interests and other factors which they may deem relevant at such time. Any declaration and payment as well as the amount of the dividends will be subject to constitutional documents, any applicable laws and regulations, including the Cayman Companies Law. Historical dividend distributions are not indicative of our future dividend distribution. Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations.

In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings.

"Accountants' Report"	the accountants' report set out in Appendix I to this prospectus
"Application Form(s)"	the **WHITE** Application Form(s), **YELLOW** Application Form(s) and **GREEN** Application Form(s) or, where the context so requires, any of such forms as used in the Hong Kong Public Offer
"Articles" or "Articles of Association"	the amended and restated articles of association of our Company conditionally adopted on 11 June 2019 and effective on the Listing Date, a summary of which is set out in Appendix IV to this prospectus, as amended or supplemented from time to time
"Ben Niao Travel"	浙江笨鳥旅遊有限公司 (Zhejiang Ben Niao Travel Co., Ltd.), a limited liability company established under the laws of the PRC on 3 August 2018 and an indirect wholly-owned subsidiary of our Company
"Bird Investment"	Bird Investment Group Limited, a company limited by shares incorporated in the BVI on 25 October 2018 and a direct wholly-owned subsidiary of our Company
"Board" or "our Board" or "Board of Directors"	the board of directors of our Company
"business day"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"Capitalisation Issue"	the allotment and issue of 364,795,918 new Shares to be made upon capitalisation of an amount of HK$3,647,959.18 standing to the credit of the share premium account of our Company as referred to under "A. Further information about our Company – 3. Written Resolutions of our Shareholders passed on 11 June 2019" in Appendix V to this prospectus

"Carnary Investment"	Carnary Investment Holdings Limited, a company limited by shares incorporated in the BVI on 17 October 2018 which is one of our Shareholders and beneficially owned by Mr. Lau Wing Chuk, being the pre-IPO investor
"CATA"	China Air Transport Association (中國航空運輸協會)
"Cayman Companies Law" or "Companies Law"	the Companies Law (as revised) of the Cayman Islands, as amended or supplemented from time to time
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Operational Procedures"	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (WUMP) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Company", "our Company" or "the Company"	Feiyang International Holdings Group Limited (飛揚國際控股(集團)有限公司), an exempted company incorporated with limited liability under the laws of the Cayman Islands on 18 October 2018, and registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 20 December 2018
"Contractual Arrangements"	the series of contractual arrangements entered into by, among others, the WFOE, Feiyang International and the Relevant Shareholders, details of which are described in "Contractual Arrangements"
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and, in the context of this prospectus, refers to HHR Group, Michael Group, KVN Holdings, DY Holdings, QJ Holdings, Mr. He and Ms. Qian
"Corporate Governance Code"	the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules
"Crosby Securities"	Crosby Securities Limited, a licensed corporation under the SFO permitted to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities (as defined under the SFO), being one of the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters
"CSRC"	China Securities Regulatory Commission of the PRC (中國證券監督管理委員會)
"Cuckoo HK"	Cuckoo HK Holdings Limited (杜鵑香港控股有限公司), a company limited by shares incorporated under the laws of Hong Kong on 26 October 2018 and an indirect wholly-owned subsidiary of our Company
"CXD Holdings"	CXD Holdings Limited, a company limited by shares incorporated in the BVI on 12 October 2018 which is one of our Shareholders and beneficially owned by Mr. Chen
"Deed of Indemnity"	a deed of indemnity dated 11 June 2019 entered into by our Controlling Shareholders in favour of our Company to provide certain indemnities, further details are set out in "Statutory and General Information – H. Other Information – (e) Deed of Indemnity" in Appendix V to this prospectus

"Deed of Non-competition"	a deed of non-competition dated 11 June 2019 and executed by our Controlling Shareholders in favour of our Company, further details are set out in "Relationship with our Controlling Shareholders"
"Directors" or "our directors"	the directors of our Company
"DY Holdings"	DY Holdings Limited, a company limited by shares incorporated in the BVI on 12 October 2018 which is one of our Controlling Shareholders and beneficially owned by Mr. He
"Feiyang Commercial"	浙江飛揚商務管理有限公司 (Zhejiang Feiyang Commercial Management Co., Ltd.), a limited liability company established under the laws of the PRC on 13 June 2017 and is deemed to be an indirect wholly-owned subsidiary of our Company pursuant to the Contractual Arrangements
"Feiyang Expo"	寧波飛揚會展服務有限公司 (Ningbo Feiyang Expo Services Co., Ltd.), a limited liability company established under the laws of the PRC on 21 February 2011 and an indirect wholly-owned subsidiary of our Company
"Feiyang HK"	Feiyang HK Group Limited (飛揚香港集團有限公司), a company limited by shares incorporated under the laws of Hong Kong on 2 November 2018 and an indirect wholly-owned subsidiary of our Company
"Feiyang International"	浙江飛揚國際旅遊集團股份有限公司 (Zhejiang Feiyang International Travel Group Co., Ltd.) (formerly known as 寧波飛揚旅行社 (Ningbo Feiyang Travel Agency) and 浙江飛揚旅行社 (Zhejiang Feiyang Travel Agency)), a limited liability company established under the laws of the PRC on 19 September 2001 and is deemed to be an indirect wholly-owned subsidiary of our Company pursuant to the Contractual Arrangements

"Feiyang Lianchuang"	浙江飛揚聯創旅遊有限公司 (Zhejiang Feiyang Lianchuang Travel Co., Ltd.) (formerly known as 寧波藍天旅行社有限公司 (Ningbo Lantian Travel Agency Company Limited)), a limited liability company established under the laws of the PRC on 21 May 2001 and is deemed to be an indirect wholly-owned subsidiary of our Company pursuant to the Contractual Arrangements
"Feiyang Management"	寧波飛揚企業管理有限公司 (Ningbo Feiyang Business Management Co., Ltd.) (formerly known as 寧波飛揚旅遊有限公司 (Ningbo Feiyang Travel Limited Company)), a limited liability company established under the laws of the PRC on 24 November 2011 and one of the Relevant Shareholders
"Feiyang Ticketing"	寧波飛揚航空票務有限公司 (Ningbo Feiyang Airplane Ticketing Co., Ltd.), a limited liability company established under the laws of the PRC on 30 August 2006, which ceased to be our subsidiary upon completion of the Reorganisation
"Feiyang Travel Agency"	浙江飛揚旅行社有限公司 (Zhejiang Feiyang Travel Agency Co., Ltd.), a limited liability company established under the laws of the PRC on 11 October 2018 and an indirect wholly-owned subsidiary of our Company
"Feiyang Travel Promotional Services"	寧波飛揚旅遊推廣服務有限公司 (Ningbo Feiyang Travel Promotional Services Co., Ltd.), a limited liability company established under the laws of the PRC on 6 April 2010, which ceased to be our subsidiary upon completion of the Reorganisation
"FIL"	the Foreign Investment Law of the PRC (中華人民共和國外商投資法) approved by the National People's Congress on 15 March 2019, which will come into effect on 1 January 2020
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an industry research consultant and an independent third party
"F&S Report"	the industry report issued by Frost & Sullivan, details of which are set out in "Industry Overview"

"Global Offering"	the Hong Kong Public Offer and the International Placing
"**GREEN** Application Form(s)"	the application form(s) to be completed by the **HK eIPO White Form** Service Provider designated by our Company
"Group", "our Group", "we" or "us"	our Company and its subsidiaries or, where the context requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
"Haishu Feiyang"	寧波海曙飛揚投資管理合夥企業(有限合夥) (Ningbo Haishu Feiyang Investment Management Partnership (Limited Partnership)), a limited partnership established under the laws of the PRC on 24 June 2016, whose entire equity interest in Feiyang Management was acquired by Mr. He upon completion of the Reorganisation
"Haishu Lianchuang"	寧波海曙飛揚聯創投資管理合夥企業(有限合夥) (Ningbo Haishu Feiyang Lianchuang Investment Management Partnership (Limited Partnership)), a limited partnership established under the laws of the PRC on 23 June 2016, whose entire equity interest in Feiyang Management was acquired by Mr. He upon completion of the Reorganisation
"HHR Group"	HHR Group Holdings Limited, a company limited by shares incorporated in the BVI on 12 October 2018 which is one of our Controlling Shareholders and beneficially owned by Mr. He
"**HK eIPO White Form**"	the application for Hong Kong Offer Shares to be registered in the applicant's own name by submitting applications online through the designated website of **HK eIPO White Form** at **www.hkeipo.hk**
"**HK eIPO White Form** Service Provider"	the **HK eIPO White Form** service provider designated by our Company as specified on the designated website **www.hkeipo.hk**
"HK$" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standards, as issued by HKICPA

"HKICPA"	Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Branch Share Registrar"	Tricor Investor Services Limited
"Hong Kong Offer Shares"	12,500,000 new Shares being initially offered by us for subscription pursuant to the Hong Kong Public Offer
"Hong Kong Public Offer"	the offer by us of the Hong Kong Offer Shares to the public in Hong Kong for subscription at the Offer Price, on and subject to the terms and conditions set out in this prospectus and the Application Forms, as further described in "Structure and Conditions of the Global Offering"
"Hong Kong Underwriters"	the underwriters listed in "Underwriting – Hong Kong Underwriters", being the underwriters of the Hong Kong Public Offer
"Hong Kong Underwriting Agreement"	the underwriting agreement dated 17 June 2019 relating to the Hong Kong Public Offer entered into by, among others, our Company and the Hong Kong Underwriters, as further described in "Underwriting"
"ICP"	internet content provider
"independent third party(ies)"	an individual or a company which is independent from and not connected with (within the meaning of Listing Rules) any Directors, chief executive, substantial shareholders of our Company, its subsidiaries or any of their respective associates

"International Placing"	the conditional placing of the International Placing Shares by the International Underwriters for and on behalf of our Company to institutional, professional, corporate and other investors in Hong Kong and elsewhere in the world outside the United States at the Offer Price, on and subject to the terms and conditions under the International Underwriting Agreement, as further described in "Structure and Conditions of the Global Offering"
"International Placing Shares"	112,500,000 new Shares being initially offered by us for subscription pursuant to the International Placing together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option
"International Underwriters"	the underwriters for the International Placing who are expected to enter into the International Underwriting Agreement
"International Underwriting Agreement"	the underwriting agreement relating to the International Placing to be entered into by, among others, our Company and the International Underwriters on or about the Price Determination Date, as further described in "Underwriting"
"Joint Bookrunners" or "Joint Lead Managers"	Crosby Securities, Giraffe Capital Limited and Mason Securities
"Jiangsu Ben Niao"	江蘇笨鳥旅遊發展有限公司 (Jiangsu Ben Niao Travel Development Co., Ltd.), a limited liability company established under the laws of the PRC on 19 December 2018 and an indirect wholly-owned subsidiary of our Company
"KVN Holdings"	KVN Holdings Limited, a company limited by shares incorporated in the BVI on 12 October 2018 which is one of our Controlling Shareholders and beneficially owned by Mr. He
"Latest Practicable Date"	10 June 2019, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication

"LD Group"	LD Group Holdings Limited, a company limited by shares incorporated in the BVI on 12 October 2018 which is one of our Shareholders and beneficially owned by Mr. Li
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Committee"	the listing committee of the Stock Exchange
"Listing Date"	the date expected to be on or around 28 June 2019, on which the Shares are first listed and from which dealings in the Shares are permitted to take place on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange, independent from and operated in parallel with GEM of the Stock Exchange
"Mason Securities"	Mason Securities Limited, a licensed corporation under the SFO permitted to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities (as defined under the SFO), being one of the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters
"Memorandum" or "Memorandum of Association"	the amended and restated memorandum of association of our Company conditionally adopted on 11 June 2019 and effective on the Listing Date, a summary of which is set out in Appendix IV to this prospectus, as amended or supplemented from time to time
"Michael Group"	Michael Group Holdings Limited, a company limited by shares incorporated in the BVI on 12 October 2018 which is one of our Controlling Shareholders and beneficially owned by Mr. He
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)
"Mr. Chen"	Mr. Chen Xiaodong (陳曉冬), an executive Director who is one of the Shareholders and Relevant Shareholders

"Mr. He"	Mr. He Binfeng (何斌鋒), an executive Director, our chief executive officer, our founder and spouse of Ms. Qian, who is one of our Controlling Shareholders and the Relevant Shareholders
"Mr. Li"	Mr. Li Da (李達), an executive Director who is one of the Shareholders and Relevant Shareholders
"Ms. Qian"	Ms. Qian Jie (錢潔), one of our Controlling Shareholders and the Relevant Shareholders and spouse of Mr. He
"Ms. Qiu"	Ms. Qiu Zheng (裘鄭), one of the Shareholders and Relevant Shareholders
"Mr. Wu"	Mr. Wu Bin (吳濱), an executive Director, one of the Shareholders and Relevant Shareholders
"Ningbo Hengyue"	寧波恒悦旅遊景區管理有限公司 (Ningbo Hengyue Tourist Attraction Management Co., Ltd.), a limited liability company established under the laws of the PRC on 24 June 2013, which ceased to be our subsidiary upon completion of the Reorganisation
"Ningbo Qihang"	寧波啟航航空票務有限公司 (Ningbo Qihang Airplane Ticketing Co., Ltd.), a limited liability company established under the laws of the PRC on 3 August 2012 and is deemed to be an indirect wholly-owned subsidiary of our Company pursuant to the Contractual Arrangements
"NYMEX"	New York Mercantile Exchange

"Offer Price"	the final offer price per Offer Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK$1.10 and expected to be not less than HK$1.00, such price to be determined by agreement between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or before the Price Determination Date
"Offer Price Range"	HK$1.00 to HK$1.10 per Offer Share
"Offer Shares"	the Hong Kong Offer Shares and the International Placing Shares
"Operating Entities"	collectively, Feiyang International, Feiyang Lianchuang, Feiyang Commercial, and Ningbo Qihang, the financial results of which have been combined and accounted for as subsidiaries of our Company by virtue of the Contractual Arrangements
"Over-allotment Option"	the option expected to be granted by us to the International Underwriters under the International Underwriting Agreement, exercisable by the Sole Global Coordinator (on behalf of the International Underwriters), pursuant to which we may be required to allot and issue up to 18,750,000 additional Shares (representing 15% of the number of Offer Shares initially being offered under the Global Offering) at the Offer Price to cover over-allocations in the International Placing, if any, as further described in "Structure and Conditions of the Global Offering"
"PRC" or "China" or "State"	People's Republic of China which, for the purposes of this prospectus only, excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan

"PRC government"	the government of the PRC including all political subdivisions (including provincial, municipal and other regional or local government entities) and their instrumentalities thereof or where the context requires, any of them
"PRC Legal Advisers"	Beijing Dentons Law Offices, LLP, legal advisers of our Company as to the laws of the PRC
"Price Determination Date"	the date expected to be on or around 21 June 2019, but no later than 27 June 2019, on which our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) determine the Offer Price for the purpose of the Global Offering
"property ownership certificate"	房屋所有權證 (property ownership certificate), a certificate issued by relevant PRC government authorities with respect to the ownership rights of buildings
"QJ Holdings"	QJ Holdings Limited, a company limited by shares incorporated in the BVI on 12 October 2018 which is one of our Controlling Shareholders and beneficially owned by Ms. Qian
"QZ Holdings"	QZ Holdings Limited, a company limited by shares incorporated in the BVI on 12 October 2018 and one of our Shareholders and beneficially owned by Ms. Qiu
"Regulation S"	Regulation S under the U.S. Securities Act
"Relevant Business"	the provision of the outbound travel business, air ticketing business and travel insurance agency business
"Relevant Shareholder(s)"	collectively, Feiyang Management, Mr. He, Ms. Qian, Mr. Li, Mr. Wu, Mr. Chen and Ms. Qiu, being Shareholders of the Operating Entities
"Reorganisation"	the corporate reorganisation of our Group in preparation for the Listing as described in "History, Reorganisation and Corporate Structure – Reorganisation" in this prospectus
"RMB"	Renminbi, the lawful currency of the PRC

"SAFE"	the State Administration for Foreign Exchange (國家外匯管理局)
"SAIC"	State Administration of Industry and Commerce of PRC (中華人民共和國國家工商行政管理總局) or State Administration for Market Regulation of PRC (中華人民共和國國家市場監督管理總局)
"SCNPC"	the Standing Committee of the National People's Congress of the PRC (全國人民代表大會常務委員會)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Share(s)"	ordinary share(s) with a nominal or par value of HK$0.01 each in the share capital of our Company
"Shareholder(s)"	holder(s) of Shares
"Shengda Feiyang"	寧波勝大飛揚企業管理有限公司 (Ningbo Shengda Feiyang Commercial Management Company Limited), a limited liability company established under the laws of the PRC on 27 September 2018 and an indirect wholly-owned subsidiary of our Company
"Sole Global Coordinator"	Giraffe Capital Limited, a corporation licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) of the regulated activities under the SFO
"Sole Sponsor"	Giraffe Capital Limited, a corporation licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) of the regulated activities under the SFO
"Stabilising Manager"	Crosby Securities Limited
"State Council"	the State Council of the PRC (中國國務院)

"Stock Borrowing Agreement"	The stock borrowing agreement to be entered into between the Stabilising Manager and Michael Group, pursuant to which the Stabilising Manager may borrow up to 18,750,000 Shares to cover any over-allotment in the International Placing
"Stock Exchange" or "HKEx"	The Stock Exchange of Hong Kong Limited
"Structured Contracts"	collectively, the Exclusive Consulting Service Agreement, the Exclusive Option Agreement, the Share Pledge Agreement, the Shareholders' Rights Entrustment Agreement, the Intellectual Property Licence Agreement and the Spousal Undertakings, being the underlying contracts for the Contractual Arrangements, further details of which are set out in "Contractual Arrangements" in this prospectus
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers issued by the SFC, as amended or supplemented from time to time
"Toucan Investment"	Toucan Investment Holdings Limited, a company limited by shares incorporated under the laws of the BVI on 18 October 2018 and a direct wholly-owned subsidiary of our Company
"Track Record Period"	the financial year ended 31 December 2016, 2017 and 2018
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"US$" or "USD"	United States dollar, the lawful currency of the United States
"U.S." or "United States" or "US" or "USA"	the United States of America, its territories and possessions, any state of the United States and the District of Columbia

"U.S. Securities Act"	the United States Securities Act 1933, as amended or supplemented from time to time
"VIE" or "VIEs"	variable interest entity or variable interest entities
"WB Holdings"	WB Holdings Group Limited, a company limited by shares incorporated in the BVI on 12 October 2018 and which is of our Shareholders and beneficially owned by Mr. Wu
"WFOE" or "Ningbo Commercial"	寧波飛揚商業管理有限公司 (Ningbo Feiyang Commercial Management Co., Ltd.), a limited liability company established in the PRC on 12 December 2018 and is an indirect wholly-owned subsidiary of our Company
"**WHITE** Application Form(s)"	the application form(s) for use by the public who require such Hong Kong Offer Shares to be issued in the applicant's own name(s)
"**YELLOW** Application Form(s)"	the application form(s) for use by the public who require such Hong Kong Offer Shares to be deposited directly in CCASS
"Zhejiang Hengyue"	浙江恒越信息科技有限公司 (Zhejiang Hengyue Information Technology Company Limited), a limited liability company established under the laws of the PRC on 22 December 2011 and an indirect wholly-owned subsidiary of our Company
"%"	per cent

In this prospectus, unless the context otherwise requires, the terms "associate", "close associate", "connected person", "connected transaction", "controlling shareholder', "core connected person", "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in this prospectus in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail.

This glossary of technical terms contains explanations of certain terms used in this prospectus as they relate to our Company and are used in this prospectus in connection with our business or us. These terms and their given meanings may not correspond to standard industry definitions.

"air ticketing business"	the provision of air ticket booking services for outbound and domestic travel services
"charter flight"	refers to a flight where the travel agency(ies) takes risk on the inventory (or hires/leases the plane) and, usually, sells the seats to customers
"destination countries"	the countries to which customers can travel by purchasing the products and services offered by our Group
"domestic travel"	travel within the country where our relevant travel management and services is located and travellers visit scenic spots located inside mainland China
"FIT"	free and independent travellers which generally refer to a small group of travellers who purchase independent travel products (instead of traditional pack holiday) and do not require a travel escort
"FIT Products"	a travel product where one or more individual travel elements, travel products or travel services (such as air tickets, hotels and accommodation or both) are bundled together
"GDS"	global distribution system; a type of computerised reservation system that offers access to a wide range of travel products inventory and for reserving airline seats, hotel rooms, rental cars, and other travel related items by travel agents and online reservation sites
"inbound travel"	travel to the country where our relevant travel management and services office is located and foreign travellers visit scenic spots located inside mainland China
"land operator(s)"	a handling agent providing services including hotel booking, local transportation and other travel related arrangements to tour operators and travel agents

"outbound travel"	travel from the country where our relevant travel management and services office is located and travellers visit scenic spots located outside mainland China
"outbound travel business"	the provision of outbound travel services
"package tour"	a travel service which includes the provision to a group or a person of services relating to transport, accommodation, meals, activities and tour escorts
"sq.m." or "m^2"	square metre
"tour escort"	staff appointed by a tour operator to accompany tour groups and to take care of the participants throughout the journey of a tour
"tour guide"	a person employed to show tourists around places of interests in different countries
"travel insurance agency business"	the provision of travel insurance agency services

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. The forward-looking statements are contained principally in "Summary", "Risk Factors", "Industry Overview", "Business", "Financial Information" and "Future Plans and Use of Proceeds" in this prospectus. These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed under "Risk Factors", which may cause our actual results, performance or achievements to be materially different from performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business strategies and operating plans;
- our capital expenditure and expansion plans;
- our objectives and expectations regarding our future operations, profitability, liquidity and capital resources;
- our ability to identify and successfully take advantage of new business development opportunities;
- our prospective financial information; and
- the regulatory environment and industry outlook for the industries in which we operate.

The words "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "seek", "will", "would" and the negative of these terms and other similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of uncertainties and factors, including but not limited to:

- any changes in the laws, rules and regulations of the central and local governments in the PRC and Hong Kong relating to any aspect of our business or operations;
- general economic, market and business conditions in PRC;
- inflationary pressures or changes or volatility in interest rates, foreign exchange rates or other rates or prices;
- various business opportunities that we may pursue; and
- the risk factors discussed in this prospectus as well as other factors beyond our control.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set forth in this section as well as the risks and uncertainties discussed in "Risk Factors" in this prospectus.

You should carefully consider all information set out in this prospectus, including the risks and uncertainties described below before making an investment in our Offer Shares. You should pay particular attention to the fact that we are incorporated in the Cayman Islands.

Our business, financial condition and results of operations could be materially and adversely affected by the occurrence of any of these risks. The trading price of our Shares could decline due to any of these risks, and you may lose all or part of your investment. You should seek professional advice from your relevant advisers regarding your prospective investment in the context of your particular circumstances.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our Group derives our revenue from customers in the PRC and any downturn in the PRC economy could have a material adverse effect on our business and operating results.

Our Group derives our revenue from customers in the PRC and the decisions and preferences of the customers in the PRC are affected by changes in the economic condition in the PRC. According to the F&S Report, per capita annual consumption expenditure on tourism of Chinese tourists demonstrated stable growth between 2013 and 2017, increasing to RMB1,042.3 with a CAGR of 3.4%, and it is expected to increase to RMB1,286.6 in 2022 with a CAGR of 4.2% between 2018 and 2022. In the event of economic downturn, since travelling is not a necessity product, there will be a decrease in demand for package tours and FIT Products as people will in general have less disposable income contributing to entertainment and leisure activities. There may be uncertainties relating to the economic condition in the PRC in the future and any prolonged downturn in the PRC economy in the future may bring material adverse effect on the travelling demand which may in turn lead to decline in demand for our products and services, and hence adversely affect our business, financial condition, results of operations and prospect.

Any disruption to the supply of flight, hotel accommodation, land operator services or other travel elements or related services, or increase in the prices of travel elements could adversely affect our operation, turnover and profitability.

Our business, in particular our package tour operation, depends on a number of travel elements including flight, hotel accommodation, services from land operators and ground transportation, and we rely on our suppliers or service providers to provide us with such services. For details on our major suppliers, see "Business – Suppliers". We may experience shortages in the supply of these services in the future due to various factors including the market conditions in the relevant industries or the operation of the relevant suppliers or service providers, which could materially and adversely affect our operation. If any supplier or service provider is unwilling or unable to provide us with the relevant products or services in required quantities and at acceptable prices, we may be unable to find alternative sources at commercially acceptable prices, on satisfactory terms, in a timely manner, or at all.

For the year ended 31 December 2016, 2017 and 2018, our margin income from sales of FIT Products accounted for approximately 5.1%, 9.0% and 12.1% of our revenue, respectively. As it is part of our strategy to continue to explore this business segment, we believe that our operation will continue to depend on the air ticketing business segment of our FIT Products in the future. If there is any disruption to supply of flights due to strikes, industrial actions by pilots, cabin and ground crew of airlines, airport staff, ground transportation crew or disputes between airline operators and their employees causing flights cancellation or delay, or if our relationship with airline operators deteriorates and we are unable to locate new flight suppliers, our business, financial condition and results of operations may be materially and adversely affected.

In addition, we are exposed to fluctuations in airfares, hotel tariffs and land operator fees and other costs. The prices of these products and services are determined principally by market forces and our bargaining power against our suppliers and service providers. For a discussion of changes in our costs during the Track Record Period, see "Financial Information – Description and Analysis of Principal Items in the Combined Statements of Profit or Loss – Cost of sales". Our cost of sales may change as a result of inflation or market dynamics in the future. We may not be able to offset all increases in prices of our supplies by raising the prices of our products and services. If we increase our prices significantly, we may lose our competitive advantage, and if we cannot pass on such increases to our consumers, we may not be able to maintain our current gross profit margins, and our business, financial condition and results of operations may be materially and adversely affected.

Decrease in the demand for package tours and changes in consumer behaviour may materially affect our business, financial condition and operating results.

We have historically generated most of our revenue from package tours. During the Track Record Period, our sales of package tours accounted for approximately 90.8%, 87.6% and 85.3% of our revenue for the year ended 31 December 2016, 2017 and 2018. In recent years, consumer behaviour has changed in a number of ways as a result of various factors. For example, the growth of the Internet has increased price transparency and a significant increase in the availability of travel products and services, and the proliferation of online information and reviews about travel experiences and destinations. Availability and choices of airline routes have also expanded, as the rise of low-cost carriers has led to a significant increase in the online distribution of seats to a wide range of destinations at competitive prices. These changes have made it easier for consumers to research for and plan their own travel holidays, leading to the growth in the FIT travel sector as compared with package tour sector, the increase of online distribution as compared with sales by traditional travel agents, such as our Group, and increased sales of travel products directly to customers. As there is less differentiation between FIT Products offered by different travel companies, customers for FIT Products may not purchase such products from our Group. If our Group fails to adapt and develop in response to these and other market developments and changes in consumer preference for travel products, this may have a material adverse effect on our business, operating results, financial condition or prospects.

Natural disasters, acts or threats of terrorism, wars, travel-related accidents, outbreak of contagious diseases or other catastrophic events which affect consumer demand for travel products and services or a general apprehension of such events may significantly and adversely impact on our business and operating results.

The demand for our travel products and services may be materially and adversely affected by natural disasters, acts or threats of terrorism, wars, travel-related accidents, outbreak of contagious diseases or other catastrophic events. Such events, or a general apprehension of such events, may significantly and adversely affect customer sentiments and demand for travel products and services to the affected destinations or for travel activities in general.

For example, if any contagious or infectious disease, such as Severe Acute Respiratory Syndrome (SARS), Ebola virus disease, Middle East Respiratory Syndrome Coronavirus (MERS), H1N1 influenza, H7N9 influenza, swine influenza or any other contagious disease or epidemic breaks out in major travel destinations, or if there is a general apprehension of such outbreaks, consumer demands for travel to the affected destinations or in general may be reduced.

Ongoing concerns regarding epidemic or contagious diseases and government advices related to, or restrictions on, travel to and from regions on account of an outbreak of any epidemic or contagious diseases may significantly reduce the demand for travel products and services.

Travel-related accidents, terrorist attacks against airline flights and tourist attractions or other catastrophic events may also have material adverse effects on our business operation and financial condition. For example, the missing aircraft of Malaysia Airlines during its flight from Kuala Lumpur to Beijing in March 2014, the plane crashes near Ukraine in July 2014, Russia in March 2016 and earthquake in Jiuzhaigou County, Sichuan Province in August 2017, and other similar accidents or events may continue to affect consumer demand for travelling.

The occurrence and timing of such events cannot be predicted or controlled by us and may have significant and adverse impact on our business operations and operating results, particularly if we are, or are perceived to be, not reacting appropriately in the wake of any such event.

Any material adverse change in the economic, political or social conditions relating to our destination countries or any deterioration of diplomatic relationships between the PRC and those countries may materially and adversely affect our business and operating results.

Our business and operating results might be adversely affected if there are any material adverse changes in the economic, political or social conditions relating to our destination countries, including their foreign relationships with the PRC government, or the exchange rate against RMB, which may adversely impact customer demands for our travel products and services relating to a specific destination country. Any deterioration of China's diplomatic

relationships with the destination countries, for example, war or territorial disputes leading to travel restrictions, may have an adverse effect on our business. For instance, our Group has experienced a decrease in the number of package tour and FIT travellers bound to South Korea from early 2017 to mid-2018 due to a deterioration of China-South Korean diplomatic relationship stemming from South Korea's decision to install US-made anti-missile system. The trade war between the United States and China may also have an adverse impact on the global economic conditions. Since 2018, the United States government has imposed additional tariffs on top of the normal tariff duties on certain products imported from the PRC into the United States. Although China and the United States appeared close to reaching a new economic and trade agreement, this fell through after meetings between the two sides in mid-April of 2019. On 10 May 2019, the United States increased tariffs on US$200 billion worth of Chinese goods from 10% to 25%. The latest round of negotiations between China and the United States ended on 11 May 2019 without agreement. China then raised tariffs to a maximum 25% on US$60 billion worth of American goods on 1 June 2019. On 17 June 2019, the US trade representative's offices will hold public hearings about whether to impose a new round of tariffs on China. During the Track Record Period, we derived part of our revenue from the sales of package tours bound for the United States. In light of the recent threats of US-China trade war, our business and operating performance may be affected by any decline in Chinese tourism to the US due to the trade tensions between the US and the PRC. It is uncertain whether the trade negotiations between the United States and China will be successful and how the trade war between the United States and China will progress. As advised by F&S, the number of tourists from PRC to the United States decreased from approximately 3.2 million in 2017 to approximately 3.0 million in 2018. Out of the total number of PRC tourists in 2018, approximately 0.2% of them travelled to the United States. On the other hand, according to the F&S Report, the overall influence of trade war on the PRC tourism industry and integrated travel service providers is insignificant. However, if the trade war between the United States and China continues or escalates, it may lead to a decrease in the demand for our travel products bound for the United State and our business, results of operations, financial condition and prospects may be adversely affected. We cannot predict whether changes in China's diplomatic relationship with any destination country will have any adverse effect on our current or future business, financial condition or results of operations.

We face increased market competition from competing travel agents, hotel/flight providers, online sales platforms and alternative travel booking media.

The travel industry in the PRC is highly competitive. With increased popularity of Internet use, apart from facing competition from other travel agents which provide online sale platforms, we also face fierce competition from international and local online travel agencies and online booking platforms operated by airlines and hotels which have aggressive marketing campaigns and promotion programmes from time to time. According to the F&S Report, by the end of 2017, there were approximately 2,200 licensed travel agents in Zhejiang Province, PRC. Some of our competitors may possess stronger brand recognition, higher sales volume, larger consumer bases, or greater financial, marketing and/or other resources than us. There is no assurance that we will be able to remain competitive and to compete successfully against current and future competitors which may have a material adverse effect on our business, growth prospects, financial condition and results of operations.

The non-performance or sub-standard performance of our products and services, or any unsatisfactory performance or misconduct by the third-party land operators engaged to provide services for our package tours, may result in complaints from or claims by customers and our business and operating results may be materially and adversely affected if we fail to deal with customer complaints or negative media publicity.

The quality of our travel products and services is vital to the success of our business in the industry. Our quality control depends significantly on the effectiveness of our quality control system, which, in turn, depends on a number of factors, including quality of our suppliers, and quality of our staff and related training programmes and our ability to ensure that our employees adhere to our quality control polices and guidelines. For details of our quality control, see "Business – Quality Control and Customer Service". Our business may be adversely affected by customer complaints, allegations or claims relating to our products and services, our operations, the non-performance or sub-standard performance of land operators, or negative media publicity thereof, whether meritorious or not.

Generally, we also rely on land operators at the tour destinations to provide local touring services including, without limitation, the provision of tour guides, local transportation, and arrangements for meals, accommodation and sightseeing activities. The service standard of land operators engaged by us will directly affect the quality of our package tours. For details on our selection of land operators, see "Business – Quality Control and Customer Services – Suppliers". Any non-performance, sub-standard performance or misconduct of land operators which is out of our control as we do not own or manage the land operators. These may materially and adversely affect the quality of our tours, as well as our reputation. In addition, we may not be able to maintain our current relationships with our land operators. The termination or expiration of any of our contracts with such land operators and the inability to negotiate replacement contracts at comparable rates could have a material adverse effect on our business and operating results.

Our package tours may be subject to cancellation before the departure date due to various reasons, including but not limited to safety issues relating to the tour destinations, outbreak of any severe epidemic or contagious diseases and the insufficient number of customers enrolled to a tour. Under such circumstances, we are entitled to cancel the tour at our discretion. We may provide refund and compensation to our customers, but our customers may be dissatisfied with the arrangement and may file complaints to our Group, relevant regulatory authorities in the PRC and/or other destination countries or the media.

During the Track Record Period, we received customer feedbacks and complaints from our customers. These complaints relate to the itinerary of package tours, lost of luggage, service quality of tour guides and travel insurance, as well as matters which do not involve any default or deficiency on our part. Negative customer feedbacks, complaints or claims against our Group, whether meritorious or not, which will place burden on our Group to divert management and other resources from other business concerns. If we fail to deal with those complaints properly, whether meritorious or not, this may lead to negative publicity and may materially damage our reputation and goodwill, which may in turn materially and adversely

affect our business and operating results. The involvement in any potential litigation or other legal proceedings which may occur during our ordinary course of business related to, among other things, quality of our products and services, labour disputes, contractual disputes or personal injuries that could have a material and adverse effect on our financial condition. If we become involved in any litigation or other legal proceedings in the future, the outcome of such proceedings could be uncertain and could result in settlements or outcomes which negatively impact our reputation and our financial condition.

Our Group's continuing success depends on our ability to retain our senior management and key personnel.

We rely on the experience, expertise, business insight and leading skills of the senior management and key personnel who are responsible for our Group's overall business development and strategic planning as well as the operation and management in general. Our Group's continuing success depends on our ability to retain our senior management and key personnel. However, competition in the travel industry for experienced and appropriate personnel is intense as it is difficult to recruit a person with relevant professional skills and experience in the travel industry. If one or more of the senior management or key personnel is or are unable or unwilling to continue in their present positions, we may not be able to replace them promptly or at all in the future and hence our business and results of operations may be adversely affected.

Our business operations depends on the services rendered by our employees, and any labour dispute, shortage of labours or any non-adherence to our quality control policy by our employees may affect our business and operations.

Our continued business success depends on our skilled and talented employees, such as our customer service officers, travel consultants, tour escorts and tour guides. Being in a service-oriented industry, we face the risk that certain of our employees, including our freelance tour escorts and/or tour guides, may not adhere to our mandated procedures and requirements. In addition, any deterioration of our labour relations could cause labour disputes which may affect the quality of service rendered by our employees and in turn disrupt our operations. We cannot assure you that we will not receive any complaints relating to the quality of services provided by our Group in the future.

We require various licences and permits to commence, operate and expand our business. Any revocation of or failure to obtain or renew any or all of these licences and permits or any enforcement action taken against us for non-compliance incident may materially and adversely affect our business and expansion plans. In addition, any future changes in laws or regulations or enforcement policies relating to travel industry could materially and adversely affect our business, financial condition and results of operations.

In accordance with the applicable PRC laws and regulations, we are required to obtain and maintain various licences and permits in order to commence and continue our business operations.

As at the Latest Practicable Date, we have obtained the necessary licences from the relevant PRC government authorities and has satisfied all criteria for licensing. However, we are not able to guarantee that our licences will be renewed upon expiry. The revocation of or failure to obtain or renew our licences and permits could cause us to temporarily or permanently suspend some or all of our business operations, which could disrupt our operations and may materially and adversely affect our business, financial condition, results of operations and reputation.

In addition, we are unable to predict future changes in laws or regulations or enforcement policies relating to travel industry that may affect our business or operations or to estimate the ultimate cost of compliance with such laws and regulations. Further, if stricter laws or regulations or enforcement policies relating to travel industry are imposed, we may be adversely affected as a result of new or revised laws or regulations or by changes in the interpretation or enforcement of existing laws and regulations.

We could be adversely affected by changes in consumer preference and spending habits, and failure to develop successful products and services could have a negative effect on our business.

The travel industry in general is subject to changes in consumer preferences and spending habits. Any failure to adapt our product and service offerings to respond to such changes may result in decrease in our sales. Any changes in consumer preferences could result in lower sales of certain type or all of our products, put pressure on pricing or lead to increased levels of selling and promotional expenses, resulting in a material adverse effect on our business, financial condition or results of operations. The success of our products depends on a number of factors including our ability to accurately anticipate changes in market demand and consumer preference and our ability to differentiate the quality of our products and services from those of our competitors. It is uncertain whether we will continue to be successful in identifying trends in consumer preference, developing travel products and services that respond to such trends in a timely manner and promoting our products effectively. If our products and services fail to gain market acceptance, our business prospects, financial condition or results of operations may be materially and adversely affected.

We recorded negative cash flow from our operating activities in the past.

We recorded a negative cash flow from operating activities of approximately RMB53.0 million for the year ended 31 December 2018. The negative cash flow from operating activities for the year ended 31 December 2018 was mainly due to (i) the increase in prepayments and deposits for our procurement of air tickets; and (ii) the increase in trade receivables mainly as a result of the significant increase in sales of air tickets in particular to corporate and institutional customers and the increase in performance guarantee as a result of the increase in sales of air tickets that were not yet departed as at 31 December 2018. We may have ongoing negative operating cash flow in the future. If we fail to generate sufficient cash flow from our operations to meet our present and future financial needs, we may need to finance from external sources.

We are exposed to credit risk of our customers.

Our trade receivables as at 31 December 2016, 2017 and 2018 amounted to approximately RMB36.6 million, RMB48.0 million and RMB99.1 million, respectively, accounted for approximately 27.4%, 22.4% and 34.9% of our Group's total assets, respectively. For the year ended 31 December 2016, 2017 and 2018, the average turnover days of trade receivables was approximately 19.1 days, 33.2 days and 54.5 days, respectively.

Should the creditworthiness of our customers deteriorate or should a significant number of our customers fail to settle their trade receivables in full for any reason, we may incur impairment losses and our results of operations and financial position could be materially and adversely affected. In addition, there may be a risk of delay in payment by our Group's customers from their respective credit period, which in turn may also result in an impairment loss provision and may affect our cash flows. There is no assurance that we will be able to fully recover our trade receivables from the customers or that they will settle our trade receivables in a timely manner. In the event the settlements from the customers are not made in a timely manner, the financial position, profitability and cash flows of our Group may be adversely affected.

The revaluation of investment properties is subject to uncertainties in accounting estimates which may affect our financial performance.

As at 31 December 2016, 2017 and 2018, the approximate carrying value of our investment properties were nil, RMB9.7 million and RMB9.7 million, respectively. We also recognised impairment loss in respect of our property (which was classified as property, plant and equipment at the relevant time) of RMB2.2 million for the year ended 31 December 2016. The revaluation of investment properties is subject to uncertainties in accounting estimates due to the application of significant unobservable inputs such as (i) estimated market rent; and (ii) term yield. Any change in the accounting estimates will affect the valuation. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise. If the revaluation of investment properties results in a decrease in value which affect our profit or loss, our financial performance may be adversely affected.

We pay deposit/prepayment to our suppliers which may not be refundable if we fail to utilise all the seats or bookings reserved by us.

Some of our air ticket suppliers require us to pay deposit/prepayment for block reservation. We are also required to pay full amount for ad-hoc seats and charter flight seats reserved to some of our suppliers from time to time. In the event that we are unable to fully utilise all the seats reserved, our air ticket suppliers may not refund the full amount paid by us. As at 31 December 2016, 2017 and 2018, deposits and prepayments paid by us to our air ticket suppliers amounted to RMB16.2 million, RMB31.3 million and RMB65.8 million, respectively and RMB0.1 million, RMB0.2 million and RMB0.2 million was forfeited for the year ended 31 December 2016, 2017 and 2018, respectively, since we did not manage to fully utilise all reserved seats. There can be no assurance that we will be able to limit or reduce such forfeiture, and any material increase in forfeiture may have a material adverse effect on our financial condition and results of operations.

We may be required to deposit financial securities to designated bank accounts as required by the relevant PRC laws and regulations and to provide financial securities to certain air tickets suppliers and GDS service providers.

According to Regulation on Travel Agencies (旅行社條例), a travel agency shall within three workdays from the day when it obtains the business permit for travel agencies deposit quality assurance fund to a bank account designated by the tourism administrative department of the State Council. As a result, we placed deposit of approximately RMB4.0 million, RMB3.9 million and RMB5.3 million as at 31 December 2016, 2017 and 2018, respectively. See "Financial Information – Description of Certain Items of Combined Statements of Financial Position – Pledged short-term deposits" and note 18 to the Accountants' Report set out in Appendix I to this prospectus for further details. In case of failure to fulfil such legal requirement or provide the financial securities required in a timely manner or at all, the relevant PRC government authority may invalidate our licence, and we may not be able to continue our business, which could materially and adversely affect out financial condition and results of operations.

Furthermore, certain air tickets suppliers and GDS service providers may also require us to provide financial securities including letter of guarantee to secure our performance of obligations under the relevant supply agreement, failure of which may materially and adversely affect our business relationship with such airline suppliers and GDS service providers, decrease our revenue, as well as reduce our profitability and prospects.

Our business is subject to seasonality factors.

Seasonality is one of the most significant features of the travel industry business. Demand for our products will generally increase during holiday periods such as Chinese Lunar New Year and summer holidays in July and August. Further, the prices of our products and thus our revenue are generally higher in peak seasons than low seasons. Any reduction in the sales of our products and services during the peak season may have an adverse impact on our sales and performance. Furthermore, comparisons of sales and operating results between different periods within a single financial year may not be meaningful and should not be relied upon as indicators of our performance. Accordingly, our operating results may subject to fluctuations from time to time.

We may be subject to penalties for the non-registration of lease agreements in China.

According to the Measures for Administration of Lease of Commodity Properties (商品房屋租賃管理辦法), lease agreements have to be registered with the relevant authorities within 30 days of signing. As advised by our PRC Legal Advisers, the relevant government authority may require the parties to a lease to register it within a given period, and a fine ranging between RMB1,000 to RMB10,000 for each unregistered lease may be imposed on the parties to the lease for failing to rectify within the given period. As at the Latest Practicable Date, we leased a total of 24 properties in the PRC from different lessors as our office premises, of which eight properties had yet to be registered with the relevant government authorities. As advised by our

PRC Legal Advisers, the maximum penalty that may be imposed on us is approximately RMB80,000 according to the relevant PRC laws and regulations. Up to the Latest Practicable Date, we have neither been penalised for the non-registration of our lease agreements nor received a request from any government authority to complete the registration formalities. We intend to register future lease agreements to the extent practicable, however, we cannot assure you that we would not be subject to any penalties and/or requests for undertaking the registration formalities in the future.

We may not have recourse against third parties for infringement of our intellectual property rights and our business operation is subject to the risk of infringement of third party intellectual property rights.

As at the Latest Practicable Date, we were the registered owner of 14 trademarks in the PRC and five trademarks in Hong Kong that are material to our business. For details of our Group's registered trademarks, see "Appendix V – Statutory and General Information – E. Further Information About Our Business – 2. Our Intellectual Property Rights" of this prospectus.

Our Directors consider our success depends in part on the protection of our trademarks and intellectual property rights. Any infringement or unauthorised use of our trademarks or our brand name could harm our goodwill and business. There can be no assurance that we can prevent or deter infringement or other misappropriation of our intellectual property rights. We may not be able to detect any infringement or take appropriate steps to enforce our intellectual property rights. We may be required to institute legal proceedings to enforce our intellectual property rights which may be costly, unsuccessful, and divert the efforts of our management away from our business and thereby adversely affect our business, financial position and our results of operations.

In addition, as we may adopt online materials or images or material provided by our suppliers in our advertisements and marketing materials, there is no assurance that our business operations do not or will not inadvertently infringe the copyright or other intellectual property rights of third parties or become a party to such dispute. The exact determination of the scope of copyright or other intellectual property rights can be complex and costly. In the event that we have infringed the intellectual property rights of third parties, they may initiate litigation or other proceedings against us for the alleged infringement. Intellectual property disputes may last for a significant period of time and require considerable personnel and financial resources. If the outcome of such a legal dispute is adverse to us, we could be ordered to pay substantial licence fees, royalties and/or damages. Any infringement of third party copyrights or other intellectual property rights or any lawsuits relating hereto could have a material adverse effect on our business, financial condition, results of operations and reputation.

We rely on GDS service providers for our business operations.

We rely on GDS service providers to access to airfares and make reservation for air tickets. We have also developed our own system that allow us to connect to the system of these GDS service providers in order to synchronise flight information to our booking platforms. Any material disruption or underperformance of our GDS service providers could disrupt our business, our service levels, our reputation and adversely impact our operating results. If the relevant agreements we entered into with our GDS service providers are terminated or cannot be renewed, we may not be able to source alternative service providers and/or negotiate comparable commercial terms with our new service providers. As a result, our business operations and profitability may be adversely affected. Failure to maintain our relationships and renew agreements with any of our GDS service providers may have material and adverse effect on our overall financial performance and prospects.

We rely on our information system and our business may be adversely affected if our information system is contaminated by computer virus or hacking or if they become unavailable in the future.

We are dependent on our information technology systems, in particular our online reservation systems and integration of our systems with those of our suppliers for travel products to conduct our business. We also rely on third-party service providers and suppliers for GDS, through which we make reservation with airlines. If our online reservation systems cease to be compatible with the systems of our suppliers and service providers, or if new technologies which we adopt cannot successfully interface with our suppliers and service providers in the intended manner or timescale, our operation may be adversely affected.

Our information system and third-party provided systems may be vulnerable to disruptions caused by computer viruses and hacking, which may cause delay or cessation in executing our airline and hotel booking instructions. Any contamination by computer viruses or hacking into our system and networks may also jeopardise the security of confidential information (such as customer data or booking records) stored in our systems and networks. All of these could cause serious disruptions to our business operations, service quality and seriously impact on our customers' perception of our brand.

In addition, if our current arrangements with any of these third-party service providers and suppliers are terminated, we may have to source for alternative service providers and suppliers and/or negotiate new terms and conditions with the incoming service providers and suppliers, which could adversely affect our business, financial condition and operating results.

We may not be successful in the implementation of our future plans. Our future expansion plans are subject to uncertainties and risks and could result in fluctuations in our financial performance.

We have formulated our future plans with the view to increase our market share and sustain business growth. Details of our future plans are set out in "Future Plans and Use of Proceeds". The successful implementation of our future plans may be affected by various

factors including changes in business environment, economic conditions, market demand and regulatory framework, and other contingencies which are beyond our control. Such uncertainties and contingencies may lead to the postponement of our future plans or may increase the costs of implementation. There can be no assurance that our future plans will materialise.

Moreover, the continued expansion of our business may place significant strain on our managerial, operational and financial resources. There is no assurance that our future plans will materialise and if not, our operations may be negatively affected and thereby affecting our financial performance. Our operating results in the future may also continue to be influenced by the implementation timing of our future plans. Accordingly, our expansion plan may have material impact on our profitability and cost structure, and our results of operations may fluctuate significantly from time to time.

Our Group's insurance coverage may not adequately protect our Group against all our risks.

We may be subject to third party claim for injury suffered in our business premises in which we operate our business. Any third party claim may have a material and adverse effect on our business and operating results as well as damage to our reputation. We may also be subject to claims for losses and damage and accidents arising in the course of our tour operations. There can be no assurance that the insurance policies maintained by us will be sufficient to cover all our risks in connection with our operations. Losses incurred which are not covered by our insurance policies may have material adverse effect on our business, financial condition and results of operations.

RISKS RELATING TO OUR CONTRACTUAL ARRANGEMENTS

Substantial uncertainties exist with respect to the interpretation and implementation of the FIL in the PRC which may impact the viability of our current corporate structure, corporate governance and business operations.

On 15 March 2019, the NPC adopted the FIL. The FIL did not mention the principle of "*actual control*" (including VIE structures) that the 2015 Draft purported to introduce. As the interpretation and implementation of the FIL has not been officially promulgated, there are uncertainties as to whether it will impact the viability of our current corporate structure, corporate governance and business operations.

Many PRC companies, including us, adopt VIE structures to obtain the necessary licences and permits in order to enter into industries where foreign investment is restricted or prohibited in the PRC. Although the FIL no longer mentions the principle of "*actual control*" (including VIE structures), we cannot rule out the possibility that such principle will be purported in the form of other laws, administrative regulations or format as stipulated by the State Council. If the interpretation and/or implementation guidelines of the FIL adopt the "*actual control*" principle and require further action, such as obtaining MOFCOM market access permit, to be

taken by companies with existing VIE structures like our Company, we cannot be certain that we can obtain such permit in time or at all. In the worst case scenario, our Contractual Arrangements may be treated as ineffective and illegal which will prevent us to conduct our air ticketing sales agency business, outbound travel business, our operation of websites and mobile applications and concurrent-business insurance agency business through the Contractual Arrangements, and we will lose our rights to receive the economic benefits from the Operating Entities. Under such circumstances, the financial results of the Operating Entities will no longer be consolidated into our financial results and we will have to derecognise the assets and liabilities of such entities according to the relevant accounting standards, to the point that we may be required to dispose our air ticketing sales agency business, outbound travel business, our operation of websites and mobile applications and concurrent-business insurance agency business in accordance with the Contractual Arrangements. If our Company no longer has a sustainable business after the disposal of these businesses, our Shares may be delisted from the Stock Exchange. See "Contractual Arrangements – Development in the PRC Legislation on Foreign Investment" for further details on the FIL and their potential impact on us.

The PRC government may determine that the Contractual Arrangements are not in compliance with applicable PRC laws, rules, regulations or policies and may take actions against us or our operation.

The majority of our Group's total revenue and total net profit for each year during the Track Record Period were generated from the Operating Entities.

In order for us to operate our outbound travelling business, value added telecommunication business, aviation service sales agency business, and insurance agency business in China, separate sets of agreements that constitute the Contractual Arrangements have been entered into, under which substantially all the economic benefits and risks arising from the business of the Operating Entities are transferred to the WFOE by means of accrual and payment of service operation fees. As our equity-owned subsidiaries currently may not be granted the necessary licences including travel agency business licence for outbound travel business, ICP licence, air transportation sales agency business qualification certificate and insurance agency business licence, to operate outbound travel business, value added telecommunication business, aviation service sales agency business, and insurance agency business for PRC citizens, we rely on the Operating Entities to hold and maintain the licences necessary to operate our travelling business and operation in China. See "Contractual Arrangements" for further details of the Contractual Arrangement. As advised by our PRC Legal Advisers, (i) the content and contractual structures of the Contractual Arrangements are not in violation of existing PRC laws and regulations; (ii) the Contractual Arrangements are legally valid, binding and enforceable; and (iii) the business operations of our Group and the Operating Entities, as described in this prospectus, are not in any violation of the existing PRC laws and regulations in any material respect.

There are, however, substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations. In particular, any future acquisition of rights, benefits or assets of or equity interests in the Operating Entities pursuant to the Contractual

Arrangements will be subject to the laws and regulations then applicable. Accordingly, we cannot assure you that some of the PRC regulatory authorities will not ultimately take a view which is contrary to that of our PRC Legal Advisers. If we are found to be in violation of any existing or future PRC laws or regulations, the relevant regulatory authorities may exercise its discretion to deal with such violations, including possibly:

- revoking the business and operating licences held by the Operating Entities;
- ruling the Structured Contracts as unlawful, invalid or unenforceable;
- imposing economic penalties;
- restricting our right to collect revenues;
- discontinuing or restricting the operations of the Operating Entities or our Group;
- imposing conditions or requirements with which we or the Operating Entities may not be able to comply;
- requiring us or the Operating Entities to restructure our ownership or operations; or
- taking other regulatory or enforcement actions, including levying fines, that may be prejudicial to our business.

Any of the above possible actions which may be taken by PRC regulatory authorities may hamper or even terminate the flow of economic benefits from the Operating Entities to our Group as stipulated under the Contractual Arrangements. It may result in the diversion of management attention and the incurring of substantial operating and remedial costs which may adversely affect our business, financial condition or results of operations.

Our Contractual Arrangements may not be as effective in providing control over our Operating Entities as equity ownership.

We have relied and expect to continue to rely on our Contractual Arrangements to operate the majority of our travelling business in China. See "Contractual Arrangements" for further details of a description of these Contractual Arrangements. These Contractual Arrangements may not be as effective in providing us with control over our Operating Entities as equity ownership. If we had equity ownership of our Operating Entities, we would be able to exercise our rights as a direct or indirect shareholder to effect changes in the board of directors of our Operating Entities, which in turn could effect changes, subject to any applicable fiduciary obligations, at the management level. However, as these Contractual Arrangements stand now, if our Operating Entities or their shareholders fail to perform their respective obligations under these Contractual Arrangements, we cannot exercise shareholders' rights to direct corporate actions as direct ownership would otherwise entail. If the parties under such Contractual Arrangements refuse to carry out our directions in relation to daily business operations, we will

be unable to maintain effective control over our operations in China. If we were to lose effective control over our Operating Entities, certain negative consequences would result, including us being unable to combine the financial results of our Operating Entities with our financial results. Given that we derived all of our revenue from our Operating Entities for the year ended 31 December 2016, 2017 and 2018, and substantially all of the assets of our Group in the PRC are held by our Operating Entities (including our permits and licences, leasehold improvement, investment property and other facilities related to our business), our financial position would be materially and adversely affected if we were to lose effective control over our Operating Entities or if our Contractual Arrangements are invalidated or nullified. In addition, losing effective control over our Operating Entities may negatively impact our operational efficiency and brand image. Further, losing effective control over our Operating Entities may impair our access to their cash flow from operations, which may reduce our liquidity.

The owners of our Operating Entities may have conflicts of interest with us, which may materially and adversely affect our business, financial condition and results of operations.

Our control over our Operating Entities is based upon the Contractual Arrangements with our Operating Entities. Mr. He, Mr. Li, Mr. Wu, Mr. Chen, Ms. Qian, Ms. Qiu and Feiyang Management, who are seven of the registered shareholders of Feiyang International, amongst which four are also our executive Directors and Mr. He is our Controlling Shareholder. Either of them may potentially have conflict of interest with us and breach any of their contracts or undertakings with us if it would further any of their own interests or if any of them otherwise acts in bad faith. We cannot assure you that when conflict of interest arise between our Company and the beneficial owners of our Operating Entities, any of them will act completely in our interest or that the conflict of interest will be resolved in our favour. In the event that such conflict of interest cannot be resolved in our favour, we may have to rely on legal proceedings which may disrupt our business operations and subject us to uncertainties as to the outcome of such legal proceedings. As a result, our business, financial condition and results of operations may be materially and adversely affected.

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

Under the current Contractual Arrangements, if any of our Operating Entities or their ultimate shareholders fails to perform its or his respective obligations under these Contractual Arrangements, we may incur substantial costs and resources to enforce such arrangements and relying on legal remedies under PRC laws, including seeking specific performance or injunctive relief and claiming damages.

Our Contractual Arrangements described above are governed by PRC laws and provide for the resolution of disputes through arbitration in China. Accordingly, these contracts would be interpreted in accordance with PRC laws and any disputes would be resolved in accordance

with PRC legal procedures. Under PRC laws, rulings by arbitrators are final and the parties to a dispute cannot appeal the arbitration results in any court based on the substance of the case. The prevailing party may enforce the arbitration award by instituting arbitration award recognition proceedings with the competent PRC court. As a result, uncertainties in the PRC legal system could limit our ability to enforce these Contractual Arrangements. In the event that we are unable to enforce these Contractual Arrangements, we may not be able to exert effective control over our Operating Entities for an extended period of time or we may be permanently unable to exert control over our Operating Entities. If this were to occur, we would be unable to combine the financial results of our Operating Entities with our financial results, which may materially and adversely affect our business, financial condition and results of operations and may therefore decrease the value of our Shareholders' investments in our Company.

In addition to the enforcement costs outlined above, during the course of disputes regarding such enforcement action, we may temporarily lose effective control over our operation in China, which may lead to loss of revenue or potentially lead to us having to incur additional costs and expend substantial resources to operate our business in the absence of effective enforcement of these Contractual Arrangements. If this were to occur, our business, financial condition and results of operations may be materially and adversely affected and the value of our Shareholders' investments in our Company may therefore decrease.

Certain terms of our Contractual Arrangements may not be enforceable under PRC laws.

Our Contractual Arrangements provide for the resolution of disputes through arbitration in accordance with the arbitration rules of the China International Economic and Trade Arbitration Commission. Our Contractual Arrangements contain provisions to the effect that the arbitral body may award remedies over the shares and/or assets of our Operating Entities, injunctive relief and/or winding up of our Operating Entities. In addition, our Contractual Arrangements contain provisions to the effect that courts in Hong Kong and the Cayman Islands are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal. However, we have been advised by our PRC Legal Advisers that the abovementioned provisions may not be enforceable. Under PRC laws, an arbitral body granting any injunctive relief or provisional or final liquidation order to preserve the assets of or any equity interest in Chinese legal entities in case of disputes must submit the application to the court in China. Therefore, such remedies may not be available to us, notwithstanding the relevant contractual provisions contained in our Contractual Arrangements. PRC laws allow an arbitral body to award the transfer of assets of or an equity interest in China in favour of an aggrieved party. In the event of non-compliance with such award, enforcement measures may be sought from the court. However, the court may or may not support the award of an arbitral body when deciding whether to take enforcement measures. Courts of judicial authorities in the PRC may not grant injunctive relief or the winding-up order against an entity as interim remedies to preserve the assets or shares in favour of any aggrieved party.

The Contractual Arrangements may be considered by the PRC tax authorities as requiring transfer pricing adjustments.

The Structured Contracts were negotiated and executed based on an equal standing and reflect the true commercial intention of the Operating Entities, the relevant equity-owned subsidiaries of our Company and other relevant parties thereto. Further, we entered into the Contractual Arrangements only in respect of those businesses which are subject to foreign ownership restrictions under the laws and/or regulations of PRC. However, if the PRC tax authorities determine that the Structured Contracts were not entered into based on arm's length negotiations and therefore constitute unfavourable transfer pricing arrangements, we may face material adverse tax consequences. Unfavourable transfer pricing arrangements may, among other things, result in an upward adjustment of the amount of tax we are required to pay. In addition, the PRC tax authorities may impose interest on late payments on the Operating Entities or our Group for the adjusted but unpaid taxes.

We are not in a position to predict what position the PRC tax authorities may take in connection with the Contractual Arrangements. Our results of operations may be materially and adversely affected if the Operating Entities' or WFOE's tax liabilities increase significantly or if they are required to pay interest on late payments.

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

We currently conduct the majority of our operations in the PRC through the Contractual Arrangements. As part of these arrangements, our Operating Entities hold a majority of the assets that are important to the operation of our business, including operating permits and licences, real estate leases, buildings and other facilities related to our operation. Under the Contractual Arrangements, the Relevant Shareholders may not unilaterally, without our consent, decide to voluntarily liquidate our Operating Entities.

If any of these entities goes bankrupt and all or part of their assets become subject to liens or rights of third-party creditors, we may not be able to continue some or all of our business activities, which could materially and adversely affect our business, financial condition, results of operations and price of our Shares. If any of our Operating Entities undergoes a voluntary or compulsory liquidation proceeding, its shareholders or unrelated third-party creditors may claim rights to some or all of these assets, thereby hindering our ability to operate our business.

Our ability to acquire the entire equity interest and/or assets of the Operating Entities is subject to restrictions.

We have entered into the Contractual Arrangements in order to manage our businesses in China, and we will unwind the Contractual Arrangements when PRC laws and regulations allow our businesses to be directly operated by us through the acquisition of the entire equity

interest and/or all assets of the Operating Entities. However, our acquisition of the Operating Entities' equity interest and/or assets may only be conducted to the extent as permitted by applicable PRC laws and may be subject to obtaining the prerequisite approvals and procedures under applicable PRC laws. In addition, our acquisition may be subject to a minimum price limitation (such as an appraised value for the entire equity interest or all assets of the Operating Entities) or other limitations as imposed by applicable PRC laws, and may also be subject to substantial costs. The respective shareholders of the Operating Entities have undertaken to us that if any minimum price is required to be paid by the WFOE or its nominee(s) to any of them, such price will be reimbursed to the WFOE or its nominee(s). However, the legality and enforceability of such undertakings are subject to the then applicable PRC laws and regulations. As long as the Contractual Arrangements have to be maintained, we will continue to face those risks relating to Contractual Arrangements as outlined above.

RISK RELATING TO CONDUCTING BUSINESS IN THE PRC

We are subject to the political, economic and social development as well as laws, rules, regulations and licensing requirements in the PRC.

Most of our businesses, assets, operations and our revenue are located in or derived from our operations in the PRC, and as a result, our business, financial condition and results of operations are subject to the economic, political, social and regulatory environment in the PRC.

The economy of the PRC differs from the economies of most developed countries in many respects, including, among others, the extent of government involvement, level of development, growth rate, and control of foreign exchange and the allocation of resources.

The PRC economy has been undergoing a transition from a planned economy to a market-oriented economy. The PRC government has in recent years implemented measures emphasising the utilisation of market forces for economic reform and the establishment of sound corporate governance in business enterprises. However, the PRC government still retains significant control over the PRC's economic growth through the allocation of resources, controlling payment of foreign currency – denominated liabilities, setting monetary policy and providing preferential treatment to particular industries or enterprises.

Our performance has been and will continue to be affected by the PRC's economy, which has slowed down in recent years. The PRC's economic growth is also influenced by the global economic condition such as the trade war between China and the United States, and the uncertainties in financial markets over the decision by the United Kingdom to exit the European Union.

Any unfavourable political, economic or social development in the PRC, or an unfavourable change in the PRC's laws, regulations, rules and licensing requirements, may adversely affect our business, financial condition and results of operations. We are unable to accurately predict the precise nature of all the risks and uncertainties that we face as current economic, political, social and regulatory conditions and many of the associated risks are beyond our control.

Uncertainties with respect to the PRC legal system could have an adverse effect on us.

Our business and operations in the PRC are governed by the legal system of the PRC. The PRC legal system is based on written statutes, and prior court decisions can only be cited as reference. The PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commerce, taxation, finance, foreign exchange and trade with a view to develop a comprehensive system of commercial law.

However, the PRC has not developed a fully-integrated legal system. The recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in the PRC, or may be unclear or inconsistent. Due to the limited volume of published decisions and their non-binding nature, the interpretation and enforcement of PRC laws and regulations involve uncertainties and can be inconsistent.

Even where adequate laws exist in the PRC, the enforcement of existing laws or contracts may be uncertain or sporadic, and it may be difficult to obtain swift and equitable enforcement of a judgment by a court. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until sometime after the violation. Any litigation in the PRC may also be protracted, resulting in substantial costs being incurred and the diversion of resources and management's attention. In addition, we cannot predict future developments in the PRC legal system or the effects of such developments. The materialisation of all or any of these uncertainties could have an adverse effect on our financial position and results of operations.

Governmental control of currency conversion may limit our ability to utilise our cash effectively, which may adversely affect the value of your investment.

The PRC government imposes controls on the convertibility of the RMB into foreign currencies and, in certain cases, the remittance of foreign currency out of the PRC. We receive our revenue in RMB, which is currently not a freely convertible currency. As a Cayman Islands holding company, we may, to a certain extent, rely on dividend payments from our PRC subsidiary to fund any cash and financing requirements we may have. Shortages in the availability of foreign currency may restrict our ability to remit sufficient foreign currency to pay dividend, or otherwise satisfy foreign currency denominated obligations.

Under the existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditure from the trade-related transactions, can be made in foreign currencies without the prior approval from the SAFE, by complying with certain procedural requirements. However, payments under the capital account items, including capital transfers, direct investment, securities investment, and the repayment of the principal amount of the borrowings, are subject to significant foreign exchange controls and require the prior approval from the SAFE or the registration with the SAFE or the banks. Furthermore, the PRC government may also at its discretion restrict access to foreign

currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay certain of our expenses as they come due.

It may be difficult to enforce any judgements obtained from non-PRC courts against our Company or our Directors or senior executive officers residing in China.

All of our Directors and executive officers reside in China. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgements of courts with Australia, Japan, New Zealand, the United Kingdom, the United States and many other countries. As a result, it may not be possible for investors to serve process upon those persons in the PRC, or to enforce against them in the PRC, any judgments obtained from non-PRC courts. In addition, judgments of a court of any other jurisdiction related to any matter not subject to a binding arbitration provision may be difficult or impossible to enforce.

Under the current arrangement for reciprocal enforcement of arbitral awards between the PRC and Hong Kong, awards made by the PRC arbitral authorities that are recognised under the Arbitration Ordinance can be enforced in Hong Kong. Hong Kong arbitration awards are also enforceable in the PRC. On 14 July 2006, the Supreme People's Court of the PRC and the Government of the Hong Kong Special Administrative Region signed an Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters. Under this arrangement, where any designated People's Court or Hong Kong court has made an enforceable final judgement requiring payment of money in a civil and commercial case pursuant to a choice of court agreement, any party concerned may apply to the relevant People's Court or Hong Kong court for recognition and enforcement of the judgement. Although this arrangement became effective on 1 August 2008, the outcome and effectiveness of any action brought under the arrangement remain uncertain.

RISK RELATING TO THE GLOBAL OFFERING

There is no prior public market for our Shares and an active trading market may not develop or be sustained after the Listing and market price and trading volume of the Shares may fluctuate significantly.

Prior to the Listing, there has been no public market for the Shares. The indicative range of the Offer Price was determined as a result of negotiations between the Sole Global Coordinator and our Company. The Offer Price may differ significantly from the market price of our Shares following the Global Offering. We have applied for the listing of and permission to deal in our Shares on the Main Board. However, even if approved, being listed on the Main Board does not guarantee that an active trading market for our Shares will develop following the Global Offering or that our Shares will always be listed and traded on the Main Board. We cannot assure you that an active trading market will develop or be maintained following the completion of the Global Offering, nor that the market price of our Shares will not decline below the Offer Price.

The market price and trading volume of our Shares may be highly volatile. Factors such as variations in our revenue, earnings and cash flow and announcements of new investments, strategic alliances and/or acquisitions, fluctuations in market prices for our products and services or fluctuations in market prices for comparable companies could cause the market price of our Shares to change substantially. Any such developments may result in large and sudden changes in the volume and price at which our Shares will trade.

In addition, shares of other comparable companies listed on the Main Board have experienced substantial price volatility in the past, and it is likely that from time to time, our Shares will be subject to changes in price that may not be directly related to our financial or business performance.

Investors for our Offer Shares will experience immediate dilution and may experience further dilution if we issue additional Shares in the future.

The Offer Price of our Shares is higher than the net tangible assets value per Share immediately prior to the Global Offering. Therefore, our Shareholders will experience an immediate dilution in pro forma net tangible assets value.

Also, one of the benefits to our Company upon Listing is the access to the capital market and our Group may raise additional funds to finance future expansion of our business, operations or acquisitions. Our Company will comply with Rule 10.08 of the Listing Rules, which specifies that no further Shares or securities convertible into equity securities of our Company (subject to certain exceptions) may be issued or form the subject of any agreement to be issued within six months from the Listing Date. Upon expiry of such six-month period, our Group may raise additional funds by issuing new equity or equity-linked securities of our Company and such fund-raising exercises may not be conducted on a pro rata basis to our then existing Shareholders. As such, the shareholding of our then Shareholders may be reduced or diluted and subject to the terms of the issue of the new securities, the new securities may confer rights and privileges that have priority over those conferred by the issued Shares.

In addition, we may consider offering and issuing additional Shares in the future for expansion of our business or to the extent that our ordinary shares are issued upon the exercise of share options under the Share Option Scheme. In this regard, you may experience further dilution in the net tangible asset book value per Share if we issue additional Shares in the future at a price which is lower than the net tangible book value per Share.

Any disposal by our Controlling Shareholders of a substantial number of Shares in the public market could materially and adversely affect the market price of the Shares.

There is no guarantee that our Controlling Shareholders will not dispose of their Shares following the expiration of the respective lock-up periods after the Listing. We cannot predict the effect, if any, of any future disposal of the Shares by any of our Controlling Shareholders, or that the availability of the Shares for disposal by any of our Controlling Shareholders may have on the market price of the Shares. Disposal of a substantial number of Shares by any of our Controlling Shareholders or the market perception that any such disposal may occur could materially and adversely affect the prevailing market price of the Shares.

The interests of our Controlling Shareholders may not always coincide with the interests of our Group and those of our other Shareholders.

Upon completion of the Global Offering (without taking into account the Shares which may be issued pursuant to the exercise of the Over-allotment Option or/and any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme), our Controlling Shareholders will own, in aggregate, approximately 70.0324% of our Shares. Our Controlling Shareholders will therefore have significant influence over the operations and business strategies of our Group, and may have the ability to require our Group to effect corporate actions according to their own desires. The interests of our Controlling Shareholders may not always coincide with the best interests of other Shareholders. If the interests of any of our Controlling Shareholders conflict with the interests of other Shareholders, or if any of our Controlling Shareholders chooses to cause our Group's business to pursue strategic objectives that conflict with the interests of other Shareholders, the interests of our Group or of those other Shareholders may be adversely affected as a result.

There is no assurance if and when we will pay dividend in the future.

During the year ended 31 December 2017 and 2018, dividends of RMB4.7 million and RMB25.7 million were declared by a subsidiary to the then shareholders, respectively. All dividends declared had been settled. The value of dividends declared and paid in previous years should not be relied on by prospective investors as a guide to the future dividend policy of our Group or as a reference or basis to determine the amount of dividends payable in the future. There is no assurance that dividends will be declared or paid in the future. Distribution of dividend will be at the discretion of our Board and subject to Shareholders' approval. A decision to declare or pay dividend and the amount of such dividend will depend on various factors, including but not limited to our business performance, financial condition, operating and capital expenditure requirements, distributable profits as determined under the applicable accounting standards, the Articles of Association, applicable laws and regulations of the PRC and Hong Kong, market conditions, our strategic plans and prospects of business development, contractual limits and obligations, payment of dividend to us by our operating subsidiaries, taxation, and other factors determined by our Board from time to time to be relevant to the declaration or suspension of dividend payments. As a result, there is no assurance whether, when and in what manner we will pay dividend in the future.

You may face difficulties in protecting your interests under Cayman Islands law.

Our corporate affairs are governed by, among other things, our Memorandum of Association and Articles of Association and by the Companies Law and common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of interests of minority shareholders, in some respects, differ from those established under statutes or judicial precedent in existence in Hong Kong. The rights of Shareholders to take action against the Directors, the rights of minority shareholders to institute actions and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. A summary of Cayman Islands company law is set out in Appendix IV to this prospectus.

RISK RELATING TO STATEMENTS MADE IN THIS PROSPECTUS

Prospective investors should not place undue reliance on industry and market overview and statistics derived from official government publications contained in this prospectus.

Certain statistics, facts, data and forecasts presented in "Industry Overview" and elsewhere in this prospectus including those relating to the PRC, their economy and the travel industry have been derived, in part, from various publications and industry-related sources prepared by government officials or Independent Third Parties. Our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, advisers, agents, representatives or affiliates of any of them or any other persons or parties involved in the Global Offering have not verified such statistics, facts, data and forecasts and give no representation as to their accuracy and completeness. As such, potential investors should not place undue reliance on such information.

Our Group's future results could differ materially from those expressed in or implied by the forward-looking statements.

This prospectus includes various forward-looking statements that are based on various assumptions. Our Group's future results could differ materially from those expressed in or implied by such forward-looking statements. For details of these statements and the associated risks, see "Forward-looking Statements".

Shareholders should read this prospectus in detail.

There may have been coverage in the media regarding the Listing and our operations. We do not accept any responsibility for the accuracy or completeness of the information and make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media. To the extent that any of the information in the media is inconsistent or conflicts with the information contained in this prospectus, we disclaim it. Accordingly, prospective investors should not rely on any of the information in press articles or other media coverage.

In preparation of the Global Offering, our Company has sought and the Stock Exchange has granted the following waivers from strict compliance with the relevant provisions of the Listing Rules:

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong and, under normal circumstances, at least two of the new applicant's executive directors must be ordinarily resident in Hong Kong.

Since most of the business operations of our Group are managed and conducted outside of Hong Kong, and all of the executive Directors of our Company ordinarily reside outside Hong Kong, our Company considers that it would be practically difficult and commercially unreasonable and undesirable for our Company to arrange for two executive Directors to be ordinarily resident in Hong Kong, either by means of relocation of existing executive Directors or appointment of additional executive Director(s). Our Company does not have and does not contemplate in the foreseeable future that we will have sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules. We will ensure that there is an effective channel of communication between us and the Stock Exchange by way of the following arrangements:

(a) pursuant to Rule 3.05 of the Listing Rules, we have appointed Mr. Tam Chun Wai Edwin, our company secretary, and Mr. He, our executive Director, chairman and chief executive officer, as authorised representatives of our Company (the "**Authorised Representatives**"), to be the principal channel of communication at all times between the Stock Exchange and our Company. Although Mr. He resides in the PRC, he possesses valid travel documents and is able to renew such travel documents when they expire in order to visit Hong Kong. Each of them has provided their usual contact details and confirmed that he will be readily contactable by the Stock Exchange and will be available to meet with the Stock Exchange to discuss any matters within a reasonable period of time frame upon request of the Stock Exchange. Each of the Authorised Representatives has access to the Board of Directors (including the independent non-executive Directors) at all times. Each of the Directors, through the Authorised Representatives, can be reached by telephone, facsimile and e-mail. Our Company will also inform the Stock Exchange promptly in respect of any change in the Authorised Representatives;

(b) in addition to the appointment of the Authorised Representatives, to enhance communication between the Stock Exchange, the Authorised Representatives and the Directors, each Director must provide his or her mobile number, office number, e-mail address and facsimile number to the Authorised Representatives. In the event that a Director expects to travel and/or otherwise be out of office, he or she will provide phone number of the place of his or her accommodations or other contact

details to the Authorised Representatives. Our Company will provide the mobile number, office number, e-mail address and facsimile number of each Director to the Stock Exchange pursuant to Rule 3.20(1) of the Listing Rules and undertake to submit the director contact details form as prescribed by the Stock Exchange. Furthermore, each Director who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period of time upon prior notice from the Stock Exchange;

(c) we have appointed Giraffe Capital Limited as our compliance adviser (the "**Compliance Adviser**") in compliance with Rule 3A.19 of the Listing Rules, who will provide us with professional advice on the continuing obligations under the Listing Rules and act as our additional channel of communication with the Stock Exchange for the period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing. The Compliance Adviser will be available to answer enquiries from the Stock Exchange and will act as our principal channel of communication with the Stock Exchange when the Authorised Representatives are not available.

We shall ensure that the Compliance Adviser retained by us will have access at all times to our Authorised Representatives, our Directors and other officers. We shall also procure that such persons will provide promptly such information and assistance as the Compliance Adviser may need or may reasonably request in connection with the performance of the Compliance Adviser's duties as set forth in Chapter 3A of the Listing Rules. We shall ensure that there are adequate and efficient means of communication between our Company, our Authorised Representatives, our Directors and other officers and the Compliance Adviser, and will keep the Compliance Adviser informed of all communications and dealings between us and the Stock Exchange; and

(d) we shall also retain legal advisers after the Listing (i) to inform us on a timely manner of any amendment or supplement to the Listing Rules and any new or amended laws, regulations or codes in Hong Kong applicable to us, (ii) to provide advice to us on the continuing requirements under the Listing Rules and applicable Hong Kong laws and regulations, and (iii) to provide advice to us on the application of the Listing Rules and other applicable Hong Kong laws and regulations relating to securities after the Listing.

WAIVER IN RELATION TO CONTINUING CONNECTED TRANSACTIONS

We have entered into the Contractual Arrangements which would constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules following completion of the Listing. We have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Chapter 14A of the Listing Rules in relation to the non-exempt continuing connected transactions. Details of such non-exempt continuing connected transactions and the waiver are set out in the sections headed "Contractual Arrangements" and "Connected Transactions".

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (WUMP) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief that (i) the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive; (ii) there are no other matters the omission of which would make any statement herein or this prospectus misleading; and (iii) all opinions expressed in this prospectus have been arrived at after due and careful considerations, and are founded on bases and assumptions that are fair and reasonable.

PROSPECTUS ISSUED IN CONNECTION WITH HONG KONG PUBLIC OFFER ONLY

This prospectus is published solely in connection with the Hong Kong Public Offer, which forms part of the Global Offering.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Hong Kong Public Offer or to make any representation not contained in this prospectus and the relevant Application Forms, and any information or representation not contained herein and therein must not be relied upon as having been authorised by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, agents, employees or advisers, or any other person or party involved in the Global Offering.

Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as at any date subsequent to the date of this prospectus.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers as to the taxation implications of subscribing for, purchasing, holding or disposal of, and/or dealing in the Shares or exercising rights attached to them. None of us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, agents, employees or advisers, or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding, disposition of, or dealing in, the Shares or exercising any rights attached to them.

LANGUAGE

If there is any inconsistency between this prospectus and its Chinese translation, this prospectus shall prevail. For ease of reference, the names of Chinese laws and regulations, government authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in this prospectus in both the Chinese and English languages, and in the event of any inconsistency, the Chinese versions shall prevail.

ROUNDING

Amounts and percentage figures, including share ownership and operating data in this prospectus, may have been subject to rounding adjustments. In this prospectus, where information is presented in thousands or millions, amounts of less than one thousand or one million, as the case may be, have been rounded to the nearest hundred or hundred thousand, respectively, unless otherwise indicated or the context requires otherwise. Amounts presented as percentages have been rounded to the nearest tenth of a percent, unless otherwise indicated or the context requires otherwise. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of the individual items.

EXCHANGE RATE CONVERSION

In this prospectus, unless otherwise stated, amounts denominated in RMB have been translated into Hong Kong dollars at an exchange rate of RMB0.8779 to HK$1.00 for illustrative purposes only. Such conversions shall not be construed as representations that amounts in RMB were or could have been or could be converted into Hong Kong dollars at such rates or any other exchange rates on such date or any other date.

INFORMATION ABOUT THE GLOBAL OFFERING

Issuer	Feiyang International Holdings Group Limited
Global Offering	Global Offering of initially 125,000,000 Offer Shares (subject to adjustment and excluding the Shares to be issued pursuant to the exercise of the Over-allotment Option) comprising (i) Hong Kong Public Offer of initially 12,500,000 Offer Shares (subject to adjustment) and (ii) International Placing of initially 112,500,000 Offer Shares (subject to adjustment and excluding the Shares to be issued pursuant to the exercise of the Over-allotment Option).
Maximum offer price	HK$1.10.

Over-allotment Option and stabilisation	Up to 18,750,000 additional Shares to be offered by our Company. Details of the arrangements for Over-allotment Options and related stabilisation exercise are set out in "Structure and Conditions of the Global Offering" in this prospectus.
Lock-up undertakings by our Controlling Shareholders	See "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offer – Undertakings given to the Stock Exchange pursuant to the Listing Rules – By our Controlling Shareholders" in this prospectus.
Board lot	2,000 Shares.
Dividend policy	See "Financial Information – Dividends and Dividend Policy" in this prospectus. Unless we determine otherwise, dividend, if declared, will be paid in Hong Kong dollars to our Shareholders, as recorded in our register of members, by ordinary post, at our Shareholders' own risks, to the registered address of each such Shareholder, or in the case of joint holders, the first-named holder.
Voting rights	Each Share entitles its holder to one vote on a poll at our Shareholders' meeting. See "Summary of the Constitution of the Company and Cayman Islands Company Law" in Appendix IV to this prospectus.
Stamp duty	Dealings in the Shares registered in our register of members will be subject to Hong Kong stamp duty. The current ad valorem rate of Hong Kong stamp duty is 0.1% on the higher of the consideration for or the market value of the Shares and it is charged on the purchaser on every purchase and on the seller on every sales of the Shares. In other words, a total stamp duty of 0.2% is currently payable on a typical sale and purchase transaction involving the Shares.
Register of members	Our Company's branch share register will be maintained by the Hong Kong Branch Share Registrar. All of the Shares issued pursuant to the Global Offering will be registered on our branch share register.

Application for the Listing on the Stock Exchange

We have applied to the Listing Committee for the granting of the listing of, and permission to deal in, the Shares to be issued by us pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option and the Shares to be issued upon the exercise of the options granted under the Share Option Scheme).

Dealings in the Shares on the Stock Exchange are expected to commence on 28 June 2019. Except as disclosed in this prospectus, no part of our share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought on the Stock Exchange or any other stock exchange as at the date of this prospectus. All the Offer Shares will be registered on our register of members maintained by the Share Registrar in order to enable them to be traded on the Stock Exchange.

Under section 44B(1) of the Companies (WUMP) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange.

Restrictions on offers and sales of the Offer Shares

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offer will be required to, or be deemed by his acquisition of the Offer Shares to, confirm that he is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus and the relevant Application Forms.

No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus and/or the Application Forms in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been publicly offered or sold, directly or indirectly, in the PRC or the United States.

Fully underwritten

The listing of the Shares on the Stock Exchange is sponsored by the Sole Sponsor and the Global Offering is managed by the Joint Bookrunners. The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement. The International Underwriting Agreement relating to the International Placing is expected to be entered into on or about the Price Determination Date, subject to determination of the pricing of the Offer Shares. See "Underwriting" in this prospectus for further information regarding the Underwriters and the underwriting arrangements.

Price Determination Date

On or around 21 June 2019, and in any event, no later than 27 June 2019. If, for any reason, the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on or before 27 June 2019, the Global Offering will not become unconditional and will not proceed and will lapse.

Admission to CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or on any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements may affect their rights and interests.

Procedures for applying for Hong Kong Offer Shares

See "How to Apply for Hong Kong Offer Shares" in this prospectus.

Conditions of the Global Offering

See "Structure and Conditions of the Global Offering – Conditions of the Hong Kong Public Offer" in this prospectus.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. He Binfeng (何斌鋒)	Room 201, No. 28, Block 12 Lanyuan Residential Community Yening Street Fuming Sub-district Yinzhou District, Ningbo Zhejiang, PRC	Chinese
Mr. Zhang Qinghai (張青海)	Room 501, No. 38 Donghai Garden 625 Lane Minan Road Donghai Garden Community Dongliu Sub-district Yinzhou District, Ningbo Zhejiang, PRC	Chinese
Mr. Huang Yu (黃宇)	Room 31-11, No. 17 Block 1, Hemeicheng Square Yangmuqi Road, Xinming Sub-district National Hi-Tech Zone, Ningbo Zhejiang, PRC	Chinese
Mr. Wu Bin (吳濱)	Room 612, No. 13, Kaiming Alley Haishu District, Ningbo Zhejiang, PRC	Chinese
Mr. Li Da (李達)	Room 401, Unit 34, Block 6 Ge Lan Chun Chen Residential Community Chunhua Community, Jishigang Town Haishu District, Ningbo Zhejiang, PRC	Chinese
Mr. Chen Xiaodong (陳曉冬)	Room 603, Block 45, Lane 98 North Huan Cheng Xi Road Shengfeng Community Ximen Sub-district Haishu District, Ningbo Zhejiang, PRC	Chinese

Name	Address	Nationality
Independent Non-executive Directors		
Mr. Li Huamin (李華敏)	Room 3204, Unit 190 Building 57, Phase III Yong Cheng Shi Jia Residential Community Xueshi Road, Nanyu Community Shounan Sub-district Yinzhou District, Ningbo Zhejiang, PRC	Chinese
Mr. Yi Ling (易淩)	Room 304, No. 76, Block 48 Zhejiang Wanli University 8 South Qianhu Road Yinzhou District, Ningbo Zhejiang, PRC	Chinese
Ms. Li Chengai (李成艾)	9-1101, Phase II, Ge Lan Yun Tian Residential Community Wangdong Community Zhonghe Sub-district Yinzhou District, Ningbo Zhejiang, PRC	Chinese

See "Directors and Senior Management" in this prospectus for further details of our Directors.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor and Sole Global Coordinator	**Giraffe Capital Limited** 3/F, 8 Wyndham Street Central Hong Kong
Joint Bookrunners and Joint Lead Managers (in alphabetical order)	**Crosby Securities Limited** 5/F, Capital Centre 151 Gloucester Road Wan Chai Hong Kong
	Giraffe Capital Limited 3/F, 8 Wyndham Street Central Hong Kong
	Mason Securities Limited Portion 1, 12/F The Center 99 Queen's Road Central Hong Kong
Legal Advisers to our Company	*As to Hong Kong law* **Fangda Partners** 26th Floor, One Exchange Square 8 Connaught Place Central Hong Kong
	As to PRC law **Beijing Dentons Law Offices, LLP** 18/F, Block A, China Resources Building 1366 Qianjiang Road Jianggan District Hangzhou, PRC
	As to Cayman Island law **Appleby** 2206-19 Jardine House 1 Connaught Place Central Hong Kong

Legal Advisers to the Sole Sponsor and the Underwriters	*As to Hong Kong law* **Deacons** 5th Floor, Alexandra House 18 Chater Road Central Hong Kong *As to PRC law* **Commerce & Finance Law Offices** 6/F, NCI Tower A12, Jianguomenwai Avenue Beijing, PRC
Auditors and reporting accountants	**Ernst & Young** *Certified Public Accountants* 22/F, CITIC Tower 1 Tim Mei Avenue Central Hong Kong
Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** 1018, Tower B Greenland Center 500 Yunjin Road Shanghai, PRC
Internal control consultant	**AVISTA PRO-WIS Risk Advisory Limited** 23rd Floor, Siu On Centre No. 188 Lockhart Road Wan Chai Hong Kong
Property Valuer	**AVISTA Valuation Advisory Limited** 23rd Floor, Siu On Centre No. 188 Lockhart Road Wan Chai Hong Kong

Receiving Banks	**Bank of China (Hong Kong) Limited** 1 Garden Road Hong Kong **Standard Chartered Bank (Hong Kong) Limited** 15/F Standard Chartered Tower 388 Kwun Tong Road Hong Kong

Registered Office in the Cayman Islands	Suite #4-210, Governors Square 23 Lime Tree Bay Avenue PO Box 32311 Grand Cayman KY1-1209 Cayman Islands
Head Office and Principal Place of Business in the PRC	(1-140) 30 Dashani Street, Haishu District Ningbo, Zhejiang, China
Principal Place of Business in Hong Kong	13/F, Wah Yuen Building 149 Queen's Road Central Hong Kong
Company's Website Address	**www.iflying.com** *(The contents on this website do not form part of the prospectus)*
Company Secretary	Mr. Tam Chun Wai Edwin (談俊緯) *CPA* 13/F, Wah Yuen Building 149 Queen's Road Central Hong Kong
Authorised Representatives	Mr. He Binfeng (何斌鋒) Room 201, No. 28, Block 12 Lanyuan Residential Community Yening Street Fuming Sub-district Yinzhou District, Ningbo Zhejiang, PRC Mr. Tam Chun Wai Edwin (談俊緯) 13/F, Wah Yuen Building 149 Queen's Road Central Hong Kong
Audit Committee	Ms. Li Chengai (李成艾) *(Chairlady)* Mr. Li Huamin (李華敏) Mr. Yi Ling (易凌)
Remuneration Committee	Mr. Li Huamin (李華敏) *(Chairman)* Mr. He Binfeng (何斌鋒) Ms. Li Chengai (李成艾)

Nomination Committee	Mr. He Binfeng (何斌鋒) *(Chairman)* Mr. Yi Ling (易凌) Mr. Li Huamin (李華敏)
Cayman Islands Principal Share Registrar and Transfer Office	**Osiris International Cayman Limited** Suite #4-210, Governors Square 23 Lime Tree Bay Avenue PO Box 32311 Grand Cayman KY1-1209 Cayman Islands
Hong Kong Branch Share Registrar and Transfer Office	**Tricor Investor Services Limited** Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Compliance Adviser	**Giraffe Capital Limited** 3/F, 8 Wyndham Street Central Hong Kong
Principal Banks	**China Merchants Bank Co., Ltd, Ningbo Tianyi sub-branch** 137 Zhongshan East Road Haishu District, Ningbo Zhejiang, PRC **China CITIC Bank Corporation Limited, Jiangbei sub-branch** 66-68 Huaishu Road Jiangbei District, Ningbo Zhejiang, PRC **China Zheshang Bank Co., Ltd, Ningbo branch** Block B, Ningxing Tianrun Shangzuo 737 Zhongxing Road Yinzhou District, Ningbo Zhejiang, PRC

The information contained in this section and elsewhere in this prospectus have been derived from various official government and other publications generally believed to be reliable and the market research report prepared by Frost & Sullivan which we commissioned.

We believe that the sources of such information and statistics are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. Such information has not been independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, agents, employees or advisers, or any other person or party involved in the Global Offering and no representation is given as to its accuracy (except Frost & Sullivan). Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, the facts and statistics in this section and elsewhere in this prospectus may be inaccurate or may not be comparable to facts and statistics produced with respect to other economies. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy (as the case may be) in other jurisdictions. As a result, you should not unduly rely upon such facts and statistics contained in this prospectus.

SOURCE OF INFORMATION

We commissioned Frost & Sullivan, an independent market researcher and consultant, to produce a report on the China tourism market at a fee of RMB436,000. Frost & Sullivan is an independent global consulting firm founded in 1961. It offers industry research, market strategies and provides growth consulting and corporate training. Its industry coverage includes automotive and transportation, chemicals, materials and food, commercial aviation, consumer products, energy and power systems, environment and building technologies, healthcare, industrial automation and electronics, industrial and machinery, and technology, media and telecom. The F&S Report includes information on data of China tourism market.

Frost & Sullivan has conducted detailed primary research which involved discussing the status of the industry with certain leading industry participants. Frost & Sullivan has also conducted secondary research which involved reviewing company reports, independent research reports and data based on its own research database. Frost & Sullivan has obtained the figures for the estimated total market size from historical data analysis plotted against macroeconomic data as well as considered certain industry key drivers.

In preparing the F&S Report, Frost & Sullivan has adopted a market engineering forecasting methodology which integrates several forecasting techniques with its market engineering measurement-based system. It relies on the expertise of its analyst team in integrating the critical market elements investigated during the research phase of the F&S Report. These elements include: (i) expert-opinion forecasting methodology, integration of market drivers and restraints; (ii) integration with the market challenges; (iii) integration of the market engineering measurement trends; and (iv) integration of econometric variables.

The bases and assumptions for the projections in the F&S Report include (i) the social, economic and political environment is likely to remain stable in the forecast period, which ensures the stable and healthy development of China tourism market; and (ii) the related industry key drivers are likely to drive the China tourism market in the forecast period, such as the sustainable growth of macro economy, increasing consumption demand, and increasing number of outbound tourist visits, etc.

Based on the above, our Directors consider that the payment of the commission fee does not affect the fairness of conclusion drawn in the F&S Report and are satisfied that the disclosure of future projection and industry data included in this section is reliable and not misleading. Also, after taking reasonable care, our Directors are of the view that there has been no adverse change in the market information since the date of the F&S Report which may qualify, contradict or have an impact on the information in this section.

OVERVIEW OF CHINA MACRO ECONOMY

As a result of economic transformation and accumulative effects of increasing disposable income over the decades, there are changes in Chinese residents' consumption patterns and the consumers prefer to choose non-necessity products to improve their living standards. The per capita annual consumption expenditure of Chinese residents experienced stable growth between 2013 and 2017 at a CAGR of 8.5%. Along with sustainable expectations on economic development and increasing income level of Chinese residents, per capita annual consumption expenditure of Chinese residents is forecasted to reach RMB28,600 by 2022, attaining a CAGR of 9.7% between 2018 and 2022.

OVERVIEW OF CHINA TOURISM MARKET

China outbound travel refers to a type of travelling pattern which tourists visit scenic spots outside mainland China, while domestic travel refers to a type of travelling pattern which tourists visit scenic spots inside mainland China. For tourism types, tourists can choose either package tours or FIT Products. Package tours refer to a travel service which includes the provision to a group or a person of services relating to transport, accommodation, meals, activities and tour escorts. FIT Products refer to dynamically-packaged tours and one or more individual travel elements (such as airline tickets, hotels and accommodation). Online tourism refers to the travel products and services offered through online channels by tourism service providers, including travel information sharing, reservation for accommodation, transportation and package tours.

Tourism industry has become a critical integral part of China's economy since it gradually shifts to a service-driven model. In 2017, the GDP of tourism-related industries was valued at RMB9.1 trillion, representing 11.4% of China's nominal GDP.

The following graph shows the value chain of China tourism industry:

Per Capita Annual Consumption Expenditure on Tourism in China

In light of the continuous development of China's economy and increasing per capita annual disposable income, China's tourism consumption is estimated to reach RMB8,827.5 billion by 2022, while per capita consumption expenditure on tourism of Chinese tourists is projected to increase from RMB1,090.8 in 2018 to RMB1,286.6 in 2022 with a CAGR of 4.2%.

Between 2018 and 2022, per capita consumption expenditure on outbound tourism of Chinese tourists is expected to increase from RMB6,247.7 to RMB7,135.1 with a CAGR of 3.4%. During the same period, per capita consumption expenditure on domestic tourism of Chinese tourists is expected to increase from RMB959.0 to RMB1,130.5 with a CAGR of 4.2%.

Per Capita Annual Consumption Expenditure on Tourism (China), 2013-2022E

Source: China National Tourism Administration; Frost & Sullivan Analysis

Note: Per capita annual consumption expenditure on tourism (total, outbound and domestic) is calculated by total consumption expenditure on tourism (total, outbound and domestic) of residents in mainland China divided by their respective number of tourist visits.

Number of tourist visits in China

The robust demands for entertainment of Chinese residents and the emerging "Holiday Economy", a term refers to the unprecedented growth of disposable income and purchasing power of Chinese residents, have contributed to the continuous growth of China tourism industry. Between 2013 and 2017, tourist visits of Chinese residents increased to 5,131.5 million with a CAGR of 11.2%. Between 2018 and 2022, the total number of tourist visits is expected to reach 6,861.3 million with a CAGR of 5.4%.

As an effective way to experience different cultures and beautiful landscapes, outbound travel has gradually become a significant component of high-quality living standard. Fuelled by the increasing convenience of outbound travel and customisation of outbound travel services, the number of outbound tourist visits in China is projected to reach 178.4 million by 2022, attaining a CAGR of 6.5% between 2018 and 2022.

With the continuous growth of domestic travel demand, a positive outlook towards stable political environment and continuous growth of China's economy, the number of domestic tourist visits is expected to reach 6,682.9 million by 2022 with a CAGR of 5.4% between 2018 and 2022.

Number of Tourist Visits (China), 2013-2022E

Overview of Package Tour Market in China

With a growing trend in the number of tourist visits of package tours, the tourism consumption of package tours experienced significant growth between 2013 and 2017 at a CAGR of 18.3%, and is expected to reach RMB1,060.3 billion by 2022 with a CAGR of 9.8% between 2018 and 2022. Between 2013 and 2017, the total number of tourist visits of package tours experienced rapid growth, increasing to 237.0 million in 2017 with a CAGR of 10.0%. As package tour market becomes more mature and tourists are more willing to purchase customised travel services, the number of tourists visits of package tours is expected to continue to increase, reaching 311.5 million in 2022 with a CAGR of 5.1% between 2018 and 2022.

Overview of FIT Products Market in China

In light of the gradual improvement in tourism infrastructure and facilities, FIT Products have become more attractive for both domestic and outbound Chinese tourists. The tourism consumption on FIT products increased to RMB4,691.5 billion in 2017 with a CAGR of 14.5% between 2013 and 2017, and is expected to increase to RMB7,767.2 billion by 2022 with a CAGR of 9.8% between 2018 and 2022. Between 2013 and 2017, the number of tourist visits by way of using FIT Products increased from 3,198.1 million to 4,894.5 million with a CAGR of 11.2% and is estimated to further increase to 6,549.8 million by 2022 with a CAGR of 5.4% between 2018 and 2022.

The following charts set forth the consumption of package tours and FIT Products from 2013 to 2022:

Package Tours Consumption (China), 2013-2022E

FIT Products Consumption (China), 2013-2022E

The following charts set forth the number of tourist visits of package tours and FIT Products from 2013 to 2022:

Tourist Visits of Package Tours (China), 2013-2022E

Tourist Visits of FIT Products (China), 2013-2022E

Source: Frost & Sullivan Analysis

Note: Total outbound tourism consumption is converted to RMB based on average of daily mid-price of RMB/USD in the China Foreign Exchange Rate Trade System. The tourism consumption consists of shopping, accommodation, transportation, food and entertainment activities.

OVERVIEW OF ZHEJIANG TOURISM MARKET

Zhejiang Province, ranking fourth in terms of its GDP of RMB5.2 trillion in 2017 among all provinces in the PRC, is relatively developed because of its coastal location, favorable macro policies, advanced technologies and open economic environment. The population of Zhejiang Province increased from 55.0 million to 56.6 million between 2013 and 2017 with a CAGR of 0.7%, and the per capita annual average disposable income of urban residents in Zhejiang Province increased from approximately RMB40,400 to RMB55,600 with a CAGR of 8.3% during the same period. In 2017, the tourism consumption from Zhejiang Province was RMB567.8 billion which accounted for 10.6% of total tourism consumption in China; there was 427.1 million tourist visits from Zhejiang Province, which contributed 8.3% of total tourist visits in China.

In 2016, the People's Government of Zhejiang Province unveiled the 13th Five-Year Plan of Tourism Industry in Zhejiang Province (《浙江省旅遊業發展"十三五"規劃》), which illustrates the overall development goal that tourism industry shall become the key industry to support the future development of Zhejiang Province and continue to lead the domestic market. On top of that, there were policies and activities responding to the establishment of holistic tourism destination plan raised by the central government, namely, the Holistic Tourism Destination Development Plan Between 2018 and 2022 of Zhejiang Province released in June 2018 (《浙江省全域旅遊發展規劃(2018-2022)》) which stipulates that the annual average growth rate of tourism industry in Zhejiang Province between 2018 and 2022 shall at least reach 10%, and the GDP of tourism industry in Zhejiang Province shall exceed RMB1.6 trillion, representing over 8.0% of Zhejiang Province's GDP. To further stimulate tourism demands, the government of Zhejiang Province has been actively developing scenic areas and decreasing the price of landmark tickets in the region.

Attributed to positive industry stimulus plans and well-developed tourism infrastructure, the growth of Zhejiang tourism market has outpaced China's average growth in terms of tourism consumption and number of tourist visits. The tourism consumption of Zhejiang residents increased with a CAGR of 17.1% between 2013 and 2017, and is expected to increase to RMB977.7 billion by 2022 with a CAGR of 10.9% between 2018 and 2022, accounting for 11.1% of total tourism consumption of China in 2022. The number of tourist visits of Zhejiang residents experienced significant growth at a CAGR of 12.6% between 2013 and 2017, and is projected to increase to 577.7 million by 2022 with a CAGR of 5.7% between 2018 and 2022, accounting for 8.4% of tourist visits in China in 2022.

The following charts set forth the consumption of package tours and FIT Products of Zhejiang Province from 2013 to 2022:

Package Tours Consumption (Zhejiang Province), 2013-2022E

FIT Products Consumption (Zhejiang Province), 2013-2022E

The following charts set forth the number of tourist visits of package tours and FIT Products from 2013 to 2022:

Tourist Visits of Package Tours (Zhejiang Province), 2013-2022E

Tourist Visits of FIT Products (Zhejiang Province), 2013-2022E

Source: Frost & Sullivan Analysis

Note: Total outbound tourism consumption is converted to RMB based on average of daily mid-price of RMB/USD in the China Foreign Exchange Rate Trade System. The tourism consumption consists of shopping, accommodation, transportation, food and entertainment activities.

Overview of Ningbo Tourism Market

Ningbo is the second largest cities in Zhejiang Province in terms of nominal GDP in 2017. Ningbo is a sub-provincial city in northeast Zhejiang Province, and is renowned for its port, which are situated in several locations. The population of Ningbo increased from 7.7 million to 8.0 million between 2013 and 2017 with a CAGR of 1.1%, and the per capita annual average disposable income of urban residents in Ningbo increased from approximately RMB41,700 to RMB55,700 with a CAGR of 7.5% during the same period. The strong economy in Ningbo has driven the mature development of tourism market, which makes tourism industry a main contributor to economic growth.

The Municipal government of Ningbo released the "Opinions on Promoting the Development of Holistic Tourism Destination" in November 2018 (《寧波市人民政府辦公廳關於加快推進全域旅遊發展的實施意見》). The said opinions highlight the function of tourism industry as the engine and pillar of modern service sector in Ningbo, and the plan to enhance the status of Ningbo as a regional tourism center in Zhejiang Province. The document also

demonstrates the general goal of tourism industry in Ningbo, specifically, the GDP of tourism industry shall exceed RMB260.0 billion by the end of 2020, representing more than 7.5% of the city's GDP. It also stated that the contract value and real value of tourism project investment shall reach at least RMB100.0 billion by 2020. The policies issued to stimulate the tourism industry in Ningbo would lay a foundation for its further growth in the near future.

The tourism consumption of Ningbo residents was RMB147.1 billion in 2017 and is expected to reach 259.4 billion by 2022 with a CAGR of 11.3% between 2018 and 2022. The number of tourist visits of Ningbo residents also witnessed stable growth, reaching 110.3 million in 2017, and is projected to reach 161.6 million in 2022 with a CAGR of 7.1% between 2018 and 2022.

The following charts set forth the consumption of package tours and FIT Products of Ningbo from 2013 to 2022:

Package Tours Consumption (Ningbo), 2013-2022E

FIT Products Consumption (Ningbo), 2013-2022E

The following charts set forth the number of tourist visits of package tours and FIT Products from 2013 to 2022:

Tourist Visits of Package Tours (Ningbo), 2013-2022E

Tourist Visits of FIT Products (Ningbo), 2013-2022E

Source: Frost & Sullivan Analysis

Note: Total outbound tourism consumption is converted to RMB based on average of daily mid-price of RMB/USD in the China Foreign Exchange Rate Trade System. The tourism consumption consists of shopping, accommodation, transportation, food and entertainment activities.

ONLINE TOURISM

In recent years, an increasing number of travel products and services have been transacted through Online travel agencies. With the springing up and success of several online platforms such as Ctrip (攜程), Fliggy (飛豬) and Tuniu (途牛), consumers are more likely to compare

prices, features and services and purchase the travel products through Online travel agencies. Online travel agencies have established comprehensive procurement networks of airlines, hotels, service providers of domestic scenic spots and travel product wholesalers, hence they are able to support and cultivate a large consumer base. Between 2013 and 2017, the number of online tourist visits increased from 547.7 million to 1,406.0 million with a CAGR of 26.6%. With comprehensive development of tourism infrastructure and Internet-driven transition of multiple types of tourism service providers, the market size of online tourism experienced dramatic growth between 2013 and 2017, increasing from RMB356.3 billion to RMB1,204.7 billion with a CAGR of 35.6%.

Online Transaction Value of Package Tours (China), 2013-2022E

Online Transaction Value of FIT Products (China), 2013-2022E

Source: Frost & Sullivan Analysis

Note: Total outbound tourism consumption is converted to RMB based on average of daily mid-price of RMB/USD in the China Foreign Exchange Rate Trade System. The tourism consumption consists of shopping, accommodation, transportation, food and entertainment activities.

COST ANALYSIS OF CHINA TOURISM MARKET

Air tickets is a significant component of the cost of travel agencies. The price of an air ticket is influenced by multiple factors including the market demands and supplies, the operation cost of airline companies, the price of NYMEX etc. With the improvement of airplane infrastructure and a decreasing price of NYMEX, the average price of outbound air tickets in China demonstrated declining trend from RMB3,545.0 in 2013 to RMB2,613.7 in 2017 with a CAGR of -7.3%, and is estimated to decrease to RMB2,155.3 by 2022 with a CAGR of -4.1% between 2018 and 2022. Between 2013 and 2017, the average price of domestic air tickets in China decreased to RMB650.2 with a CAGR of -3.2%., and is expected to level at RMB594.9 by 2022 with a CAGR of -2.0% between 2018 and 2022.

The following charts set forth the average price of air tickets for all airlines operated by Chinese airline companies from 2013 to 2022:

Source: Civil Aviation Administration of China, Frost & Sullivan Analysis

Note: The average price of air tickets refers to the average price of air tickets for all airlines operated by Chinese airline companies.

Major Market Drivers of China Tourism Market

(1) Increasing Income Level and Consumption Expenditure on Travelling

With China's rapid economic growth, by 2017, the per capita disposable income of urban residents reached approximately RMB36,400 and the per capita annual consumption expenditure of urban residents reached to approximately RMB24,400. In addition, China's economic growth model has begun shifting from an investment-driven model towards a consumption-driven model, and Chinese consumers started to focus on high quality and non-necessity products and services. Urban residents show stronger spending power and greater appetite for travelling. On top of that, the increasing consumption expenditure on travelling is expected to further drive market growth.

(2) More Accessible and Convenient Products and Services from Online Tourism Service Providers

Riding on the wave of the 'Internet plus' concept advocated by the PRC central government, a wide range of market players such as Internet conglomerate, traditional travel agencies and ambitious start-ups, started to participate in the ecosystem of online tourism industry, broadening and diversifying the edge of market players. Based on the "Guiding Opinion on Vigorously Advancing the 'Internet Plus' Action" (《國務院關於積極推進"互聯網+"行動的指導意見》) issued by the State Council in July 2015, China National Tourism Administration released the implementation plans on boosting the innovation and infrastructure construction of 'Internet Plus Tourism' market in September 2015. With a series of favourable policies published, the online tourism industry will further develop under a sound and supportive environment. With products and services provided by online travel agencies, tourists do not have to drive miles or wait until opening hours to consult with a travel expert for itinerary advices. Instead, with comprehensive information integrated and well organised, online travel agencies can provide information and services with a few clicks and typing by Internet users. The higher accessibility and convenience of products and services provided by online travel agencies have continuously cultivated a larger base of users.

(3) Organised Plans and Favourable Policies of Tourism Industry

With aging population and increasing consumption, the PRC central government has paid more attention on the development of tourism industry. In recent years, a number of policies have emerged in order to demonstrate the importance of growth of tourism industry. The State Council unveiled the 13th Five-Year-Plan for Tourism Industry in June 2016 (《"十三五"旅遊業發展規劃》) and the Opinions on Promoting the Development of Nationwide Tourism Industry in March 2018 (《國務院辦公廳關於促進全域旅遊發展的指導意見》). In the 2017 Working Report Conference of Tourism Industry (2017年全國旅遊工作會議), it stated that the future development of China's tourism industry in the next three decades is now on the government's agenda with an aim to develop a prosperous and powerful tourism industry. 2018 has become the Nation-Wide Tourism Year to promote comprehensive and all-round development of tourism industry. In the 2018 Working Report Conference of Tourism Industry (2018年全國旅遊工作會議), the plan for the development of the tourism industry includes several themes such as to introduce social funds to support tourism construction projects and promoting the "lavatory revolution" to improve sanitary facilities. In addition, the China National Tourism Administration also intends to promote rural tourism industry to alleviate poverty and enrich rural area and to build a high-quality image of China's tourism industry.

Major Entry Barriers of China Tourism Market

(1) Advanced User Acquisition Capacity

With a role as the connection between tourism resources and customers, the major entry barriers of travel agencies including air ticket sales agencies lie in their capability of

acquisition of customer base. For travel service providers including air ticketing sales agencies, building up a large user base which majorly determined by user acquisition capacity is one of their key success factors. As one approach to broaden user base, connections with diverse Internet platforms and local scenic spots such as amusement parks can significantly improve brand recognition and page viewership of online travel agencies. In fact, such condition inevitably poses an entry barrier for new entrants since it's critical for the market players to acquire customers effectively and efficiently.

(2) Broad Access to Upstream Resources

Developing wide and established relationships with multiple parts of travel resource providers is another major entry barrier for travel agencies including air ticketing sales agencies. To strengthen competitiveness and improve cost efficiency, travel agencies and other travel service providers such as ticketing agents have established cooperation to seize the upstream travel resources of tourism industry, which include food, accommodation, transport, sight-seeing, shopping and entertainment, in recent years. Generally, in the procurement of travel resources for package tours, as well as air tickets and admission tickets to local tourist attractions, it is common for travel agencies to cooperate and collaborate with each other and collectively purchase such resources at discounted price due to their bulk purchase and stronger bargaining power. Well-established travel agencies including air ticketing sales agencies who have built up diverse and established connections with airline companies, transportation companies, hotels, local tourism management agencies and visa issuing organisations are able to provide diversified products and services with high cost performance ratio to better meet the needs of customers. This capacity requires long-term investment and efforts, which has formed an entry barrier for new market players.

(3) Qualification and Certificates

Travel agencies are required to obtain operation licence to conduct tourism business according to the PRC central government's laws and regulations. To be eligible for the application of the operation licence, domestic travel agencies need to have a registered capital of at least RMB0.3 million, and a quality guarantee deposit of RMB0.2 million. International travel agencies need a registered capital of RMB1.5 million, and an extra RMB1.4 million quality guarantee deposit. Furthermore, outbound tourism service players also need to acquire approval from embassies of some countries to participate in visa application business, which also poses an entry barrier for the new market players.

(4) Affluent Capital Support

As there are more market players in tourism market, access to sources of funding is a key factor to survive the intensive market competition. To enlarge business scale, travel agencies need large amount of capital investment in advance to build up resources and sales networks. For instance, travel agencies have to settle the full price of air tickets to suppliers such as airline operators at the time of purchase, while customers such as online travel agencies generally settle the full amount to travel agencies after the flight has taken off. Such payment cycle imposes intensive prepaid capital needs which prevented new market players from entering into the market.

Market Trends of China Tourism Market

(1) Travel Products Diversification

Along with the development of tourism and transportation infrastructure worldwide, tourism industry has witnessed prosperous increase in the choices of travel destinations and travel activities. In order to meet the growing and various demands of Chinese tourists and outstand in the increasingly intensified market competition, travel service providers have been striving to diversify their travel products to create higher product value, including but not limited to offering more outbound travel destinations and developing more types of travel

services such as high-quality package tours and customised package tours. In addition, riding the wave of 'Tourism Plus', travel activities are integrating into many aspects of people's daily life, resulting in more types of featured travel products such as healthcare tours, education tours and insurance tours.

(2) Customised Tours Are Booming

Tourists have shown strong interests in customised package tours because of the customised options available to the tourists. The language barrier, culture shock and stay abroad may prompt some of the customers to choose package tours over FIT Products, and therefore an increasing number of customers would choose customised package tours. With the variety of travel destinations and selective services provided during the trip, customised package tours manage to meet the needs of more customers. For example, as required by tourists, customised package tours could assign tour guides with better trainings, knowledge of local culture and proficient language skills so that they can provide a better travelling experience.

(3) Customers' Purchasing Behaviour of Travel Services

Customers tend to use online travel agencies to purchase tourism products and make reservations of accommodations, transportation or package tours. The purchasing behaviour experienced a huge transformation from offline to online, and from PC to mobile terminals. A large proportion of customers tend to look for travel information through mobile applications, with information and reviews of tours readily accessible online during their trips. With the increasing use of mobile internet and online third-party payment, service providers have already improved their mobile online infrastructure to fit the new norm.

Along with the development of online tourism, offline tourism services tend to focus more on personalised tourism products. Leveraging the unique advantages of face-to-face interaction with customers, offline tourism channels have the significance in raising customers' confidence on travel agencies and strengthening brand image by providing professional and personalised recommendations on trip planning. It has become increasingly common for market players to establish both online and offline channels to expand business landscape and enhance business operation.

(4) Increasing Demands From Residents in Third and Fourth Tier Cities

A large proportion of customers from third and fourth tier cities in the PRC have little experience of travelling. With the increasing per capita disposable income and advertisement campaign conducted by travel agencies, growing number of customers from third and fourth tier cities are prompted to travel more frequently or to make their first overseas trip. Since they have little experience of travelling and may encounter culture shock, they tend to choose standardised travel products which cost much less than customised travel services. Such market potential derived from lower-tier cities is likely to further drive the market growth.

COMPETITIVE LANDSCAPE OF CHINA TOURISM MARKET

Due to the encouraging policies of Zhejiang provincial government to boost travel industry in the region, the GDP of tourism industry in Zhejiang Province has reached over 1.0 trillion in 2017, making the tourism industry one of the pillars for the robust growth of Zhejiang's economy. With a relatively well-developed tourism industry, Zhejiang Province has seen continuous increase in the number of travel agencies. By the end of 2017, there were approximately 2,600 travel agencies in Zhejiang Province. In terms of revenue in 2017, Feiyang International ranked fifth among all travel agencies in Zhejiang Province with revenue of RMB464.8 million. In terms of revenue of package tours and FIT Products in 2017, Feiyang International both ranked fourth among all travel agencies in Zhejiang Province with revenue of RMB407.4 million and RMB41.7 million respectively. Competitors A to E are leading travel service providers based in Zhejiang Province which are mainly state-owned companies that offer online and offline travel products and services.

Competitive Landscape of China Travel Agencies in Zhejiang Province in Terms of Revenue for FY2017

Ranking	Company	Revenue for FY2017 (Million)	Market Share
1	A	~ 1,508.7	~ 2.9%
2	B	~ 1,031.5	~ 2.0%
3	C	~ 830.0	~ 1.6%
4	D	~ 467.3	~ 0.9%
5	**Our Group**	**~ 464.8**	**~ 0.9%**
	Others	~ 47,397.6	~ 91.7%
		~ 51,700.0	100%

Competitive Landscape of China Travel Agencies in Zhejiang Province in Terms of Revenue of Package Tours for FY2017

Ranking	Company	Revenue of Package Tours for FY2017 (Million)	Market Share
1	A	~ 1,289.5	~ 2.9%
2	B	~ 861.3	~ 2.0%
3	C	~ 698.8	~ 1.6%
4	**Our Group**	**~ 407.4**	**~ 0.9%**
5	D	~ 400.5	~ 0.9%
	Others	~ 40,342.5	~ 91.7%
		~ 44,000.0	100%

Competitive Landscape of China Travel Agencies in Zhejiang Province in Terms of Revenue of FIT Products for FY2017

Ranking	Company	Revenue of FIT Products for FY2017 (Million)	Market Share
1	B	~ 126.9	~ 1.6%
2	A	~ 100.8	~ 1.3%
3	C	~ 86.3	~ 1.1%
4	**Our Group**	**~ 41.7**	**~ 0.5%**
5	E	~ 37.4	~ 0.5%
	Others	~ 7,306.9	~ 94.9%
		~ 7,700.0	100%

Source: Frost & Sullivan

REGULATIONS ON OUTBOUND TRAVEL BUSINESS

Tourism Law of the People's Republic of China

For the purposes of protecting the legitimate rights and interests of tourists and tourism operators, regulating the order of tourism market, protecting and making rational use of tourism resources, and promoting the sustainable and sound development of the tourist industry, Standing Committee of the National People's Congress promulgated Tourism Law of the People's Republic of China (《中華人民共和國旅遊法》) on 25 April 2013 and amended it on 7 November 2016 and 26 October 2018. Tourism Law of the People's Republic of China applies to tours, vacations, recreations and other forms of tourism activities within the territory of the PRC and including outbound tours but organised within the territory of the PRC and the incidental services provided. Pursuant to Tourism Law of the People's Republic of China, approval from the tourism authorities shall be obtained and industrial and commercial registration shall be made in accordance with the relevant PRC law in order to establish a travel agency, attract, organise and receive tourists, and provide tourism services, the following requirements shall be met: (i) have a fixed business site; (ii) equipped with the necessary business facilities; (iii) have registered capital that conforms to the regulations; (iv) have necessary management staff and tour guides; and (v) any other condition stipulated by the laws and administrative regulations.

Travel agencies may engage in the following businesses: (i) domestic tourism; (ii) outbound tourism; (iii) border tourism; (iv) inbound tourism; and (v) other tourism businesses. To engage in businesses (ii) and (iii) above, a travel agency must obtain the required business licence. Specific requirements shall be set by the State Council of the PRC. Travel agencies are prohibited from leasing or lending their business licences, or illegally transferring their business licences in other forms.

Regulations on Travel Agencies

For the purpose of strengthening administration of travel agencies, ensuring the legitimate interests of tourists and travel agencies, maintaining the tourist market order and boosting the healthy development of tourism, the Regulations on Travel Agencies (《旅行社條例》) was promulgated by the State Council of the PRC on 20 February 2009, and amended on 6 February 2016 and 1 March 2017 (the "**Regulations on Travel Agencies**").

The term "travel agencies" as mentioned in the Regulations on Travel Agencies shall refer to enterprise legal persons that engage in such activities as soliciting, organising and receiving tourists, provide tourists with relevant tourism services, and conduct domestic tourism business, inbound tourism business, or outbound tourism business.

In the event that a travel agency has been operating for two years after acquiring the licence and has not been imposed a fine or more severe penalty by any PRC administrative organs for infringing on the legitimate rights and interests of tourists, it may apply for the outbound travel business licence. In order to apply for the outbound travel business licence, a

travel agency shall file an application to the competent travel administration under the State Council or the competent travel administration in the province, autonomous region or centrally-administered municipality which is entrusted. The administration shall then make a decision on whether or not to approve within 20 working days upon receiving the application. Where an approval is given, the administration shall renew and update the travel agency business licence of the travel agency; where no approval is given, the administration shall notify the applicant with reasons thereof in writing.

A travel agency operating different tourism businesses shall deposit different quality assurance funds. A travel agency operating the domestic tourism business and inbound tourism business shall deposit the quality assurance fund of RMB200,000; a travel agency operating the outbound tourism business shall increase the deposit of quality assurance fund by RMB1,200,000. A travel agency shall increase its amount of quality assurance fund by RMB50,000 in its special account for each branch it establishes to operate the domestic tourism business and inbound tourism business; shall increase its amount of quality assurance fund by RMB300,000 in its special account for each branch it establishes to operate the outbound tourism business. Where, in violation of this Regulation on Travel Agencies, and if the travel agency refuses to correct, its business permit for travel agencies shall be revoked.

Where a travel agency has not been subject to the punishment more serious than fine by the administrative body due to any infringement upon the legitimate rights and interests of tourists within three years from the day when it pays or makes up the quality assurance fund, the amount of quality assurance fund can reduce by 50%.

The Implementation Regulations under the Regulations on Travel Agencies (《旅行社條例實施細則》) was promulgated on 3 April 2009 by China National Tourism Administration (have been revoked, changed to Ministry of Culture and Tourism of the People's Republic of China), came into effect on 3 May 2009 and amended on 12 December 2016 (the "**Implementation Regulations**"). Pursuant to the Implementation Regulations, outbound tourism business includes the tourism service for Chinese mainland residents to travel to Hong Kong, Macau and Taiwan area, and the outbound tourism service for the Chinese mainland residents, Hong Kong residents, and any Macau Special Administrative Region and Taiwan residents who stay in Chinese mainland. The travel agency who applies for outbound tourism business permit, shall have been operating for at least two years after acquiring the travel agency licence and has not been imposed a fine or more severe penalty due to violation of tourists' legitimate rights and interests. The foreign investment in travel agency shall comply with the Regulations on Travel Agencies. The foreign investment in travel agencies applies the provisions of Chapter III of the Implementation Regulations:

To apply for the travel agency business, a foreign-invested enterprise shall file an application to the competent travel administration in the province, autonomous region or centrally-administered municipality. The establishment of foreign-invested travel agencies shall also be in compliance with the PRC laws and regulations governing foreign investment.

Foreign-invested travel agencies shall not engage in Chinese mainland residential travel business abroad and Chinese mainland residential travel business in Hong Kong, Macau Special Administrative Region and Taiwan, unless stated otherwise by the State Council of the PRC, in any free trade agreements or in the Mainland and Hong Kong and Macau Closer Economic Partnership Arrangements signed by China.

Regulations on Tour Escort and Tour Guides

According to the Tourism Law of the People's Republic of China (2018 Revision) (《中華人民共和國旅遊法》(2018修訂)), when organising an outbound touring group, or organising or receiving an inbound touring group, a travel agency shall, in accordance with the relevant provisions, arrange for a tour escort or tour guide to accompany the touring group.

To provide such tour escort services, a person shall obtain a tour guide licence, possess relevant educational background, language skills and experience in tourism, and entered into an employment contract with the travel agency licensed for outbound travel business which designates him/her to provide the tour escort services. A person who has passed the tour guide qualification examination and entered into an employment contract with a travel agency or registered in the relevant tourist industry organisation may apply for a tour guide licence.

According to the Regulations on Travel Agencies, where a travel agency organises PRC citizens to travel aboard, it shall arrange a tour escort to accompany the touring group.

Pursuant to the Implementation Regulations, a tour escort assigned by a travel agency for organising tourists to travel abroad shall meet the following conditions: (i) obtained a tour guide licence; (ii) obtained a college degree or above; (iii) having a relevant language level test certificate or passed the foreign language tour guide qualification examination, except for the tour escort who is assigned to accompany the touring group to travel to Hong Kong, Macau and Taiwan; (iv) have more than two years of relevant travel experience in travel agency business operations or management, or as tour guides; (v) having entered into an employment contract with a travel agency that has a licence to operate an outbound travel business. The tour escort who is assigned to accompany the touring group to travel to Taiwan should also meet the requirements stipulated in the Measures for the Administration of the Travel of Mainland Residents to Taiwan Region (《大陸居民赴台灣地區旅遊管理辦法》).

The Regulations on Administration of Tour Guides (《導游人員管理條例》) was promulgated on 14 May 1999 and revised on 7 October 2017. According to this regulation, the State Council implemented a national unified tour guide qualification examination system. PRC citizens who have achieved academic level of high school, technical secondary school or above, who are physically healthy and have basic knowledge and capability of language expressions suitable for a tour guide, may participate in the tour guide qualification examination. For those who have passed the examination, the tour guide qualification certificate shall be issued by the tourism administrative department of the State Council or by the tourism administrative department of the PRC government at provincial level, autonomous region or municipality directly under the PRC government, under the authorisation of the tourism administrative department of the State Council.

Individuals who provide tour guide services for tourists within the PRC must obtain a tour guide licence. Those who have obtained the tour guide qualification certificate may apply for a tour guide licence based on the employment contract or the registration certificate to the tourism administrative department of the PRC government at provincial level, autonomous region, or municipality directly under the PRC government, after entering into a employment contract with a travel agency or registering with a tour guide service company.

A tour guide licence shall not be issued to an individual if (i) he or she has no capacity for civil conduct or limited capacity for civil conduct; (ii) he or she has infectious disease; (iii) he or she is a subject to any criminal punishments, except for negligence claims; or (iv) his or her tour guide licence was revoked.

The validity period of a tour guide licence is three years. Holder of the tour guide licence who intends to engage in tour guide activities after the expiration of the validity period of the tour guide licence, he or she shall apply for the reissuance of the tour guide licence to the tourism administrative departments of the PRC governments at provincial level, autonomous region or municipality directly under the PRC government three months prior to the expiration of the validity period of the tour guide licence.

Regulations on Tourism Safety

In order to strengthen the administration of tourism safety, Administrative Measures for Tourism Safety (《旅遊安全管理辦法》) was promulgated by the China National Tourism Administration of the PRC (have been revoked, changed to Ministry of Culture and Tourism of the People's Republic of China) on 27 September 2016 (the "**Administrative Measures**"). Pursuant to the Administrative Measures, tourism operators shall observe the following requirements: (i) their service places, service items, facilities and equipment meet the requirements of the relevant safety laws, regulations and mandatory standards; (ii) recruiting the necessary safety and rescue personnel and installing relevant facilities and equipment; (iii) establishing a safety management and responsibility system; and (iv) guaranteeing capital investment in work safety.

Moreover, where travel agencies organise outbound tours, they shall make safety information cards. A safety information card shall include information such as the name, exit document number and nationality of a tourist as well as the contacts and contact information in an emergency, and the relevant information shall be filled out in Chinese and the official language of a destination country (or English). The travel agencies shall issue safety information cards to tourists for carrying in travel, and notify them of filling in such information as blood type, allergic medicines and serious diseases in person. Where travel agencies fail to make safety information cards as required, issue the safety information cards to tourists or inform the tourists of the relevant information, the competent tourism departments shall issue a warning, and may also impose a fine of up to RMB2,000; in serious cases, a fine of RMB2,000 to RMB10,000 shall be imposed.

Regulations on Service Quality

The PRC Law on Protection of the Rights and Interests of Consumers (《中華人民共和國消費者權益保護法》) (the "**Consumers Protection Law**") was promulgated on 31 October 1993 and became effective on 1 January 1994. The Consumers Protection Law has been further revised on 25 October 2013 and the revisions take effect from 15 March 2014. According to the Consumers Protection Law, unless otherwise provided by this law, an operator that provides products or services shall, in any of the following circumstances, bear civil liability under the Product Quality Law of the PRC (《中華人民共和國產品質量法》) and other relevant laws and regulations: (i) where a product has defects; (ii) where a commodity does not possess functions it is supposed to possess, and it is not declared when the product is sold; (iii) where the product standards indicated on a product or on the coverage of such product are not met; (iv) where the quality condition indicated by way of product description or physical sample, etc. is not met; (v) where products pronounced obsolete by formal State decrees are produced or have expired or deteriorated commodities are sold; (vi) where a sold product is inadequate in quantity; (vii) where the service items and charges violate the agreement; (viii) where demands by a consumer for repair, redoing, replacement, return, making up the quantity of a product, refund of a product purchase price or service fee or claims for compensation have been delayed deliberately or rejected without reason; or (ix) in other circumstances whereby the rights and interests of consumers, as provided by PRC laws and regulations, are jeopardised.

The Tort Law of the PRC (《中華人民共和國侵權責任法》) was promulgated on 26 December 2009 and came into force on 1 July 2010 to clarify the tort liability, and to prevent tortious conduct. Under this law, in the event of damage arising from a defective product, the victim may seek compensation from either the manufacturer or seller of such product. If the defect is caused by the seller, the manufacturer shall be entitled to seek reimbursement from the seller upon compensation to the victim. If the defect is caused by the manufacturer, the seller shall be entitled to seek reimbursement from the manufacturer upon compensation to the victim.

REGULATIONS ON CONCURRENT-BUSINESS INSURANCE AGENCY

The Insurance Law of the People's Republic of China (《中華人民共和國保險法》) was promulgated on 30 June 1995 and last revised on 24 April 2015 (the "**Insurance Law**"). According to the Insurance Law, insurance agencies and insurance brokers shall satisfy the requirements prescribed by the insurance regulatory body under the State Council, have obtained the insurance agency business permit or brokerage business permit issued by the competent insurance regulatory body, registered with the industry and commerce administration authority and obtained a business licence, and deposited guarantee funds or took out professional liability insurance according to the provisions of the insurance regulatory body under the State Council. Insurance agencies and insurance brokers also shall have their own business premises and set up special account books to record the revenues and expenditures of the insurance agency or brokerage business.

According to the Interim Measures on the Administration of Concurrent-Business Insurance Agency (《保險兼業代理管理暫行辦法》) which was promulgated on 4 August 2000 and revised on 3 December 2010, whoever applies for the qualification for concurrent-business insurance agency shall meet the following conditions: (i) having the business licence checked and issued by the administrative organ of industry and commerce; (ii) having the source of a certain scale of business of insurance agency directly relating to its major business; (iii) having a fixed business premise; (iv) having the conveniences to directly undertake the agency of insurance business in its business premise. The validity period for the "Licence for Concurrent-Business Insurance Agency" shall be three years, and a concurrent-business insurance agent shall apply to go through the procedures for change of the licence two months before the expiration of the validity period. Where a concurrent-business insurance agent needs to modify any content of the "Licence for Concurrent-Business Insurance Agency" due to the change of its name or scope of its major business, it shall, within three months, apply to China Insurance Regulatory Commission (中國保險監督管理委員會) ("**CIRC**") to go through the modification procedures.

The measures for the Administration of Insurance Permits (《保險許可證管理辦法》) was promulgated on 22 June 2007 and implemented on 1 September 2007. According to the above measures, the sideline insurance agencies that within the territory of the People's Republic of China shall obtain insurance permits according to the law. No entity or individual may forge, alter, lease, lend or transfer any insurance licence. Where any item indicated in the insurance licence of an insurance institution changes, the institution shall surrender the original licence to CIRC and obtain a new one. Where any insurance institution needs to extent the valid term of its insurance licence, it shall apply to the CIRC within the prescribed time limit.

The Notice on Suspension of Market Access Permits for Regional Insurance Agents and Partial Insurance Agents (《關於暫停區域性保險代理機構和部分保險兼業代理機構市場准入許可工作的通知》) was promulgated on 26 March 2012. The main content was to suspend the establishment of licences for regional insurance agencies and their branches, and suspend the approval of all concurrent-business insurance agencies other than financial institutions and postal services.

REGULATIONS RELATING TO INTELLECTUAL PROPERTY

The Trademark Law

Trademarks are protected by the Trademark Law of the PRC (《中華人民共和國商標法》) which was promulgated on 23 August 1982 and subsequently amended on 22 February 1993, 27 October 2001 and 30 August 2013 respectively (the "**Trademark Law**") as well as the Implementation Regulation of the PRC Trademark Law (《中華人民共和國商標法實施條例》) promulgated by the State Council on 3 August 2002 and amended on 29 April 2014. In China, registered trademarks include commodity trademarks, service trademarks, collective marks and certification marks.

The Trademark Office in the PRC handles trademark registrations and grants a term of ten years to registered trademarks, calculating from the date of approval of registration. Trademarks are renewable every 10 years where a registered trademark needs to be used after the expiration of its validity term. A registration renewal application shall be filed within six months prior to the expiration of the term. A trademark registrant may licence its registered trademark to another party by entering into a trademark licence contract. Trademark licence agreements must be filed with the Trademark Office in the PRC for record. The licencor shall supervise the quality of the commodities on which the trademark is used, and the licencee shall guarantee the quality of such commodities. As with trademarks, the Trademark Law has adopted a "first come, first file" principle with respect to trademark registration. Where trademark for which a registration application has been made is identical or similar to another trademark which has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark should not prejudice the existing right first obtained by others, nor may any person register in advance a trademark that has already been used by another party and has already gained a "sufficient degree of reputation" through such party's use.

Regulations on Domain Names

The Ministry of Industry and Information Technology of the PRC (中國工業和信息化部) (the "**MIIT**") promulgated its Administrative Measures on Internet Domain Names (《互聯網域名管理辦法》) (the "**Domain Name Measures**") on 24 August 2017, and it became effective on 1 November 2017. According to the Domain Name Measures, where the domain name holder transfers the domain name to any other party, the transferee shall comply with the relevant requirements for domain name registration. The domain names used by those engaging in Internet information services shall comply with laws and regulations and the relevant provisions of telecommunications administrations, and no domain name may be used to commit any illegal act.

REGULATIONS ON INTERNET INFORMATION SERVICE

Value-added Telecommunications Services

On 25 September 2000, the Telecommunication Regulation of the People's Republic of China (《中華人民共和國電信條例》) promulgated, and subsequently amended on 29 July 2014 and 6 February 2016 (the "**Telecommunication Regulations**"), the State establishes a licensing system for telecommunications business according to the different categories of business. Telecommunications business shall be conducted with a licence which obtained in accordance with the Telecommunication Regulations.

According to the Administration of Foreign-funded Telecommunications Enterprises (《外商投資電信企業管理規定》) which was promulgated on 11 December 2001 and subsequently amended on 10 September 2008 and 6 February 2016, foreign-funded telecom enterprises may be engaged in the basic telecom services and value-added services, the specific

business classifications shall be implemented according to the provisions of the Telecommunications Regulation. The ultimate proportion of contribution of the foreign investors of a foreign-funded telecom enterprise that is engaged in the value-added services (including the radio paging business in the basic telecom services) shall not be more than 50%. Moreover, for a foreign investor to acquire any equity interest in a value-added telecommunications business in China, it must satisfy a number of stringent performance and operational experience requirements, including demonstrating good track records and experience in operating value-added telecommunications business overseas.

According to Administrative Measures for Internet Information Services (《互聯網信息服務管理辦法》) which was promulgated on 25 September 2000 and revised on 8 January 2011, Internet information service in this Regulation refer to the provision of information through Internet to web users. Internet information service is divided into two categories: profitable Internet information service and non-profitable Internet information service. The State establishes a licensing system for profitable Internet information service and a filing system for non-profitable Internet information service. Anyone who does not obtain a licence for profitable Internet information service or file for record its non-profitable Internet information service shall not be engaged in such activities.

Profitable Internet information service shall be provided with a licence for value-added telecommunication services (the Service Licence) obtained from telecommunications administrative authorities of the provinces, autonomous regions and cities under the direct control of the PRC government or the MIIT. A non-profitable Internet information service provider shall file for record its activities at telecommunications administrative authorities of the provinces, autonomous regions and cities under the direct control of the PRC government or MIIT.

Under the Negative List, telecommunications services to be opened up to foreign capital is limited under the terms of China's WTO accession, the foreign stake in a value-added service may not exceed 50% (except e-commerce), and the Chinese party shall have controlling interest in basic telecommunications.

According to the Circular of the Ministry of Information Industry on Intensifying the Administration of Foreign Investment in Value-added Telecommunications Services (《信息產業部關於加強外商投資經營增值電信業務管理的通知》) which was promulgated on 13 July 2006, according to the provisions of item (3), Article 13 of the Regulation of the People's Republic of China on Telecommunications (《中華人民共和國電信條例》), a business operator of value-added telecommunications services shall have the capacity or creditworthiness of providing long-term services for its clients. As the registered trade-mark is an important intangible asset to carry out the business operation of telecommunications services, as well as a persuasive indicator of providing long-term services to its clients, therefore, the trademark as employed by the business operator of value-added telecommunications services shall be legally held by the business operator itself (any shareholder thereof).

Regulations on Internet Privacy

The Administrative Measures on Internet Information Services 《(互聯網信息服務管理辦法)》, promulgated by the State Council in September 2000, amended on 8 January 2011, prohibit ICP service operators from insulting or slandering a third party or infringing upon the lawful rights and interests of a third party. Under the Several Provisions on Regulating the Market Order of Internet Information Services (《規範互聯網信息服務市場秩序若干規定》), issued by the MIIT on 29 December 2011, an ICP operator may not collect any user personal information or provide any such information to third parties without the consent of a user. An ICP service operator must expressly inform the users of the method, content and purpose of the collection and processing of such user personal information and may only collect such information necessary for the provision of its services. An ICP service operator is also required to properly keep the user personal information, and in case of any leak or likely leak of the user personal information, the ICP service operator must take immediate remedial measures and, in severe circumstances, to make an immediate report to the telecommunications regulatory authority. In addition, pursuant to the Decision on Strengthening the Protection of Online Information (《關於加強網絡信息保護的決定》) issued by the SCNPC on 28 December 2012 and the Order for the Protection of Telecommunication and Internet User Personal Information (《電信和互聯網用戶個人信息保護規定》) issued by the MIIT on 16 July 2013, any collection and use of user personal information must be subject to the consent of the user, abide by the principles of legality, rationality and necessity and be within the specified purposes, methods and scopes. An ICP service operator must also keep such information strictly confidential, and is further prohibited from divulging, tampering or destroying of any such information, or selling or proving such information to other parties. Any violation of the above decision or order may subject the ICP service operator to warnings, fines, confiscation of illegal gains, revocation of licences, cancellation of filings, closedown of websites or even criminal liabilities.

Regulation on Information Security

The SCNPC promulgated the Cyber Security Law of the PRC (《中華人民共和國網絡安全法》) (the "**Cyber Security Law**"), which became effective on 1 June 2017, to protect cyberspace security and order. Pursuant to the Cyber Security Law, any individual or organisation using the network must comply with the constitution and the applicable laws, follow the public order and respect social moralities, and must not endanger cyber security, or engage in activities by making use of the network that endanger the national security, honour and interests, or infringe on the fame, privacy, intellectual property and other legitimate rights and interests of others. The Cyber Security Law sets forth various security protection obligations for network operators, which are defined as "owners and administrators of networks and network service providers", including, among others, complying with a series of requirements of tiered cyber protection systems; verifying users' real identity; localising the personal information and important data gathered and produced by key information infrastructure operators during operations within the PRC; and providing assistance and support to government authorities where necessary for protecting national security and investigating crimes. To comply with these laws and regulations, we have adopted security

policies and measures to protect our cyber system and user information. On 2 May 2017, the Cyberspace Administration of China issued the Measures for the Security Review of Network Products and Services (Trial) (《網絡產品和服務安全審查辦法(試行)》), which took effect on 1 June 2017, to provide for more detailed rules regarding cyber security review requirements.

REGULATIONS ON AIR TICKETING SALES AGENCY

On 31 March 2006, the Measures for China Civil Air Ticketing Sales Agency Qualification Recognition (《中國民用航空運輸銷售代理資格認可辦法》) (the "**2006 Measures**") promulgated and became effective. A sales agency enterprise engaged in air ticketing sales agency activities shall obtain a qualification recognition certificate issued by CATA. Any unit or individual without the qualification certificate shall not engage in air ticketing sales agency activities. Air ticketing enterprises (including foreign air ticketing enterprises) must independently select agency from the air ticketing sales agency enterprises approved by CATA to engage in sales matters entrusted by the enterprise.

Air ticketing sales agencies are divided into Class 1 air ticketing agencies and Class 2 air ticketing agencies. Class 1 Air Ticketing Agencies Qualification refers to the qualification of civil air passenger transport and cargo transport sales agents for international routes or Hong Kong, Macau and Taiwan routes. Class 2 Air Ticketing Agencies Qualification refers to the qualification of civil air passenger transport and cargo transport sales agents for domestic routes except Hong Kong, Macau and Taiwan routes. Sales agent qualification is valid for three years.

Sino-foreign joint ventures and sino-foreign contractual joint ventures established in accordance with the law within the territory of the PRC may apply for the qualification of sales agency of passenger and cargo transportation of Class 1 and the cargo transportation of Class 2. The foreign investment and its proportion shall comply with the relevant laws and regulations of the State. A wholly foreign-owned enterprise may not establish a sales agency enterprise or engage in air ticketing sales agency business activities. If Hong Kong, Macau, and Taiwan enterprises apply for air ticketing sales agency qualifications, their investment proportion shall be implemented in accordance with relevant state regulations.

On 27 February 2019, the CATA issued the Announcement on Termination of the Air Ticketing Sales Agency Qualification Recognition (《關於停止航空運輸銷售代理資質認可的公告》) (the "**Announcement on Termination of the Agency Qualification**"), pursuant to which the qualification recognition of air ticketing sales agency ceased from 1 March 2019, and the Air Ticketing Sales Agency Qualification Recognition Certificate issued by the CATA was no longer valid. On 1 March 2019, the CATA promulgated the Self-discipline Measures for the Air Passenger and Cargo Transport Sales Agency Industry (《航空客貨運輸銷售代理行業自律辦法》) (the "**Self-discipline Measures**"). The Self-discipline Measures were implemented on 1 March 2019, and the Recognition of Air Transport Sales Agency Qualification (Revised in 2015) (《航空運輸銷售代理資質認可辦法(2015)修訂》) (the "**2015 Recognition**") were simultaneously repealed. According to the Self-discipline Measures and the Announcement on Termination of the Agency Qualification, as at 1 March 2019, an

enterprise applying to engage in air ticketing sales agency business does not need to apply for the qualification of an air ticketing sales agency, but instead shall conduct self-assessment according to the forthcoming Standards for China Air Passenger Ticketing Sales Agent Business and Standards for China Air Cargo Sales Agent Business (《中國航空客運銷售代理人業務規範》and《中國航空貨運銷售代理人業務規範》). Upon the satisfaction of the conditions, the air ticketing enterprise may apply to the airline operators for entering into an air ticketing sales agent agreement. The airline operators may, in accordance with the relevant regulations, review the application of the enterprise applying to become an air ticketing sales agent and enter into a contract with the qualified enterprise.

At present, the 2006 Measures have not been expressly repealed. According to our interview with the Eastern China Region Representative Office of CATA (中國航空運輸協會華東地區代表處), after the cancellation of the air ticketing sales agency qualification requirement, the current policy is still unclear in relation to whether foreign invested enterprises can operate an air ticketing sales transportation agency business, and they are waiting for specific policies to be introduced.

REGULATIONS ON PRICING AND AIR-TICKET PRICE

On 29 December 1997, the SCNPC promulgated the Pricing Law of the People's Republic of China (《中華人民共和國價格法》) (the "**Pricing Law**"), pursuant to which the prices of a very small number of products and services are guided or fixed by the government. Business operators must, as required by the government departments in charge of pricing, mark the prices explicitly and indicate the name, origin of production, specifications, and other related particulars clearly. Business operators may not sell products at a premium or charge any fees that are not explicitly indicated. Business operators must not commit the specified unlawful pricing activities, such as colluding with others to manipulate the market price, using false or misleading prices to deceive consumers to transact, or conducting price discrimination against other business operators. Failure to comply with the Pricing Law may subject business operators to administrative sanctions such as warning, ceasing unlawful activities, compensation, confiscating illegal gains, fines. The business operators may be ordered to suspend business for rectification, or have their business licences revoked if the circumstances are severe.

In December 2017, the Civil Aviation Administration of China (中國民用航空局) ("**CAAC**"), together with the National Development and Reform Commission of the PRC, issued the Civil Aviation Domestic Transportation Market Pricing Measures (《民用航空國內運輸市場價格行為規則》), pursuant to which the prices of first-class and business class air transportation are market-adjusted, and the price of economic class is a mix of market-adjusted price and government-guided price. Air transportation institutions shall comply with the pricing regulation mechanism, such as the maximum air transporting base price and price raising range, and make reasonable price adjustment. Air transportation institutions must disclose the categories, standards and applicable conditions of transportation pricing in a timely, accurate and complete manner. Air transportation institutions may not set prices beyond the range of the government-guided prices, collude with others to manipulate the market prices,

forge and spread price raising information, use false or misleading prices to deceive consumers, or harm consumers' interests by abusing market monopoly status. Failure to comply will be logged into the credit violation catalogue and be disclosed to the public according to Civil Aviation Industry Credit Management Measures (Trial) (《民航行業信用管理辦法》 (試行)), which was issued by CAAC in November 2017.

REGULATIONS RELATING TO COMPANY ESTABLISHMENT AND FOREIGN INVESTMENT

The establishment, operation and management of Chinese companies are governed by the Companies Law of the People's Republic of China (《中華人民共和國公司法》) promulgated by Fifth meeting of the Standing Committee of the Eighth National People's Congress on 29 December 1993, and amended in 1999, 2004, 2005, 2013 and 2018 respectively (the "**PRC Company Law**"). According to the PRC Company Law, the companies are classified into limited liability companies or joint stock company limited within the territory of the PRC. The PRC Company Law applies to domestic companies and foreign investment companies. The establishment procedures, approval procedures, registered capital requirements, foreign exchange matters, accounting practices, taxation and labour issues of wholly foreign-owned enterprises were regulated by the Law of the People's Republic of China on Foreign Investment Enterprises (《中華人民共和國外資企業法》) promulgated on 12 April 1986, last revised on 3 September 2016 and came into effect on 1 October 2016 (the "**FIE Law**") and the Detailed Rules for the Implementation of the Law of the People's Republic of China on Wholly Foreign-owned Enterprises (《中華人民共和國外資企業法實施細則》) promulgated on 12 December 1990 and revised on 12 April 2001 and 19 February 2014 (the "**FIE Implementation Rules**"). A wholly foreign-owned enterprise whose formation does not involve the implementation of special access management measures as prescribed by the state shall be subject to recordation administration. The special access management measures as prescribed by the state shall be issued by or issued with the approval of the State Council.

The establishment procedures, approval procedures, registered capital requirements, foreign exchange matters, accounting practices, taxation and labor issues of Chinese-Foreign Equity Joint Ventures were regulated by the Law of the People's Republic of China on Chinese-Foreign Equity Joint Ventures (《中華人民共和國中外合資經營企業法》) promulgated on 8 July 1979, last revised on 3 September 2016 and came into effect on 1 October 2016 (the "**JV Law**") and the Detailed Rules for the Implementation of the Law of the People Republic of China on Chinese-Foreign Equity Joint Ventures (《中華人民共和國中外合資經營企業法實施條例》) promulgated on 20 September 1983 and last revised on 2 March 2019 (the "**JV Implementation Rules**"). According to the JV Law, an equity joint venture whose formation does not involve the implementation of special access management measures as prescribed by the state shall be subject to recordation administration as to the approval items as mentioned in this Law. The special access management measures as prescribed by the state shall be issued by or issued with the approval of the State Council.

According to the Interim Measures for the Recordation Administration of the Formation and Modification of Foreign-Funded Enterprises (《外商投資企業設立及變更備案管理暫行辦法》) promulgated by Ministry of Commerce on 8 October 2016 and became effective on 30 June 2018, the establishment and change of foreign-invested enterprises that do not involve the implementation of special management measures for entry into the country shall be filed with the relevant commerce authorities.

The FIL

On 15 March 2019, the National People's Congress of the PRC adopted the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the "**FIL**") which will come into effect on 1 January 2020. According to the FIL, foreign investments refer to investment activities conducted, directly or indirectly, by foreign natural persons, enterprises or other organisations within the PRC, including the following circumstances: (i) a foreign investor, by itself or with other investors, establishing foreign invested enterprises within the PRC; (ii) a foreign investor obtaining shares, equity, share of property or other similar rights of a PRC domestic enterprise; (iii) a foreign investor, by itself or with other investors, investing in new PRC domestic projects; and (iv) investing in any other ways as stipulated under the laws, administrative regulations or provisions specified by the State Council. The PRC government will implement the management system of pre-entry national treatment and the Negative List for foreign investment. Pre-entry national treatment refers to the treatment accorded to foreign investors and their investments at the stage of investment entry which is no less favourable than the treatment accorded to domestic investors and their investments. Negative List refers to a special administrative measure for the entry of foreign investment in specific sectors as imposed by the PRC. The PRC accords national treatment to foreign investment outside of the Negative List. Foreign investors shall not invest in any sectors prohibited by the Negative List. Foreign investors investing in a sector restricted by the Negative List shall meet the requirements stipulated under the Negative List. Foreign investors investing in sectors that do not fall within the Negative List shall be administered under the principle of equal treatment for the domestic and foreign investment.

The FIL sets forth principles and measures to promote foreign investment in the PRC and specifically provides that the PRC legally protects the foreign investors' investment, earnings and other legitimate rights and interests in the PRC.

The FIL will come into effect on 1 January 2020 and replace the Law of the People's Republic of China on Chinese-Foreign Equity Joint Ventures (《中華人民共和國中外合資經營企業法》), the Law of the People's Republic of China on Foreign Investment Enterprises (《中華人民共和國外資企業法》) and the Cooperative Joint Venture Law of the PRC (《中華人民共和國中外合作經營企業法》). Foreign investment enterprises established under the aforesaid laws before the implementation of the FIL may retain their original organisational forms for five years after the implementation of the FIL. The specific implementing measures will be prescribed by the State Council.

REGULATIONS RELATING TO FOREIGN EXCHANGE

General Administration of Foreign Exchange

Under the PRC Foreign Currency Administration Rules (《中華人民共和國外匯管理條例》promulgated by the State Administration of Foreign Exchange on 29 January 1996 and last amended on 5 August 2008 and various regulations issued by the SAFE and other relevant PRC government authorities, RMB is convertible into other currencies for the purpose of current account items, such as trade related receipts and payments, payment of interest and dividends. The conversion of RMB into other currencies and remittance of the converted foreign currency outside the PRC for the purpose of capital account items, such as direct equity investments, loans and repatriation of investment, requires the prior approval from the SAFE or its local office. Payments for transactions that take place within the PRC must be made in RMB. Unless otherwise approved, PRC companies may repatriate foreign currency payments received from oversea jurisdictions or retain the same overseas jurisdiction. Foreign-invested enterprises may retain foreign exchange in accounts with designated foreign exchange banks under the current account items subject to a cap set by the SAFE or its local office. Foreign exchange proceeds under the current accounts may be either retained or sold to a financial institution engaging in settlement and sales of foreign exchange pursuant to relevant rules and regulations of the State. For foreign exchange proceeds under the capital accounts, approval from SAFE is required for its retention or sale to a financial institution engaging in settlement and sales of foreign exchange, except where such approval is not required under the relevant rules and regulations of the PRC.

The Administrative Regulations on Settlements, Sales and Payments in Foreign Exchange (《結匯、售匯及付匯管理規定》) was promulgated on 20 June 1996 and became effective on 1 July 1996. Under this regulations, domestic entities, resident individuals, foreign establishments in China and foreign nationals shall comply with these Provisions with respect to the settlement and sales of foreign exchange, opening foreign exchange accounts and making external payments.

The Circular of the SAFE on Further Improving and Adjusting Foreign Exchange Administration Policies for Direct Investment (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》) promulgated by SAFE on 19 November 2012, became effective on 17 December 2012 and further amended on 4 May 2015 and 10 October 2018 simplified the capital verification and confirmation formalities for foreign-invested enterprises ("**FIE**") and the foreign capital and foreign exchange registration formalities required for the foreign investors to acquire the equities and foreign exchange registration formalities required for the foreign investors to acquire the equities of Chinese party, and further improve the administration on exchange settlement of foreign exchange capital of FIEs.

On 13 February 2015, SAFE promulgated the Circular on Simplifying and Improving the Foreign Currency Management Policy on Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) effective from 1 June 2015, which cancels the administrative approvals of foreign exchange registration of direct domestic investment and

direct overseas investment. Also, it simplifies the procedure of registration of foreign exchange and investors shall register with banks to have the registration of foreign exchange under the condition of direct domestic investment and direct overseas investment.

The Circular of the SAFE on Reforming the Management Approach regarding the Settlement of Foreign Capital of Foreign-invested Enterprise (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the "**SAFE Circular No. 19**") was promulgated on 30 March 2015 and became effective on 1 June 2015. According to the SAFE Circular No. 19, a foreign-invested enterprise may, according to its actual business needs, settle with a bank the portion of the foreign exchange capital in its capital account for which the relevant foreign exchange bureau has confirmed monetary contribution rights and interests (or for which the bank has registered the account-crediting of monetary contribution). For the time being, FIEs are allowed to settle 100% of their foreign exchange capitals on a discretionary basis; a FIE shall use its capital for its own operational purposes within the scope of business; where an ordinary FIE makes domestic equity investment with the amount of foreign exchanges settled, the invested enterprise shall first go through domestic re-investment registration and open a corresponding Account for Foreign Exchange Settlement Pending Payment with the foreign exchange bureau (bank) at the place of registration.

The Circular of the SAFE on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (the "**SAFE Circular No. 16**") was promulgated and became effective on 9 June 2016. According to the SAFE Circular No. 16, enterprises registered in the PRC may also convert their foreign debts from foreign currency into RMB on self-discretionary basis. The SAFE Circular No. 16 provides an integrated standard for conversion of foreign exchange under capital account items (including but not limited to foreign currency capital and foreign debts) on self-discretionary basis, which applies to all enterprises registered in the PRC. The SAFE Circular No. 16 reiterates the principle that RMB converted from foreign currency-denominated capital of a company may not be directly or indirectly used for purposes beyond its business scope and may not be used for investments in securities or other investment with the exception of bank financial products that can guarantee the principal within the PRC unless otherwise specifically provided. Besides, the converted RMB shall not be used to make loans for related enterprises unless it is within the business scope or to build or to purchase any real estate that is not for the enterprise own use with the exception for the real estate enterprise.

The State Administration of Foreign Exchange promulgated the Notice on Further Promoting the Reform of Foreign Exchange Administration and Improving the Examination of Authenticity and Compliance (Circular No. 3) (《關於進一步推進外匯管理改革完善真實合規性審核的通知》("3號文")) on 26 January 2017. It stipulates certain capital control measures for domestic institutions to remit profits to foreign institutions, including: (i) A bank shall review the resolutions of the board of directors related to the remittance of profits, the original tax filing form, and the audited financial statements in accordance with the principle of real transactions; (ii) A domestic institution shall cover losses in the previous years as legally required before the outward remittance of profits. Besides, a domestic institution shall explain the source of the investment funds and the use of funds (use plan) to the bank and provide the resolution of the board of directors (or the resolution of partners), contract, or other proof on authenticity of such investment.

Offshore Investment

On 4 July 2014, SAFE promulgated the Circular Concerning Relevant Issues on the Foreign Exchange Administration of Offshore Investing and Financing and Round-Trip Investing by Domestic Residents through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the "**Circular No. 37**"), before contributing capital to a special-purpose company with its legal assets or interests within or outside China, a domestic resident shall apply to the foreign exchange authority for undergoing the foreign exchange registration procedure for foreign investment. To make capital contribution with its domestic legal assets or interests, a domestic resident shall apply for registration with the foreign exchange authority at its place of registration or at the locality of the assets or interests it holds in a domestic enterprise. To make capital contribution with its overseas legal assets or interests, a domestic resident shall apply for registration with the foreign exchange authority at its place of registration or the place of its registered permanent residence. Where there is any change in the basic information of an overseas special-purpose company which has already been registered such as its domestic resident individual shareholder, name, or term of operation, or where a significant matter occurs such as a capital increase/decrease or equity transfer/replacement by a domestic resident individual, a combination, or a division, the foreign exchange modification registration procedure for foreign investment shall be undergone with the foreign exchange authority in a timely manner. In addition, according to the procedural guideline as attached to the Circular No. 37, the principle of review has been changed to "the domestic individual resident can only register the SPV directly established or controlled by them". At the same time, the SAFE has issued the Operation Guidance for the Issues Concerning Foreign Exchange Administration over Round-trip Investment (《返程投資外匯管理所涉業務操作指引》) with respect to the procedures for SAFE registration under the Circular No. 37, which became effective on 4 July 2014 as an attachment of Circular No. 37.

Under the relevant rules, failure to comply with the registration procedures set forth in the Circular No. 37 may result in restrictions being imposed on the foreign exchange activities of the relevant onshore company, including the payment of dividends and other distributions to its offshore parent or affiliate, and may also subject relevant PRC residents to penalties under PRC foreign exchange administration regulations.

Regulations on Dividend Distribution

The principal laws and regulations regulating the dividend distribution of dividends by foreign-invested enterprises in the PRC include the PRC Company Law, the FIE Law and the FIE Implementation Rules, the JV Law and the JV Implementation Rules, and the Cooperative Joint Venture Law of the PRC (《中華人民共和國中外合作經營企業法》) promulgated in 1988 and last amended in 2017, and its implementation regulations promulgated in 1995 and last amended in 2017. Under the current regulatory regime in the PRC, FIEs in the PRC may pay dividends only out of their accumulated profit, if any, determined in accordance with PRC accounting standards and regulations. Unless otherwise provided by the provisions of laws regarding foreign investment, a PRC company is required to set aside as general reserves (法

定公積金) at least 10% of its after-tax profit, until the cumulative amount of such reserves reaches 50% of its registered capital. A PRC company shall not distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year. A wholly foreign-owned enterprise may allocate part of its after-tax profit as employee benefits and incentive funds, as appropriate, in accordance with PRC accounting standards. These reserves cannot be distributed as cash dividends.

REGULATIONS RELATING TO TAX

Tax Collection

According to the Law of the People's Republic of China on the Administration of Tax Collection《中華人民共和國税收徵收管理法》) promulgated on 4 September 1992 and last revised on 24 April 2015, enterprises, branches in other localities established by such enterprises, sites engaged in production or business operations, individual businesses as well as public institutions engaged in production or business operations (hereinafter referred to as "taxpayers engaged in production or business operations" collectively) shall, within 30 days after receipt of the business licence, apply for the tax registration with the tax authority by producing the relevant documents. The tax authority shall conduct registration formalities and issues tax registration certificates on the same day of receipt of the application.

Taxpayers must, in accordance with the laws and administrative regulations, and in keeping with the time limit and contents for filing tax returns determined by the tax authorities in accordance with the provisions in laws and the administrative regulations, truthfully file tax returns, submit tax return statements, financial and accounting statements as well as other information on tax payment required by the tax authorities based on practical needs. Withholding agents must, in accordance with the laws and administrative regulations, or the time limit and contents for filing tax returns determined by the tax authorities in accordance with the provisions in laws and the administrative regulations, truthfully submit reporting schedules on taxes withheld and remitted or collected and remitted as well as other relevant information required by the tax authorities based on practical needs.

The receipt or payment of charges or fees in business transactions between an enterprise (or institution or site engaged in production or business operations) established in China by a foreign enterprise and its associated enterprises, shall be made at arm's length prices. Where the receipt or payment of charges or fees is not made at arm's length prices and results in a reduction of the taxable income, the tax authorities shall have the right to make reasonable adjustments.

Enterprise Income tax

On 16 March 2007, the National People's Congress promulgated The Law of the PRC on Enterprise Income Tax (《中華人民共和國企業所得税法》) and amended on 24 February 2017 and 29 December 2018. On 6 December 2007, the State Council of the PRC enacted The

Regulations for the Implementation of the Law on Enterprise Income Tax (《中華人民共和國企業所得稅法實施條例》) (collectively, the "**EIT Law**"), and came into effect on 1 January 2008. According to the EIT Law, taxpayers consist of resident enterprises and non-resident enterprises. Resident enterprises are defined as enterprises that are established in China in accordance with PRC laws, or that are established in accordance with the laws of foreign countries but whose actual or de facto control is administered from within the PRC. Non-resident enterprises are defined as enterprises that are set up in accordance with the laws of foreign countries and whose actual administration is conducted outside the PRC, but have established institutions or premises in the PRC, or have no such established institutions or premises but have income generated from inside the PRC. Under the EIT Law and relevant implementing regulations, a uniform enterprise income tax rate of 25% is applicable. However, if non-resident enterprises have not formed permanent establishments or premises in the PRC, or if they have formed permanent establishment institutions or premises in the PRC but there is no actual relationship between the relevant income derived in the PRC and the established institutions or premises set up by them, enterprise income tax is set at the rate of 10% for their income sourced from inside the PRC.

Value-added tax and business tax

The Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例》) were promulgated by the State Council of the PRC on 13 December 1993 and came into effect on 1 January 1994 which were subsequently amended on 10 November 2008 and came into effect on 1 January 2009 and further amended on 6 February 2016 and 19 November 2017. The Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則 》) were promulgated by the Ministry of Finance and State Administration of Taxation on 25 December 1993 which were subsequently amended on 15 December 2008 and 28 October 2011 and came into effect on 1 November 2011 (collectively, the "**VAT Law**"). According to the VAT Law, all enterprises and individuals engaged in the sales of goods, the provision of processing, repair and replacement services, and the importation of goods within the territory of the PRC must pay value-added tax (the "**VAT**"). For general VAT taxpayers selling or importing goods other than those specifically listed in the VAT Law, the VAT rate is 17%.

According to the Notice of Adjusting Value-added Tax Rates (《財政部 稅務總局關於調整增值稅稅率的通知》) promulgated by the Ministry of Finance and the State Administration of Taxation on 4 April 2018 and became effective on 1 May 2018,the tax rates of 17% and 11% applicable to any taxpayer's VAT taxable sale or import of goods shall be adjusted to 16% and 10%, respectively.

Dividend withholding tax

The EIT Law provides that, an income tax rate of 10% will normally be applicable to dividends declared to non-PRC resident investors which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within the PRC.

Pursuant to an Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Incomes (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the "**Double Tax Avoidance Arrangement**"), and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5%. However, based on the Circular on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties (《關於執行稅收協定股息條款有關問題的通知》) (the No. 81 of State Administration of Taxation) issued on 20 February 2009 by the State Administration of Taxation (the "**SAT**"), if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment.

Regulations Relating to Stamp Duty

According to the Provisional Rules of the People's Republic of China on Stamp Duty (《中華人民共和國印花稅暫行條例》) was promulgated on 6 August 1988 and revised and became effective on 8 January 2011. All units and individuals which conclude or receive any of the documents listed in these Rules shall be regarded as obligatory payers of stamp duty. The following documents shall be regarded as taxable documents: (i) documents issued for purchase and sale transactions, process contracting, property leasing, commodity transportation, storage and custody of goods, loans, property insurance, technology contracts and other documents of a contractual nature; (ii) documents of transfer of property title; (iii) business books of account; (iv) documentation of rights or licences; (v) other documents determined by the Ministry of Finance (中國財政部) to be taxable.

REGULATIONS RELATING TO EMPLOYMENT AND SOCIAL WARFARE

The Labour Contract Law

The Labour Contract Law of the PRC (《中華人民共和國勞動合同法》) (the "**Labour Contract Law**"), which was implemented on 1 January 2008 and amended on 28 December 2012, is primarily aimed at regulating employee/employer rights and obligations, including matters with respect to the establishment, performance and termination of labour contracts. Pursuant to the Labour Contract Law, labour contracts shall be concluded in writing if labour relationships are to be or have been established between enterprises or institutions and the labour. Enterprises and institutions are forbidden to force labour to work beyond the time limit stipulated in the relevant PRC laws and regulators and employers shall pay labour for overtime work in accordance with national regulations. In addition, labour wages shall not be lower than local Minimum Salary Threshold and shall be paid to labour timely. The Minimum Salary Threshold is decided by provincial government and shall be updated annually pursuant to "Provisions on Minimum Salary Threshold" (《最低工資規定》) promulgated by Ministry of

Labour and Social Security of the PRC on 20 January 2004 and became effective on 1 March 2004. In addition, according to the Labour Contract Law: (i) in the case where the employer fails to enter into a written labour contract with the employee during the period between one month after and up to a year from the date of employment, the employer shall pay to the employee twice the amount of the wages payable to him/her during the said period; (ii) if the employer still fails to enter into a written employment contract with the employee after one year from the date of employment, it will be deemed to have entered into a labour contract with the employee without a fixed term; (iii) employees who fulfill certain criteria, including having worked for the same employer for ten years or more, may demand that the employer execute a labour contract with them for an unfixed term; (iv) employees must adhere to regulations in the labour contracts concerning commercial confidentiality and non-competition; (v) the maximum amount of compensation an employer may seek for an employee's breach of the provisions concerning the term of services stated in the labour contract shall not exceed the cost of training it has provided to its employee; (vi) employees may terminate their employment contracts with their employers if their employers fail to make social insurance contributions in accordance with the PRC law; if an employer pays for an employee's professional training, the labour contract may specify a term of service. When the employee breach term of service, the amount of compensation shall not exceed the cost of the training it has provided to its employees; (vii) employers who demand money or property from employees as guarantee or otherwise may be subject to a fine of more than RMB500 but less than RMB2,000 per employee; and (viii) employers who intentionally deprive employees of any part of their salary and failed to pay the salary deprived back to the employee within a period as determined by the labour administration authorities must, in addition to their full salary, pay such employees a compensation ranging from 50% to 100% of the amount of salary so deprived.

According to the Labour Law of the PRC (《中華人民共和國勞動法》) promulgated on 5 July 1994, effected on 1 January 1995 and amended on 27 August 2009 and 29 December 2018, enterprises and institutions shall establish and improve their system of workplace safety and sanitation, strictly abide by state rules and standards on workplace safety, educate labourers in labour safety and sanitation in the PRC. Labour safety and sanitation facilities shall comply with standards determined by the PRC government. Enterprises and institutions shall provide labour with a safe workplace and sanitation conditions which are in compliance with state stipulations and the relevant articles of labour protection.

Social Insurance and Housing Fund

Under the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) promulgated on 28 October 2010 and implemented on 1 July 2011 and amended on 29 December 2018, the state shall establish a social insurance system including basic endowment insurance, basic medical insurance, employment injury insurance, unemployment insurance and maternity insurance to guarantee the rights of citizens to legally obtain material assistance from the state and society in case of old age, illness, work-related injuries, unemployment and childbirth. An employer shall, within 30 days from the date of employment, apply to the social insurance agency for social insurance registration for the employee. If it fails to handle the social insurance registration, the social insurance premiums payable shall be assessed by the social insurance agency.

According to the Interim Regulation on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) promulgated and became effective on 22 January 1999, then amended on 24 March 2019, premium paying entities or individuals shall pay social insurance premiums on time and in full amount. Any premium paying entity shall carry out social insurance registration at the local social insurance agency and participate in social insurance. Any premium paying entity shall, on a monthly basis, report to the social insurance agency the amount of social insurance premiums payable and pay its social insurance premiums within the prescribed time limit upon assessment of the social insurance agency.

According to the Reform Plan of Tax Collection systems of State and Local Taxation (《國税地税徵管體制改革方案》) promulgated by the General Office of the CPC Central Committee and the General Office of the State Council on 20 July 2018, from 1 January 2019, the social insurance premiums such as basic endowment insurance premiums, basic medical insurance premiums, unemployment insurance premiums, employment injury insurance premiums, and maternity insurance premiums will be collected by the tax authorities.

According to the Regulation on the Administration of Housing Accumulation Funds (《住房公積金管理條例》) promulgated on 3 April 1999 and last revised on 24 March 2019, an entity shall timely and fully deposit housing accumulation fund for the employees. The monthly deposit amount of an employee's housing accumulation fund shall be the employee's monthly average wage of the last year multiplied by the deposit proportion of his housing accumulation fund. Where an entity violates the present Regulation by failing to deposit the housing accumulation fund within the time limit or by under-depositing the fund, it shall be ordered by the housing accumulation fund management centre to deposit the fund within a time limit; if it fails to deposit the fund within the time limit, it may apply to the people's court for enforcement.

M&A RULES AND OVERSEAS LISTING

On 8 August 2006, six PRC governmental and regulatory agencies, including MOFCOM and the China Securities Regulatory Commission (the "**CSRC**"), promulgated the Rules on Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the "**M&A Rules**"), a regulation with respect to the mergers and acquisitions of domestic enterprises by foreign investors that became effective on 8 September 2006 and revised on 22 June 2009. Foreign investors should comply with the M&A Rules when they either (i) purchase equity interests of a domestic company or subscribe the increased capital of a domestic company, and thus changing the nature of the domestic company into a FIE; (ii) purchase and operate the assets of a domestic company through a FIE established in the PRC; or (iii) establish a FIE in the PRC by injecting the operating assets purchased from a domestic company.

If any domestic company, enterprise or natural person merges its affiliated domestic company in the name of a company legally established or controlled by the aforesaid domestic company, enterprise or natural person in foreign countries or regions, it shall be subject to the approval of the MOC. The parties thereto shall not evade the above provision by the domestic investment of a foreign investment enterprise or by any other means.

According to the Interim Provisions on the Domestic Investment of Foreign-funded Enterprises (《關於外商投資企業境內投資的暫行規定》) promulgated and became effective on 28 October 2015, the joint domestic investment by a foreign investor and a foreign-funded enterprise shall be handled in accordance with the laws and regulations of the state on foreign investment. The capital contribution of the foreign investor in such a joint investment shall generally account for not less than 25% of the registered capital of the investee enterprise.

To make any domestic investment, a foreign-funded enterprise shall comply with the laws and regulations of the state. No foreign-funded enterprise shall invest in fields banned to foreign investment.

OUR HISTORY

Mr. He, our executive Director, chairman and chief executive officer, founded our Group in 2001 when he envisaged significant market potential in the Chinese tourism industry, in particular in Ningbo, Zhejiang Province, the PRC. Prior to founding our Group, Mr. He completed his bachelor's study at Hangzhou University (杭州大學) (currently known as Zhejiang University (浙江大學)) and majored in tourism economics. Mr. He was engaged in various travel agencies for a number of years and worked in the Quality Supervision and Management Department of the Ningbo Tourism Bureau (寧波市旅遊局寧波市旅遊質量監督管理所), where he acquired relevant industry knowledge and experience, allowing him to be well equipped for the development of our Group.

In view of the increasing market demand from Chinese nationals for travel products and services as a result of China's rapid economic growth, in particular for outbound travel, our Group continued to expand with an aim to provide quality outbound domestic travel-related products and services to Chinese tourists. In 2010, we began engaging in the provision of outbound travel products and services. In 2016, we expanded our product offering to air ticketing business by acquiring Ningbo Qihang. Over the years, we have developed into a well established travel service provider in Zhejiang Province, the PRC.

BUSINESS MILESTONES

The following events are the key business and milestones of our Group:

Year	Business Achievement
2001	Feiyang International was established and we began operating our domestic travel business.
2003	We were awarded "Ningbo Top 10 Travel Agency" ("寧波市十佳旅行社") of 2002 by Ningbo Tourism Bureau (寧波市旅游局) for the first time.
2007	We were awarded "2006 National Top 100 Domestic Travel Agency" ("2006年度全國百強國內旅行社") for the first time. We were awarded "Ningbo Top 10 Travel Agency" ("寧波市十佳旅行社")/"Best Travel Agency in Ningbo" ("寧波市最佳旅行社") of 2006 by Ningbo Tourism Bureau (寧波市旅遊局), and received the same award each year since 2007.

Year	Business Achievement
2009	We were granted 8th position amongst the list of "2008 National Top 100 Domestic Travel Agency" ("2008年度全國百強國內旅行社") as published by the China National Tourism Administration Bureau (國家旅遊局). We were amongst the first batch of travel agencies being granted "Five-Star Travel Agency" ("五星級旅行社") of 2009 by Zhejiang Travel Agency (浙江省旅游局).
2010	We opened our tourism square at the city centre of Ningbo, Zhejiang Province. We began operating outbound travel services. We were awarded, "Five-Star Travel Agency" ("五星級旅行社") of 2009 by Zhejiang Travel Agency (浙江省旅游局)
2011	Our brand "Feiyang" (飛揚) was awarded "Famous Business Name in Zhejiang Province" ("浙江省知名商號") by Zhejiang Administration Bureau for Industry and Commerce (浙江省工商行政管理局) for a term of six years since 2011, and we were awarded the same again in 2017. We began operating our tourism website "*iflying.com*"
2013	We received the "First Prize of Ningbo Enterprise Management Modernisation Innovation Award" ("寧波市企業管理現代化創新成果一等獎") from Ningbo Association for Commerce (寧波市企業聯合會), Ningbo Entrepreneur Association (寧波市企業家協會) and Ningbo Industrial and Economic Association (寧波市工業經濟聯合會).
2016	We began the sales of FIT products. We were ranked 50th according to the "Top 100 National Travel Agency" ("2015年度全國百強旅行社") published by the China National Tourism Administration (國家旅遊局).
2018	We moved to our new tourism square to the current location in Ningbo, Zhejiang Province. We received the "word-of-mouth" Gold Award for Travel Agencies ("金口碑旅社") from Ningbo Municipal Tourism Development Committee (寧波市旅遊發展委員會) and Ningbo Tourism Association (寧波市旅遊協會).

CORPORATE HISTORY AND DEVELOPMENT

We set out below the corporate history and shareholding changes of our major operating subsidiaries.

Feiyang International

Feiyang International (formerly known as Ningbo Feiyang Travel Agency (寧波飛揚旅行社)) is our main operating subsidiary and was established in the PRC on 19 September 2001 with a registered and paid up capital of RMB0.3 million. Upon its establishment, Feiyang International was held as to the following shareholding:

Shareholder	**Capital Contribution** *(RMB)*	**Percentage of shareholding**
Mr. He	240,000	80%
Ms. Qian*(Note 1)*	15,000	5%
Ms. Yao Ningfen (姚寧芬) ("**Ms. Yao**")*(Note 2)*	15,000	5%
Ms. Yao Juhua (姚菊花)*(Note 3)*	15,000	5%
Ms. Yu Ying (虞瑩)*(Note 4)*	15,000	5%
Total	300,000	100%

Notes:
(1) Ms. Qian is the spouse of Mr. He.
(2) Ms. Yao is the mother-in-law of Mr. He.
(3) Ms. Yao Juhua is the sister of Ms. Yao.
(4) Ms. Yu Ying is an independent third party.

On 1 April 2009, Ms. Yao Juhua and Ms. Yu Ying transferred their respective 5.0000% equity interest in Feiyang International to Ms. He Qifen (何其芬) ("**Ms. He Q**"), Mr. He's mother, and Ms. He Ying (何穎) ("**Ms. He Y**"), Mr. He's sister, respectively, for the consideration of RMB15,000 and RMB15,000, respectively, which were determined based on the then registered capital of Feiyang International. On 21 May 2009, Feiyang International was renamed as Zhejiang Feiyang Travel Agency (浙江飛揚旅行社) and the registered capital increased to RMB2.0 million. On 15 September 2010, Feiyang International was renamed as Zhejiang Feiyang International Travel Agency (浙江飛揚國際旅行社).

On 16 December 2011, Feiyang International was renamed as Zhejiang Feiyang International Travel Company Limited (浙江飛揚國際旅遊有限公司) and became a limited liability company. On the same date, Feiyang International increased its registered capital to RMB10.0 million. Ningbo Feiyang Travel Co., Ltd. (寧波飛揚旅遊有限公司) ("**Ningbo Feiyang**") contributed the additional RMB8.0 million registered capital and Mr. He and Ms. Qian owned 90.0000% and 10.0000% of Ningbo Feiyang, respectively. As at 16 December 2011, Mr. He, together with Ms. Qian, directly and indirectly, hold 97.0000% equity interest in Feiyang International.

On 29 December 2011, Feiyang International was renamed as Zhejiang Feiyang International Travel Group Limited Liability Company (浙江飛揚國際旅遊集團有限公司). On 18 August 2015, Feiyang International converted to a joint stock limited company with increased registered capital to RMB20.0 million and was renamed as Zhejiang Feiyang International Travel Group Co., Ltd. (浙江飛揚國際旅遊集團股份有限公司). On 27 April 2016, Feiyang International increased its registered capital to RMB21.2 million with RMB0.4 million, RMB0.2 million, RMB0.2 million, RMB0.2 million and RMB0.2 million being contributed by Mr. Li, Mr. Wu, Ms. Qiu, Mr. Chen and Mr. Xiong Di (熊笛) the then employee of the Group ("**Mr. Xiong**"), respectively. On 29 July 2016 and 30 September 2017, Feiyang International increased its registered capital to RMB23.32 million and RMB46.64 million, respectively.

As at 29 July 2016 and 30 September 2017, the shareholding of Feiyang International was as follows:

	Percentage of capital contribution	
Shareholders	**As at 29 July 2016**	**As at 30 September 2017**
Feiyang Management	75.4717%	75.4717%
Mr. He	15.0943%	15.0943%
Ms. Qian*(Note 1)*	0.9434%	0.9434%
Ms. Yao*(Note 2)*	0.9434%	0.9434%
Ms. He Q*(Note 3)*	0.9434%	0.9434%
Ms. He Y*(Note 4)*	0.9434%	0.9434%
Mr. Li	1.8868%	1.8868%
Mr. Wu	0.9434%	0.9434%
Mr. Xiong	0.9434%	0.9434%
Ms. Qiu	0.9434%	0.9434%
Mr. Chen	0.9434%	0.9434%
Total	100.00%	100.00%

Notes:

(1) Ms. Qian is the wife of Mr. He.

(2) Ms. Yao is the mother-in-law of Mr. He.

(3) Ms. He Q is the mother of Mr. He.

(4) Ms. He Y is the sister of Mr. He.

On 12 October 2018, Mr. He acquired 0.9434%, 0.9434% and 0.9434% shareholding of Feiyang International from Mr. Xiong, Ms. He Q and Ms. He Y at the consideration of RMB0.7 million, RMB0.4 million and RMB0.4 million, respectively, which were determined based on the then registered capital of Feiyang International, except for that of Mr. Xiong, which was determined based on his capital contribution plus interest with reference to the benchmark loan prime rate of the People's Bank of China during the period Mr. Xiong remained as a

shareholder of Feiyang International. On the same day, Ms. Qian acquired 0.9434% shareholding from Ms. Yao, Ms. Qian's mother, at the consideration of RMB0.4 million, which was determined based on the then registered capital of Feiyang International. As at 12 October 2018, Haishu Feiyang, Haishu Lianchuang, Mr. He and Ms. Qian owned 10.9623%, 6.3657%, 74.4048% and 8.2672% of Feiyang Management, respectively. Upon completion of these transfers, as at 12 October 2018, Feiyang Management, Mr. He, Ms. Qian, Mr. Li, Mr. Wu, Mr. Chen and Ms. Qiu owned 75.4717%, 17.9245%, 1.8868%, 1.8868%, 0.9434%, 0.9434% and 0.9434% of Feiyang International. Therefore, Mr. He, together with Ms. Qian, directly and indirectly held an aggregate of 83.1316% equity interests in Feiyang International.

Haishu Feiyang and Haishu Lianchuang were established in the PRC on 23 June 2016 and 24 June 2016, respectively. Mr. He as the general partner owned 0.3989% of Haishu Feiyang and individuals consisting of employees and the then employees of Feiyang International as limited partners owned 99.6011% of Haishu Feiyang as at its establishment. Mr. He as the general partner owned 4.2481% of Haishu Lianchuang and individuals consisting of employees and the then employees of Feiyang International as limited partners owned 95.7519% of Haishu Lianchuang as at its establishment. Ultimate control of each of Haishu Feiyang and Haishu Lianchuang was vested with Mr. He being its general partner.

On 15 October 2018, Mr. He acquired 10.9623% and 6.3657% equity interest of Feiyang Management from Haishu Feiyang and Haishu Lianchuang, respectively, at the consideration of RMB7.5 million and RMB4.3 million, respectively, which were determined based on the then initial contribution amount by each of Haishu Feiyang and Haishu Lianchuang in Feiyang Management. Mr. He was not granted any special rights as a result of such subscription. Upon completion of such acquisitions, as at 15 October 2018, Mr. He, together with Ms. Qian, indirectly and directly, hold in aggregate 95.2830% equity interests in Feiyang International and ultimate control of Feiyang International remained vested with Mr. He.

Feiyang International is one of our Operating Entities as part of its principal business involves outbound travel business which entailed foreign investment prohibitions pursuant to the Regulations on Travel Agencies. See "Regulatory Overview – Regulations on air ticketing sales agency" for further details on the 2006 Measures, the 2015 Recognition and the Self-discipline Measures. As at 18 January 2019, being the effective date of the Contractual Arrangements, Feiyang International ceased to engage in domestic travel and inbound travel business.

Operating Entities

Feiyang Lianchuang

Feiyang Lianchuang is principally engaged in outbound travel business. Feiyang Lianchuang was established as Ningbo Lantian Travel Agency Co., Ltd. (寧波藍天旅行社有限公司) in the PRC on 21 May 2001 with a registered and paid up share capital of RMB0.3 million, which was held entirely by five independent third parties. On 13 April 2016, Feiyang International acquired the entire equity interest of Feiyang Lianchuang from the remaining two

founders who were independent third parties at an aggregate consideration of RMB0.9 million, which was determined based on the net asset value of Feiyang Lianchuang on or around 13 April 2016. On the same date, the registered capital of Feiyang Lianchuang was increased to RMB10.0 million. Subsequent to the transfer, Feiyang Lianchuang became a direct wholly-owned subsidiary of Feiyang International. Feiyang Lianchuang is one of our Operating Entities and principally engaged in outbound travel business which entailed foreign investment prohibitions pursuant to the Regulations on Travel Agencies. See "Regulatory Overview – Regulations on air ticketing sales agency" for further details on the 2006 Measures, the 2015 Recognition and the Self-discipline Measures. As at 18 January 2019, being the effective date of the Contractual Arrangements, Feiyang Lianchuang ceased to engage in domestic travel and inbound travel business.

Ningbo Qihang

Ningbo Qihang is principally engaged in air ticketing business. Ningbo Qihang was established in the PRC on 3 August 2012 with registered and paid up capital of RMB1.5 million which was 50.0000% and 50.0000% held by two independent third parties. On 11 July 2016, Feiyang International acquired the entire equity interest of Ningbo Qihang from the two independent third parties at an aggregate consideration of RMB1.3 million, which was determined based on the net asset value on or around 11 July 2016. Prior to our acquisition of Ningbo Qihang, the accumulated losses of Ningbo Qihang was RMB0.2 million, which mainly represented the operating expenses from the minimal operations of Ningbo Qihang. Upon completion of the acquisition, Ningbo Qihang became a wholly-owned subsidiary of Feiyang International. On 8 December 2017, the registered capital of Ningbo Qihang increased to RMB15.0 million.

Ningbo Qihang is one of our Operating Entities as part of its principal business involves air ticketing business which entailed foreign investment restrictions and prohibitions pursuant to the 2006 Measures. See "Regulatory Overview – Regulations on air ticketing sales agency" for further details on the 2006 Measures, the 2015 Recognition and the Self-discipline Measures.

The above acquisition of the equity interest in Ningbo Qihang by our Group constituted an acquisition of major subsidiary under Rule 4.05A of the Listing Rules. Furthermore, as the acquisition was made during the three financial years immediately preceding the date of issue of this prospectus and would have been classified at the date of our listing application as a major transaction if made by a new applicant, under Rule 4.05A of the Listing Rules, our Company is required to disclose pre-acquisition financial information on Ningbo Qihang from the commencement of the trading record period up to the date of the acquisition. The pre-acquisition financial information on Ningbo Qihang from the commencement of the Track Record Period (i.e. 1 January 2016) to the date immediately before completion of acquisition (i.e. 11 July 2016) is set forth in Appendix I to this prospectus.

Feiyang Commercial

Feiyang Commercial is principally engaged in air ticketing business for corporate customers. Feiyang Commercial was established in the PRC on 13 June 2017 with registered and paid up capital of RMB10.0 million, and Feiyang International owned 80.0000% and an independent third party owned 20.0000%.

On 3 July 2017, 20.0000% equity interests of Feiyang Commercial was transferred from the independent third party to Feiyang International for nil consideration, which was determined based on the then capital contribution made by the independent third party, and became a direct wholly-owned subsidiary of Feiyang International. Feiyang Commercial is one of our Operating Entities as part of its principal business involves the air ticketing business which entails foreign investment restrictions and prohibitions.

Feiyang Lianchuang, Feiyang Commercial and Ningbo Qihang will remain as a wholly-owned subsidiary of Feiyang International under the Contractual Arrangements.

Other Onshore Subsidiaries

Ningbo Commercial

Ningbo Commercial is principally engaged in investment holding and provision of technical support and consultancy related services. It was established in the PRC on 12 December 2018 as a wholly foreign-owned limited liability company with a registered capital of HK$1.2 million as contributed by Feiyang HK. See "Reorganisation – 1. Establishment of Ningbo Commercial and Shengda Feiyang" below for more details.

Shengda Feiyang

Shengda Feiyang is an investment holding company and was established in the PRC on 27 September 2018 with a registered and paid up capital of RMB1.0 million and wholly owned by Feiyang International. On 15 November 2018, Cuckoo HK became a 5.0000% equity interest holder of Shengda Feiyang by contributing RMB52,632.0, which was determined based on the net asset value of the Group as at 30 September 2018. Subsequent to this contribution, the registered capital of Shengda Feiyang increased to RMB1.05 million. On 21 December 2018, Ningbo Commercial acquired 95.0000% equity interest of Shengda Feiyang at a consideration of RMB1.0 million, which was determined based on the registered capital of Shengda Feiyang. See "Reorganisation – 1. Establishment of Ningbo Commercial and Shengda Feiyang" below for more details.

Feiyang Expo

Feiyang Expo is principally engaged in the provision of exhibition services, conference services and business information consultation services. Feiyang Expo was established in the PRC on 21 February 2011 with registered and paid up capital of RMB1.0 million. On 16

December 2011, the registered and paid up capital was increased to RMB3.5 million. Feiyang Expo was a direct wholly-owned subsidiary of Feiyang International since its establishment. As part of the Reorganisation, on 15 October 2018, the entire equity interest of Feiyang Expo was transferred from Feiyang International to Shengda Feiyang at the consideration of RMB3.5 million, which was determined based on the registered capital of Feiyang Expo. Feiyang Expo then became a direct wholly-owned subsidiary of Shengda Feiyang.

Zhejiang Hengyue

Zhejiang Hengyue is principally engaged in software research and development. Zhejiang Hengyue was established in the PRC on 22 December 2011 with a registered and paid up share capital of RMB5.0 million and Mr. Li, Feiyang International and four of the then employees owned 5.0000%, 75.0000% and 20.0000% (each holding 5.0000% equity interests), respectively. On 29 May 2015, Mr. Li and four of the then employees transferred their respective equity interest in Zhejiang Hengyue to Feiyang International for the consideration of RMB0.3 million, which was determined based on the then registered capital of Zhejiang Hengyue. As part of the Reorganisation, on 15 October 2018, the entire equity interest of Zhejiang Hengyue was transferred from Feiyang International to Shengda Feiyang at the consideration of RMB5.0 million, which was determined based on the registered capital of Zhejiang Hengyue. Zhejiang Hengyue then became a direct wholly-owned subsidiary of Shengda Feiyang.

Ben Niao Travel

Ben Niao Travel is principally engaged in domestic travel and inbound travel business under the brand "Ben Niao". Ben Niao Travel was established in the PRC on 3 August 2018 with a registered and unpaid up share capital of RMB5.0 million. At its establishment, Feiyang International and Mr. Zhang Guozhong (張國忠) ("**Mr. Zhang**"), who has been a director of Ben Niao Travel since establishment, owned 51.0000% and 49.0000%, respectively. As part of the Reorganisation, on 26 October 2018, Mr. Zhang and Feiyang International transferred their 49.0000% and 51.0000% equity interest in Ben Niao Travel to Shengda Feiyang at nil consideration, which was determined based on the then non-paid up capital contribution by Mr. Zhang and Feiyang International in Ben Niao Travel. Ben Niao Travel then became a direct wholly-owned subsidiary of Shengda Feiyang.

Under the Contractual Arrangements which became effective on 18 January 2019, Ben Niao Travel is engaged in our Group's domestic travel and inbound travel business and Feiyang International and Feiyang Lianchuang ceased to engage in domestic travel and inbound travel business. From 18 January 2019 to the Latest Practicable Date, to the knowledge of our Directors, we are not aware of any material impact on our Group's business operations resulting from such arrangement.

Jiangsu Ben Niao

Jiangsu Ben Niao will principally engage in domestic travel and inbound travel business under the brand "Ben Niao" and was established in the PRC on 19 December 2018 with registered and paid up share capital of RMB10.0 million and was directly wholly-owned by Ben Niao Travel since its establishment.

Feiyang Travel Agency

Feiyang Travel Agency is principally engaged in domestic travel and inbound travel business under the brand "Feiyang".

Feiyang Travel Agency was established in the PRC on 11 October 2018 with registered and unpaid up capital of RMB5.0 million and wholly owned by Shengda Feiyang. Feiyang Travel Agency has been a direct wholly-owned subsidiary of Shengda Feiyang since its establishment.

Under the Contractual Arrangements which became effective on 18 January 2019, Feiyang Travel Agency is engaged in our Group's domestic travel and inbound travel business and Feiyang International and Feiyang Lianchuang ceased to engage in domestic travel and inbound travel business. From 18 January 2019 to the Latest Practicable Date, to the best of the knowledge of our Directors, we are not aware of any material impact on our Group's business operations resulting from such arrangement.

As advised by our PRC Legal Advisers, all the abovementioned transfers of our Group's onshore subsidiaries are effective, legally binding, duly settled and in compliance with the PRC laws and regulations, and all permits, authorisations, approvals and consents necessary for the above transactions have been obtained from the relevant PRC authorities.

PRIOR LISTING AND SUBSEQUENT DELISTING OF FEIYANG INTERNATIONAL

1. NEEQ

Listing of Feiyang International on NEEQ

On 20 November 2015, Feiyang International received approval for its shares to be listed on National Equities Exchange and Quotations of the PRC (全國中小企業股份轉讓系統有限責任公司) (the "**NEEQ**") in China (stock code: 834651). Its shares began trading on NEEQ on 8 December 2015.

Delisting of our business from NEEQ

On 26 September 2017, the then board of directors approved the resolution of proposing to voluntarily delist Feiyang International's shares from NEEQ ("**NEEQ Delisting**") in the 23rd meeting of the first board of director. On 3 November 2017, Feiyang International applied, and subsequently received regulatory approval, for the NEEQ Delisting. The NEEQ Delisting was completed on 15 November 2017 and ceased to be quoted on the NEEQ with a market capitalisation of approximately RMB63.6 million, which was determined based on the share price of the last share subscription of Feiyang International before the NEEQ Delisting of RMB3.0 per share and the number of shares in issue at the relevant time, being 21,200,000 shares.

Compliance during listing on NEEQ

Our Directors confirm, to the best of their knowledge and belief, that:

(i) during the period that Feiyang International was listed on NEEQ:

  (a) it had been in compliance in all material respects with all applicable laws, including the Business Rules of the National Equities Exchange and Quotations System (for Trial Implementation);

  (b) it had not been subject to any disciplinary action by any relevant law enforcement authority or regulator; and

(ii) there are no further matters in relation to the prior listing of Feiyang International on the NEEQ that need to be brought to the attention of the regulators and investors in Hong Kong.

Reasons for the NEEQ Delisting and the Listing on the Stock Exchange

Our Directors believe that the NEEQ Delisting and the Listing will be in the interests of our Group's business development strategies, and would be beneficial to us and our Shareholders as a whole for the following reasons:

(i) the NEEQ is a market in the PRC open to qualified investors only, including (a) PRC corporate or partnership enterprise investors with paid-up capital of more than RMB5.0 million, (b) institutional investors, such as asset management products of securities companies, products of fund management companies and their subsidiaries, asset management products of futures companies, bank financial products, insurance products, trust products, private equity funds registered by trade associations, social security fund, pensions such as enterprise annuities, charitable funds and other social welfare funds, Qualified Foreign Institutional Investors, RMB Qualified Foreign Institutional Investors, and (c) PRC natural persons with average daily financial assets within the latest 10 trading days over RMB5.0 million and

experience in investment or financial field for more than two years, or PRC natural persons who has senior management experience in financial institutions. In addition, the NEEQ adopts a market maker, negotiated transfer or investor competing transfer trading mechanism rather than continuous auction mechanism, which significantly limits investor discovery and order execution;

(ii) the NEEQ currently has low trading volume and low liquidity level, making it difficult to identify and establish the fair value of Feiyang International to reflect the underlying quality of our assets and management. The low trading volume also inhibits our ability to publicly raise funds, in equity or debt, to continuously support our business growth, and execute substantial on-market disposals by shareholders to realise value;

(iii) in contrast, the Stock Exchange, as a leading player of the international financial markets, could offer us a direct access to the international capital markets, enhance our fund-raising capabilities and channels and broaden our Shareholders base and accelerate our fundraising exercise to support our business expansion. The Shanghai and Shenzhen Stock Connect programmes between mainland China and Hong Kong also allows mainland investors, who are more familiar with our business and operation, to invest in us through such programme after the Listing. Accordingly, the Listing would provide us a viable source of capital to support our business growth;

(iv) our Company is able to better re-allocate and focus the use of our limited financial and administrative resources on the Listing rather than being concurrently listed on both the Stock Exchange and the NEEQ;

(v) on 21 April 2018, the NEEQ and the Hong Kong Exchanges and Clearing Limited signed a memorandum of understanding to officiate the launch of a "NEEQ + H-share" model pursuant to which NEEQ issuers can enjoy greater convenience when seeking for listing in Hong Kong without having to delist from the NEEQ. NEEQ issuers may leverage on both the domestic and overseas capital markets for facilitating capital operations and access of their own business development. However, our Company delisted from the NEEQ on 15 November 2017, therefore, our Group was not able to enjoy the benefit introduced by virtue of the memorandum and thus was not able to remain listed on the NEEQ and concurrently apply for listing on the Stock Exchange;

(vi) the Listing would also enable our Company to devise more appealing share incentive plan, which correlates directly to the performance in our Group's business, which in turn would help us to attract and motivate the talents needed to support our rapid growth and enhance our operating efficiency on an ongoing basis; and

(vii) a listing on the Stock Exchange will further raise our business profile and thus, enhance our ability to attract new customers, business partners and strategic investors and attain greater access to international investors, as well as to recruit, motivate and retain key management personnel for our Group's business.

2. CHINEXT

The Proposed Listing on ChiNext

In January 2017, Feiyang International initiated the early phase of preparation for listing on of ChiNext market of the Shenzhen Stock Exchange (深圳證券交易所創業板) ("**ChiNext**") by lodging a registration with the Ningbo Administration of the CSRC (中國證監會寧波證監局) in respect of the commencement of the tutoring period of Feiyang International (the "**Tutoring**"). Feiyang International appointed Everbright Securities Co., Ltd. in relation to the Tutoring ("**Tutoring Sponsor**"). The Tutoring is a prerequisite for submission of listing applications to ChiNext.

Termination of Tutoring

In August 2018, the Ningbo Administration of the CSRC accepted the termination of the Tutoring from Feiyang International. As at the Latest Practicable Date, Feiyang International had not submitted the listing application in connection with its proposed listing on ChiNext and Feiyang International confirms that it will not proceed with the listing plan on ChiNext.

Our Directors confirm, to the best of their knowledge and belief, that: (i) there were no material adverse findings during the Tutoring; and (ii) there are no further matters in relation to the Tutoring that need to be brought to the attention of the regulators and investors in Hong Kong.

Reasons for terminating the Tutoring

Other than paragraphs (vi) and (vii) under "Reasons for the NEEQ Delisting and the Listing on the Stock Exchange" above, our Directors also believe that terminating the Tutoring will be in the interests of our Group's business development strategies, and would be beneficial to us and our Shareholders as a whole for the following reasons:

(i) Hong Kong is one of the international financial centres. Our Directors believe that (a) an international reputation is important for any further investment or acquisitions in the future and allows us to have a stronger bargaining power to negotiate better investment terms, which in turn allows us to have better potential return on investment in the future and for the interest of our Shareholders as a whole; and (b) Hong Kong, being a gateway between the PRC and the international market, would give us a greater access to international and institutional investors and global markets;

(ii) Hong Kong is also better positioned in the international platform which enables us to better connect and have greater access with global budget airline operators and international GDS service providers which is in line with one of our business strategies. See "Business – Business Strategies – Upgrade our information technology system and continue to focus on operational efficiency" for further details;

(iii) in 2018, according to the information published by the Stock Exchange, the amounts of initial public offering funds raised from new listings and post-IPO equity fund raised by listed companies through the Stock Exchange as at 31 December 2018 were approximately HK$286,497 million and HK$255,209.8 million, respectively. Our Directors believe that the above numbers have shown that there is a strong investor support for listed companies on the Stock Exchange on both primary and secondary funds raising. As such, the Listing in Hong Kong will allow us to have a good channel for funds raising in the future; and

(iv) secondary funds raising for listed companies on the Stock Exchange entail more simplified procedures and are more efficient and faster than secondary funds raising exercises for listed companies on ChiNext.

Based on the foregoing Directors' confirmations and the interviews with, among others, the then sponsor of the listing of Feiyang International on the NEEQ and the Tutoring Sponsor, the Sole Sponsor concurs that there are no matters that need to be brought to the attention of the regulators and investors in Hong Kong in relation to the listing on the NEEQ and the Tutoring.

REORGANISATION

The corporate structure of our Group immediately before the Reorganisation is set out as follows:

Notes:

(1) Mr. He was the general partner holding 9.5724% equity interest and individuals consisting of employees and the then employees of Feiyang International as limited partners holding 90.4276% equity interest as at 26 June 2018.

(2) Mr. He was the general partner holding 2.7964% equity interest and individuals consisting employees and the then employees of Feiyang International as limited partners holding 97.2036% equity interest as at 26 June 2018.

(3) Ms. Qian is the spouse of Mr. He.

(4) Feiyang International and Mr. Zhang own 51.0000% and 49.0000% of Ben Niao Travel, respectively. Mr. Zhang has been a director of Ben Niao Travel since its establishment.

In preparation for the Listing, our Group underwent a series of reorganisation, details of which are set out below:

1. Establishment of Ningbo Commercial and Shengda Feiyang

Ningbo Commercial, being the WFOE, was established in the PRC on 12 December 2018 with registered capital of HK$1.2 million and wholly owned by Feiyang HK for the purpose of implementation of the Contractual Arrangements.

Shengda Feiyang was established in the PRC on 27 September 2018 with a registered and paid up capital of RMB1.0 million and wholly owned by Feiyang International. On 15 November 2018, Shengda Feiyang became a sino-foreign joint venture. See "Pre-IPO Investments" below for further details on this transfer.

2. Transfer of Feiyang Expo and Zhejiang Hengyue to Shengda Feiyang

On 15 October 2018, Feiyang International transferred the entire equity interest of Feiyang Expo and Zhejiang Hengyue to Shengda Feiyang for the consideration of RMB3.5 million and RMB5.0 million, respectively, which were determined based on the respective registered capital of Feiyang Expo and Zhejiang Hengyue.

3. Deregistrations of certain subsidiaries of Feiyang International

As part of the Reorganisation, in order to streamline our Group's corporate structure, our Group deregistered a number of subsidiaries which did not have material business operations. Our Directors confirm that none of these deregistered subsidiaries is involved in any pending or unresolved arbitration, legal proceedings investigation or claim prior to their deregistrations. Details of these deregistered subsidiaries and their respective corporate histories are set out below.

Feiyang Ticketing

Feiyang Ticketing was established in the PRC on 30 August 2006 with registered and paid up share capital of RMB1.5 million and Mr. He and two independent third parties owned 40.0000% and 60.0000%, respectively. Prior to deregistration, Feiyang International was the sole shareholder of Feiyang Ticketing. On 29 November 2018, Feiyang Ticketing was deregistered.

Feiyang Travel Promotional Services

Feiyang Travel Promotional Services was established in the PRC on 6 April 2010 with registered and paid up share capital of RMB1.5 million and was directly wholly owned by Feiyang International since its establishment and until its deregistration. On 29 November 2018, Feiyang Travel Promotional Services was deregistered.

Ningbo Hengyue

Ningbo Hengyue was established in the PRC on 24 June 2013 with registered and paid up share capital of RMB1.0 million and Feiyang International and a then employee owned 90.0000% and 10.0000%, respectively. Prior to deregistration, Ningbo Hengyue was a direct wholly owned subsidiary of Feiyang International. On 27 December 2018, Ningbo Hengyue was deregistered.

4. Incorporation of our Company and offshore subsidiaries

Our Company was incorporated in the Cayman Islands with limited liability on 18 October 2018. It is the ultimate holding company upon Listing with authorised share capital of HK$390,000 divided into 39,000,000 shares of par value of HK$0.01 each. HHR Group, Michael Group, KVN Holdings, DY Holdings, QJ Holdings, LD Group, WB Holdings, CXD Holdings and QZ Holdings owned 13.0778%, 51.0000%, 10.0000%, 13.0790%, 8.1262%, 1.8868%, 0.9434%, 0.9434% and 0.9434%, respectively. In aggregate, Mr. He (through his shareholding in HHR Group, Michael Group, KVN Holdings and DY Holdings), together with Ms. Qian (through her shareholding in QJ Holdings), will own 95.2830% of our Company before the Listing.

Bird Investment was incorporated in the BVI with liability limited by shares on 25 October 2018. Bird Investment is authorised to issue a maximum of 50,000 shares of a single class with a par value of US$1.00 each. It is directly wholly owned by our Company as an intermediate holding company.

Feiyang HK, being a Hong Kong limited liability company incorporated on 2 November 2018 with issued share capital of HK$10,000, is directly wholly owned by Bird Investment as an intermediate holding company.

5. Pre-IPO Investments

The Capital Contribution Agreement originally dated 27 November 2018 and subsequently amended to be dated 14 November 2018 by an addendum dated 16 January 2019 was entered among Cuckoo HK, a then limited liability company wholly owned by Mr. Lau, an independent third party, Shengda Feiyang and Feiyang International.

On 25 December 2018, a subscription agreement was entered into among Mr. Lau, Carnary Investment and our Company (the "**Pre-IPO Subscription Agreement**"). Both the Capital Contribution Agreement and the Pre-IPO Subscription Agreement are collectively known as the "**Pre-IPO Investments**".

See section "Pre-IPO Investments" below for further details of the Pre-IPO Investments.

6. Transfer of 95.0000% equity interest in Shengda Feiyang from Feiyang International to Ningbo Commercial

On 21 December 2018, Feiyang International transferred the remaining 95.0000% of its shareholding in Shengda Feiyang to Ningbo Commercial for the consideration of RMB1.0 million, which was determined based on the registered capital of Shengda Feiyang. Upon completion of this transfer, Ningbo Commercial and Cuckoo HK own 95.0000% and 5.0000% of Shengda Feiyang, respectively.

7. Share swap between our Company and Carnary Investment

On 27 December 2018, two ordinary shares of par value US$1.0 each, being the entire shareholding of Toucan Investment, were transferred from Carnary Investment to our Company and as consideration, 7,530 Shares, credited as fully paid at par, were allotted and issued to Carnary Investment. Upon completion of the transfer, (i) Carnary Investment held an aggregate of 2.0000% shareholding in our Company, and (ii) Toucan Investment, Cuckoo HK, Shengda Feiyang, Feiyang Expo and Zhejiang Hengyue became wholly-owned subsidiaries of our Company.

8. Implementation of the Contractual Arrangements

The Contractual Arrangements were entered into among Ningbo Commercial, the Company and the Relevant Shareholders on 18 January 2019. See "Contractual Arrangements" of this prospectus for further details.

For the implementation of the Contractual Arrangements, the following Structured Contracts were entered into on 18 January 2019 with respect to the contractual arrangements of the Operating Entities with the WFOE, details of which are set out in "Contractual Arrangements" of this prospectus:

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

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

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

(d) Share Pledge Agreement (股份質押協議);

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

(f) Spousal Undertakings (配偶同意函).

As at the Latest Practicable Date, the Reorganisation had been completed in compliance with relevant laws and regulations. As advised by our PRC Legal Advisers, the abovementioned transfers of our Group's onshore subsidiaries had been properly and legally settled and completed.

PRE-IPO INVESTMENTS

Capital Contribution in Shengda Feiyang by Cuckoo HK

Pursuant to the Capital Contribution Agreement, Cuckoo HK agreed to contribute capital of RMB52,632.0 to Shengda Feiyang which amounted to 5.0000% of the enlarged registered capital of Shengda Feiyang which was determined based on the then registered capital of Shengda Feiyang. Cuckoo HK was a then wholly-owned subsidiary of Carnary Investment, which is wholly-owned by Mr. Lau. The capital contributed by Cuckoo HK was irrevocably settled on 20 December 2018. Mr. Lau was nominated as a director of Shengda Feiyang on 15 November 2018 and resigned on 23 January 2019. Cuckoo HK was given the right to nominate one director to the board of Shengda Feiyang with respect to its capital contribution to Shengda Feiyang and such right will be terminated upon the Listing. The terms of the Capital Contribution Agreement did not impose any lock-up obligations over the equity interests of Shengda Feiyang held by Cuckoo HK.

Pre-IPO subscription in our Company by Carnary Investment

Pursuant to the Pre-IPO Subscription Agreement dated 25 December 2018 entered into between our Company, Carnary Investment and Mr. Lau, Carnary Investment subscribed, and our Company allotted and issued to Carnary Investment, 196,552 Shares, representing 1.9262% of the issued share capital of our Company immediately before the Capitalisation Issue and the Global Offering. The total consideration was RMB1,346,368.0 which was determined based on (i) the net asset value of our Group as at 30 September 2018; (ii) the uncertainty of the operation and financial performance of our Group in the future and the success of the implementation of our Group's business strategies; and (iii) the strategic benefits from Mr. Lau's Pre-IPO Investment as stated in "Information about Mr. Lau" below. The subscription was irrevocably settled on 26 December 2018. Carnary Investment was not given any special rights with respect to its investment in our Company pursuant to the Pre-IPO Subscription Agreement and the terms of such agreement did not impose any lock-up obligations over the equity interests of our Company held by Carnary Investment.

The following table summarises the details of the above capital contribution and pre-IPO subscription by Mr. Lau in Shengda Feiyang and our Company, respectively:

	Capital Contribution in Shengda Feiyang	**Pre-IPO Subscription in our Company**
Name of Investor	Cuckoo HK	Carnary Investment
Date of agreement	14 November 2018 *(Note 4)*	25 December 2018
Date of payment of consideration for the investment	20 December 2018	26 December 2018

	Capital Contribution in Shengda Feiyang	**Pre-IPO Subscription in our Company**
Number of shares acquired of our Company immediately before the Capitalisation Issue and the Global Offering *(Note 1)*	7,530 Shares, representing 0.0738%	196,552 Shares, representing 1.9262%
Number of Shares and approximate percentage of shareholding upon Listing *(Note 2)*	276,000 Shares (representing approximately 0.0552% of the issued share capital of our Company upon Listing)	7,224,000 Shares (representing approximately 1.4448% of the issued share capital of our Company upon Listing)
Amount of consideration	RMB52,632 (approximately HK$59,952.16)	RMB1,346,368 (approximately HK$1,533,623.42)
Cost per Share paid by the Investor (taking into account the Listing)	RMB0.19 (approximately HK$0.21)	RMB0.19 (approximately HK$0.21)
Discount over mid-point of offer price range *(Note 3)*	80.00%	80.00%
Special Rights	Right to nominate one director to the board of Shengda Feiyang and such right will be terminated upon Listing	Nil
Use of proceeds	General working capital and had been fully utilised as at the Latest Practicable Date	General working capital and had been fully utilised as at the Latest Practicable Date

Notes:

(1) For illustration purpose only, on the basis of our enlarged issued capital immediately before completion of the Capitalisation Issue and the Global Offering (without taking into account the Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme).

(2) For illustration purpose only, on the basis of our enlarged issued capital immediately upon completion of the Capitalisation Issue and the Global Offering (without taking into account the Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme).

(3) For illustration purpose only, assuming that the Offer Price is HK$1.05 per Offer Share (being the mid-point of the Offer Price range between HK$1.00 and HK$1.10 per Offer Share).

(4) Originally dated 27 November 2018 and subsequently amended to be dated 14 November 2018 by an addendum dated 16 January 2019.

The Shares held by Mr. Lau will be counted as public float for purposes of Rule 8.08 of the Listing Rules. Immediately after the completion of the Capitalisation Issue and the Global Offering (without taking into account the Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares to be issued upon the exercise of any Options which may be granted under the Share Option Scheme), Mr. Lau will hold in aggregate 1.5000% equity interest in our Company.

Information about Mr. Lau

Mr. Lau is a businessman engaging in the travel industry with nearly 20 years of experience in the travel industry. Prior to 2002, Mr. Lau was self-employed and from January 2002 to September 2018, Mr. Lau was a tour guide at the mainland tourist centre of China Travel Service (Hong Kong) Limited ("**CTS**"). Mr. Lau resumed his position at CTS from 14 March 2019. He has over five years of experience in investing in blue-chip companies listed on the Stock Exchange whose investment portfolio ranges across different industries including but not limited to banking and technology industries. Mr. Lau and Mr. He knew each other through mutual acquaintances and Mr. Lau has witnessed the growth of our Group. Our Directors understand that Mr. Lau decided to invest in our Group in view of the prospects and growth potential of our Group. Our Directors believe that, in addition to providing capital for the development and expansion of the business of our Group, Mr. Lau will bring strategic benefits to our Group by among others: (i) providing market insights to our Group; (ii) providing recommendations to our Group on our operations and strategic development directions; (iii) providing recommendations to our Group on new types of travel products and services, and (iv) leveraging on his extensive social network developed from his working experience, Mr. Lau may be able to introduce opportunities to our Group's growing business and operations. Mr. Lau was the director of Shengda Feiyang from the date of his 5% capital contribution in Shengda Feiyang and resigned from such position on 23 January 2018.

Sole Sponsor's Confirmation

After reviewing the terms of the Capital Contribution Agreement and the Pre-IPO Subscription Agreement, and given that (i) our Directors confirmed that the terms of the Pre-IPO Investments (including the consideration) were determined based on arm's length basis; and (ii) the Pre-IPO Investments were completed more than 28 clear days before the date of submission of the application for the Listing, the Sole Sponsor confirms that the Pre-IPO Investments are in compliance with the Guidance Letters HKEx-GL29-12 (January 2012) (updated in March 2017) and HKEx-GL43-12 (October 2012) (updated in July 2013 and March 2017) issued by the Stock Exchange.

SHAREHOLDING AND CORPORATE STRUCTURE

Our corporate structure immediately after completion of the Reorganisation but before the Capitalisation Issue and the Global Offering

The following chart illustrates the corporate structure of our Group immediately after the Reorganisation but before the Capitalisation Issue and the Global Offering (without taking into account the Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme):

Note:

(1) Ms. Qian is the spouse of Mr. He.

Capitalisation Issue

Condition upon the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the allotment and issue of the Offer Shares pursuant to the Global Offering, a sum of HK$3,647,959.18 (or any such amount any one Director may determine) standing to the credit of the share premium account of our Company will be capitalised by applying such sum in paying up in full at par a total of 364,795,918 Shares (or any such number of Shares any one Director may determine) for the allotment and issue to the then existing Shareholders in proportion to their respective shareholding in our Company.

Our corporate structure immediately after completion of the Capitalisation Issue and the Global Offering

The following sets out the corporate structure of our Group immediately after the completion of the Capitalisation Issue and the Global Offering (without taking into account the Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme):

Note:

(1) Ms. Qian is the spouse of Mr. He.

PRC REGULATORY REQUIREMENTS

The Rules on the Mergers and Acquisitions of Domestic Enterprises by Foreign Investors in the PRC

According to the Provisions on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者並購境內企業的規定》) ("**Provisions on Mergers or Acquisitions**"), a foreign investor shall obtain necessary approvals for the following circumstances: (i) when a foreign investor acquires the equity interests of a domestic non-foreign invested enterprise and is subsequently converted to a foreign invested enterprise, or subscribes for the new equity interests of a domestic non-foreign invested enterprise based on the increase in its registered capital; or (ii) when a foreign investor establishes a foreign invested enterprise to acquire and operate the assets of a domestic non-foreign invested enterprise or to acquire the assets of and inject capital in a domestic non-foreign invested enterprise to set up a foreign invested enterprise. According to Article 11 of the Provisions on Mergers or Acquisitions, if any domestic company, enterprise or natural person, in the name of a company legally established or controlled by it in foreign countries or regions, merges its affiliated domestic company, it shall be subject to the approval of the MOFCOM.

On 8 October 2016, MOFCOM issued the Interim Measures for the Registration Administration of the Formation and Modification of Foreign Invested Enterprises (《外商投資企業設立及變更備案管理暫行辦法》) ("**Circular 6**"), which came into effect on 30 July 2017, and were revised on 30 June 2018. According to the Circular 6, if any non-foreign invested enterprise is changed into a foreign invested enterprise (subject to the registration requirements of the Circular 6) through acquisition, merger integration or otherwise, such non-foreign invested enterprise shall complete the formal formalities for the registration of its formation and submit the registration application according to Circular 6.

As advised by our PRC Legal Advisers, Cuckoo HK's capital injection in Shengda Feiyang (the "**First Capital Increase**") shall be conducted in accordance with the Provisions on Mergers or Acquisitions. As Mr. Lau (the then ultimate sole shareholder of Cuckoo HK) is a Hong Kong resident rather than a domestic natural person as defined in the Provisions on Mergers or Acquisitions, Article 11 of the Provisions on Mergers or Acquisitions does not apply to the First Capital Increase. Upon completion of the First Capital Increase, Shengda Feiyang became a sino-foreign joint venture. Regarding the acquisition of 95% equity of Shengda Feiyang by the WFOE (the "**Second Acquisition**"), as advised by our PRC Legal Advisers, the Second Acquisition, which happened after the transformation of Shengda Feiyang into a sino-foreign joint venture, was deemed as having caused changes in shareholders due to the acquisition of equities of a foreign invested enterprise, so the Provisions on Mergers or Acquisitions do not apply to the Second Acquisition. While the Second Acquisition should comply with the Several Provisions on the Changes in Equity Interest of Investors in Foreign Invested Enterprises (《外商投資企業投資者股權變更的若干規定》) ("**Such Provisions**") and Circular 6, Shengda Feiyang has obtained the receipt for registration of changes in foreign invested enterprises and for its new business licence on 21 December 2018.

The Provisions on Mergers or Acquisitions have not clearly classified contractual arrangements as the transaction type subject to the Provisions on Mergers or Acquisitions. The way to interpret or implement the Provisions on Mergers of Acquisitions and whether the relevant authority will promulgate further regulations are uncertain.

Our PRC Legal Advisers confirmed that regarding the Listing, we do not need to seek approval from the CSRC, MOFCOM or other relevant PRC authorities.

SAFE Registration in the PRC

The Circular of the SAFE on Issues concerning Foreign Exchange Administration over the Overseas Investment and Financing and Round-trip Investment by Domestic Residents via Special Purpose Vehicles ("國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知") (the "**Circular 37**") was promulgated by the SAFE on 4 July 2014 and took effect on the same day. According to the Circular 37, a domestic resident (including PRC individuals and institutions) shall, before contributing lawful domestic and overseas assets or interests to a special purpose vehicle, register with the SAFE or its local branch to effect foreign exchange registration.

As advised by our PRC Legal Advisers, Mr. He, Ms. Qian, Mr. Li, Mr. Wu, Ms. Qiu and Mr. Chen completed the registration under the SAFE Circular No. 37 by 11 December 2018.

BACKGROUND OF THE CONTRACTUAL ARRANGEMENTS

We are principally engaged in (i) the design, development and sales of package tours which consist of traditional package tours and tailor-made tours; (ii) the sales of FIT Products which include provision of air tickets and/or hotel accommodation; and (iii) the provision of ancillary travel-related products and services, including but not limited to visa application processing, admission tickets to tourist attractions, conferencing services and arranging purchase of travel insurance for our customers. Since certain of our businesses are subject to foreign investment restrictions and legal impediments and impracticalities, in order to comply with the relevant PRC laws, Feiyang International and its subsidiaries, being the Operating Entities, operate our outbound travel business, air ticketing sales business, operation of websites and mobile applications and travel insurance agency business. Feiyang International and its subsidiaries hold the requisite PRC permits, licences and approvals for outbound travel business, air ticketing sales agency business, operation of websites and mobile applications and concurrent-business insurance agency business. The WFOE, our indirectly wholly-owned subsidiary, in turn provides services to support the business operations of Feiyang International and its subsidiaries and derives the economic benefits from such business operations.

As our Group's domestic travel and inbound travel business is not subject to foreign investment restriction, the wholly-owned subsidiaries of Shengda Feiyang, namely Feiyang Travel Agency and Ben Niao Travel, are engaged in domestic travel and inbound travel business and Feiyang International and Feiyang Lianchuang ceased to engage in domestic travel and inbound travel business since the Contractual Arrangements become effective on 18 January 2019. Feiyang Travel Agency and Ben Niao Travel hold the requisite PRC permits, licences and approvals to carry out domestic travel and inbound travel business, and have completed the necessary registration procedures for their business operations in accordance with laws and regulations.

Relevant Laws and Regulations

- According to the Regulations on Travel Agencies, the outbound travel business falls under prohibited foreign investment business.

- According to the 2006 Measures as implemented on 31 March 2006, the air ticketing sales agency business for international routes or Hong Kong, Macau and Taiwan routes ("**Class 1 Air Ticketing Agency**") falls under restricted foreign investment business and the air ticketing sales agency business for domestic routes except Hong Kong, Macau and Taiwan routes ("**Class 2 Air Ticketing Agency**") falls into prohibited foreign investment business. None of the applicable PRC laws and regulations provides clear stipulations on the foreign stake in Class 1 Air Ticketing Agency business. From the interview with the Eastern China Region Representative Office of CATA (中國航空運輸協會華東代表處), they confirmed that foreign stake in Class 1 Air Ticketing Agency business generally may not exceed 50%. On 27 February 2019, the CATA issued the Announcement on Termination of the Agency Qualification, pursuant to which the qualification recognition of air ticketing sales

agency ceased from 1 March 2019, and the Air Ticketing Sales Agency Qualification Recognition Certificate issued by the CATA was no longer valid. On 1 March 2019, the CATA promulgated the Self-discipline Measures and the 2015 Recognition were simultaneously repealed. At present, the 2006 Measures have not been expressly repealed.

- Under the Negative List, the operation of our websites and mobile applications falls under the value-added telecommunications services and foreign investment is considered to be restricted, whereby foreign stake may not exceed 50%.

- Under the Negative List and as confirmed in our interview with the Ningbo Branch of the China Banking and Insurance Regulatory Commission Preparatory Team (中國銀行保險監督管理委員會寧波銀保監局籌備組), foreign investment in the concurrent-business insurance agency business is permitted.

Although (i) Class 1 Air Ticketing Agency business falls under restricted foreign investment business and its foreign stake generally may not exceed 50% pursuant to the 2006 Measures and the interview with the Eastern China Region Representative Office of CATA (中國航空運輸協會華東地區代表處); (ii) outbound travel business falls under prohibited foreign investment business; (iii) the operation of our websites and mobile applications is considered to be provision of internet information service, which is a business that foreign investors are "restricted" from holding more than 50% equity interest in accordance with the Negative List; and (iv) the concurrent-business insurance agencies are not subject to foreign investment restriction, but approval of all concurrent-business insurance agencies other than financial institutions and postal services has been suspended under the relevant PRC laws and regulations, we operate these businesses under the Contractual Arrangements and are of the view that the Contractual Arrangements are narrowly tailored for the following reasons:

(A) Air Ticketing Sales Agency business

1. based on the Self-discipline Measures and the interview with the Eastern China Region Representative Office of CATA (中國航空運輸協會華東地區代表處), the current policy is unclear in relation to whether foreign invested enterprises can operate Air Ticketing Agency business. Class 1 Air Ticketing Agency and Class 2 Air Ticketing Agency business is operated by Feiyang Commercial and Ningbo Qihang, being our Operating Entities under the Contractual Arrangements. Our PRC Legal Advisers advised that the Class 1 Air Ticketing Agency and Class 2 Air Ticketing Agency business operated by Feiyang Commercial and Ningbo Qihang under the Contractual Arrangements do not violate any mandatory provisions under the applicable PRC laws. Our Company undertakes to adjust the Contractual Arrangements in the form of direct shareholding in the case when the policies regarding the operation of air ticketing sales agency business by a foreign invested enterprise are introduced and the foreign investment restrictions on the operation of the air ticketing sales agency business are lifted. Furthermore, our PRC Legal Advisers advised that in accordance with the current applicable laws in the PRC, if the foreign investment restrictions are lifted, there should be no substantive legal impediments to transfer the equity of Feiyang Commercial and Ningbo Qihang to the WFOE or its subsidiary;

2. separating Class 1 Air Ticketing Agency and Class 2 Air Ticketing Agency business of Feiyang Commercial and Ningbo Qihang will cause impracticalities and undue burdensome on our Group's air ticketing sales agency business, which include:

   (i) in relation to our procurement of air tickets from airline operators, based on the interviews with certain airline operators, (i) these airline operators will continue its business relationships with domestic-owned air ticketing sales agency and will only consider establishing business relationships with foreign-owned air ticketing sales agency when policies regarding operation of air ticketing sales agency business by a foreign invested enterprise are introduced and the foreign investment restrictions are lifted; and (ii) the amount of quotas and priorities, and the level of discounts and concessions granted to air ticketing sales agency at the entity level are determined based on (a) whether such agency possesses the qualification of an air ticketing sales agency, and (b) the extent of air ticketing sales agency experience and its track records. If we divest our Class 1 Air Ticketing Agency service business to a subsidiary of the WFOE, which does not meet the conditions as set out in (ii) above, such entity will not enjoy the same amount of quotas and priorities, and level of discounts and concessions as currently enjoyed by Ningbo Qihang and Feiyang Commercial. Furthermore, these airline operators may not establish business relationships with our foreign-owned subsidiary. As such, our air ticketing sales agency business will be adversely affected; and

   (ii) in relation to our sales of air tickets, if we divest our Class 1 Air Ticketing Agency business to a different subsidiary of our Group, our customers may be reluctant to place orders with two different entities of our Group for the purchase of domestic air tickets and international air tickets, for instance, if a customer intends to travel from one destination to another destination within the PRC and then travel overseas on a single trip, such customer will need to place orders with two different entities within our Group. As such, he/she may opt to purchase air tickets from alternate air ticketing sales agencies which can offer one stop services and our air ticketing sales agency business will be adversely affected;

(B) Operation of websites and mobile applications

1. for our Group's operation of websites and mobile applications, this involves the provision of internet information service, therefore it is subject to the ICP licence according to the relevant PRC laws and regulations. According to the interview with Zhejiang Province Telecommunication Administrative Bureau (浙江省通信管理局) ("**ZPTAB**"), which is the competent department responsible for the acceptance of application for internet information service by sino-foreign equity joint venture in Zhejiang Province, and the relevant PRC laws and regulations, a newly established foreign entity does not meet the conditions to invest in value-added telecommunications service business if it does not have experience and track records

in this area of business (the "**Qualifications Requirements**"). Our PRC Legal Advisers are of the view that ZPTAB is the competent authority to give such confirmation and the possibility that such confirmation is challenged by higher governmental authorities is remote. Moreover, foreign investors are required to certify that they have the track record of good performance and operational experience in value-added telecommunication service. The MIIT, the highest competent authority to approve the operations of internet information services by sino-foreign equity joint venture in the PRC and issue ICP licences to joint ventures, has not promulgated any regulations that set out the specific Qualification Requirements for foreign investors to comply with, which means that the Qualification Requirements are subject to the MIIT's review in substance. As advised by our PRC Legal Advisers, there are more uncertainties for sino-foreign equity joint ventures to obtain the approval for the operation of internet information service providers and the ICP licence than domestic companies. 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)》) and based on the interview with ZPTAB, a sino-foreign equity joint venture is allowed to hold the maximum equity interest permissible (i.e. 50%) if it meets the Qualification Requirements. However, there are the following legal impediments and impracticalities: (i) Feiyang International is engaged in the outbound travel business. According to the Regulations on Travel Agencies, outbound travel business falls under prohibited foreign investment business. As advised by our PRC Legal Advisers, Feiyang International cannot be transformed into a sino-foreign equity joint venture if it continues to engage in outbound travel business which is prohibited from foreign investment; (ii) as advised by our PRC Legal Advisers, an ICP licence cannot be assigned or transferred. Therefore, the ICP licence currently hold by Feiyang International cannot be assigned or transferred from Feiyang International to another subsidiary of our Group; and (iii) if our Group establish a new sino-foreign equity joint venture for the purpose of obtaining an ICP licence, such sino-foreign equity joint venture will not have the track record of good performance and operational experience in value-added telecommunication service to meet the Qualification Requirements. Furthermore, MIIT has not promulgated any regulations that set out the specific Qualification Requirements for foreign investors to comply with, as such, it is uncertain whether the new sino-foreign equity joint venture is able to meet all the Qualification Requirements at the time of the application. Even if the new sino-foreign equity joint venture is able to meet the Qualification Requirements and successfully obtain a new ICP licence, it will not be able to operate under the domain name "*iflying.com*" and the existing mobile applications, which are owned by Feiyang International under its ICP licence. Given that our domain name "*iflying.com*" and our mobile applications are integral to our business, this will have an adverse impact on our business. As a result, Feiyang International will continue to possess the ICP licence and operate our Group's websites and mobile applications under the Contractual Arrangements. Nonetheless, our Company has committed and will commit financial and other resources and implement all necessary steps to meet the Qualification Requirements, for instance:

(i) Feiyang HK was incorporated in Hong Kong in November 2018 for the purposes of establishing and expanding our Company's operations in Hong Kong;

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

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

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

We will set aside an initial investment of HK$1.0 million and such initial investment will be from our internal resources. During the verbal consultation with ZPTAB on 5 May 2019 by our PRC Legal Advisers, the relevant officers of ZPTAB confirmed that there is no criteria for the Qualification Requirements and the steps such as those taken by us as listed above will allow us to gradually accumulating operating results and experience as required pursuant 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)》) and implementing the above steps is reasonable and appropriate to fulfil the Qualification Requirements. Our PRC Legal Advisers are of the view that the officer of ZPTAB who attended the consultation was competent person to provide the foregoing confirmation. ZPTAB is the competent authority to handle application of foreign-funded enterprises to operate the value-added telecommunication business in Zhejiang Province and to supervise the foreign-funded telecommunication enterprises. Based on the opinion of the ZPTAB, our PRC Legal Advisers are of the view that the above steps taken by us are reasonable and appropriate in relation to the Qualification Requirements. We will, as applicable and when necessary, disclose the progress of our overseas business plans and updates to the Qualification Requirements in our annual and interim reports to inform the Shareholders and other investors after the Global Offering. We will also make periodic inquiries to relevant PRC governmental authorities to understand any new regulatory development and assess whether our level of overseas experience is sufficient to meet the Qualification Requirements.

(C) Concurrent-business insurance agency business

1. for our Group's concurrent-business insurance agency business, according to the requirements of the Notice on Suspension of Market Access Permits for Regional Insurance Agents and Partial Insurance Agents (《關於暫停區域性保險代理機構和部分保險兼業代理機構市場准入許可工作的通知》), the licensing for establishment of regional concurrent-business insurance agencies and their branches, and the approval on the qualification of all concurrent-business insurance agencies other than financial institutions and postal services has been suspended. As advised by our PRC Legal Advisers and based on the interview with the Ningbo Branch of the China Banking and Insurance Regulatory Commission Preparatory Team (寧波銀保監局籌備組), given that the approval for all concurrent-business insurance agencies licence other than those for financial institutions and postal agencies has been suspended, neither can Feiyang International transfer its concurrent-business insurance agency licence to other subsidiaries of our Company nor can any subsidiaries of our Company obtain a new concurrent-business insurance licence.

Currently, (i) our outbound travel business cannot be severed from Feiyang International and Feiyang Lianchuang due to the foreign investment restrictions; (ii) our air ticketing sales agency business cannot be severed from Feiyang Commercial and Ningbo Qihang due to foreign investment restrictions, impediments and impracticalities; (iii) the operation of websites and mobile applications is classified under the restriction category, and our Group does not have any foreign investors that meet the Qualification Requirements, and also no applicable PRC laws, regulations or rules have provided clear guidance or interpretation on the Qualification Requirements; and (iv) our concurrent-business insurance agency business cannot be severed from Feiyang International due to legal impediments. Therefore, we shall not directly own any equity interests in Feiyang International, which is currently owned by Feiyang Management, Mr. He, Ms. Qian, Mr. Li, Mr. Wu, Mr. Chen and Ms. Qiu (each a PRC national) as to 75.4717%, 17.9245%, 1.8868%, 1.8868%, 0.9434%, 0.9434% and 0.9434%, respectively.

As a result, we cannot hold any direct interests in Feiyang International and its subsidiaries, which in turn hold certain requisite licences and permits for the relevant business operations.

In order to comply with the PRC laws and regulations and concurrently leverage on the international capital market and maintain our effective control over all of our businesses, we underwent a series of reorganisation to undertake the domestic travel business and inbound travel business operated by Feiyang International through the establishment of Feiyang Travel Agency, and a series of Structured Contracts entered into among Ningbo Commercial and Feiyang International. Pursuant to these Structured Contracts, Ningbo Commercial gained effective control over the financial and operational policies of Feiyang International and its subsidiaries, and was entitled to derive all the economic benefits from such business operations. Our Directors believe that the Contractual Arrangements are narrowly tailored for the purpose of enabling our Group to operate in the industry that is subject to foreign investment restrictions in the PRC. Our Directors believe that the Contractual Arrangements

are fair and reasonable for the following reasons: (i) the Contractual Arrangements are entered into by Ningbo Commercial and Feiyang International after arm's length negotiations; (ii) by entering into the Exclusive Consulting Service Agreement with Ningbo Commercial, Feiyang International and its subsidiaries will enjoy better economic and technical support, as well as a better market reputation after the Listing; and (iii) a number of other companies use similar arrangements to accomplish the same purpose. See "History, Reorganisation and Corporate Structure" in this prospectus for further details.

Since foreign investments in certain sectors of the industry that we currently operate are subject to the above restrictions under the current PRC laws and regulations, after consultation with our PRC Legal Advisers, our Group believed that it was not viable for our Company to hold Feiyang International and its subsidiaries directly through equity ownership. Instead, in line with common practice for industries in the PRC which are subject to foreign investment restrictions, our Company would gain effective control over, and receive all the economic benefits generated by the businesses currently operated by Feiyang International and its subsidiaries through the Contractual Arrangements between Ningbo Commercial, Feiyang International and the Relevant Shareholders. The Contractual Arrangements allow the results of operations and assets and liabilities of Feiyang International and its subsidiaries to be consolidated into the results of operations and assets and liabilities of our Group under IFRS as if they were wholly-owned subsidiaries of our Group. We will terminate or amend the Contractual Arrangements as soon as the relevant foreign investment restriction is lifted.

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

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

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

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

iv. Share Pledge Agreement (股份質押協議);

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

vi. Spousal Undertakings (配偶同意函).

DETAILS OF CONTRACTUAL ARRANGEMENTS

The following diagram illustrates the flow of the economic benefit from the Operating Entities to our Group as stipulated under the Contractual Arrangements:

Notes:

(1) The WFOE is entrusted with the shareholders' rights of the Relevant Shareholders in the Operating Entities. See "Shareholders' Rights Entrustment Agreement" below for further details.

(2) The WFOE is granted exclusive options to acquire all or part of the equity interest in the Operating Entities from the Relevant Shareholders. See "Exclusive Option Agreement" below for further details.

(3) The WFOE is granted priority security interests over all the equity interest in the Operating Entities as held by the Relevant Shareholders. See "Share Pledge Agreement" below for further details.

(4) The WFOE provides services on an exclusive basis to the Operating Entities in return for service fees. See "Exclusive Consulting Service Agreement" below for further details.

(5) The Operating Entities are granted the exclusive rights by the WFOE to use our Group's intellectual property rights. See "Intellectual Property Licence Agreement" below for further details.

Exclusive Consulting Service Agreement

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

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

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

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

Feiyang International shall entrust the above services to the WFOE on an exclusive basis, which means that not only does Feiyang International agree to accept the above services provided by the WFOE, it also agrees that, during the term of the Exclusive Consulting Service

Agreement, without prior written consent of the WFOE, Feiyang International shall not and shall procure its subsidiaries and joint ventures not to accept professional consultancy and services provided by any third party, that are identical or similar to the services contemplated in the Exclusive Consulting Service Agreement so as to wholly or partially invalidate the rights and obligations of the WFOE to provide services to Feiyang International in accordance with the terms of the Exclusive Consulting Service Agreement.

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

Intellectual Property Licence Agreement

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

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

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

Exclusive Option Agreement

The WFOE, Feiyang International and the Relevant Shareholders entered into an exclusive option agreement on 18 January 2019 (the "**Exclusive Option Agreement**"), pursuant to which the WFOE (or its designees) was granted an irrevocable and exclusive right

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

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

- not supplement, change, or amend the business scope and the articles of association of Feiyang International, or increase or reduce the registered capital of Feiyang International, or otherwise change the structure of the registered capital of Feiyang International, without prior written consent of the WFOE;

- maintain the standing of Feiyang International, operate its business and handle its affairs prudently and effectively, in accordance with good financial and commercial standards and practice, and shall not cause the liquidation, close of business, termination or dissolution of Feiyang International;

- not sell, transfer, gift, mortgage, or otherwise dispose of, create any encumbrance over or procure the management of Feiyang International to sell, transfer, gift, mortgage, or otherwise dispose of, create any encumbrance over the legitimate interest or beneficial interest of any assets, business, or incomes of Feiyang International and its subsidiaries at any time since the date of this Exclusive Option Agreement, without prior written consent of the WFOE;

- not terminate or procure the management of Feiyang International to terminate any of the agreements under the Contractual Arrangements executed by Feiyang International, or sign any agreements in conflict with the existing Contractual Arrangements;

- not incur or allow the incurrence of any debts to Feiyang International, unless (i) the debts are incurred in normal or ordinary course of business; or (ii) the debts have been disclosed to and consented in writing by the WFOE;

- operate Feiyang International in the ordinary course of business so as to maintain asset value of Feiyang International, and shall not carry out any action or omission which may affect the operational situation or asset value of Feiyang International;

- not cause Feiyang International to enter into any material contracts with the amount exceeding RMB1 million without prior written consent of the WFOE, except for contracts entered into in the normal course of business);

- not provide any loan or guarantee to any person without prior written consent of the WFOE;

- at the request of the WFOE, provide, among others, all information on the labour, operation, compliance and financial conditions of Feiyang International;

- not procure or consent to the spin-off of Feiyang International, or the merger, the association with or the acquisition of/by any entity, or the investment into any entity by Feiyang International without the written consent of the WFOE;

- if requested by the WFOE, purchase and maintain insurance over the assets and business of Feiyang International from an insurance carrier acceptable to the WFOE, at an amount and type of coverage typical for companies carrying on similar businesses;

- immediately notify the WFOE of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to the assets, business and revenue of Feiyang International, and take all necessary measures in accordance with the reasonable request of the WFOE;

- for the purpose of safeguarding Feiyang International of its rights over its assets, execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate claims or raise necessary and appropriate defenses against all claims;

- acknowledge, in the event that Feiyang International or any of its shareholders fails to fulfill his/her/its tax obligations under applicable laws, leading to an impediment on the exercise of the Exclusive Option Rights by the WFOE, the WFOE has the right to request Feiyang International or the Relevant Shareholders to fulfill such tax obligation, or request Feiyang International or the Relevant Shareholders to pay such amount of tax to the WFOE such that the WFOE shall pay such amount on behalf of Feiyang International or its shareholders;

- not, without prior written consent of the WFOE, in any manner distribute bonuses, dividends, distributable interests, and/or any other income arising from any assets or shares held by the Relevant Shareholders.

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

- not transfer, pledge, or otherwise dispose of, or allow any encumbrance to be placed on the legitimate or beneficial interest of any equity interest of Feiyang International held by them, except the pledge set on the equity interest of Feiyang International in accordance with the Share Pledge Agreement;

- not vote in favour of or support or execute any shareholder resolutions on meetings of shareholders to approve to sell, transfer, pledge, or otherwise dispose of the legitimate or beneficial interest of any share or asset, or to allow any encumbrance (except the encumbrance made to the WFOE or its designees) to be placed on it;

- without the prior written consent of the WFOE, not vote or support or execute any resolutions at the general meeting of Feiyang International to approve for the merger, association or acquisition with any individual, or the investment to any individual, or the separation or alteration in the registered capital or formation of Feiyang International;

- when the WFOE exercises the exclusive right to purchase, instruct Feiyang International to convene a general meeting in a timely manner to vote for the transfer of the shares or the assets as stipulated in accordance with the Exclusive Option Agreement at the meeting;

- immediately notify the WFOE of any litigation, arbitration or administrative proceedings relating to the shares or assets of Feiyang International owned by them that have occurred or are likely to occur;

- not appoint or replace any director, supervisor, or management of Feiyang International that ought to be appointed by the Relevant Shareholders, and shall immediately appoint or employ personnel designated by the WFOE as directors and senior management of Feiyang International upon the request of the WFOE;

- procure Feiyang International not to distribute dividends, bonus, distributable profits and/or any assets and other proceeds from the shares held by the shareholders of Feiyang International in any form without the prior written consent of the WFOE; and

- strictly abide by the provisions of this Exclusive Option Agreement and other agreements jointly or separately signed by the parties and earnestly perform the obligations under the agreements, and shall not carry out any actions and inactions that may affect the validity and enforceability of such agreements.

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

Share Pledge Agreement

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

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

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

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

Shareholders' Rights Entrustment Agreement

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

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

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

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

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

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

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

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

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

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

Spousal Undertakings

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

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

Confirmation from the Relevant Shareholders

Each of the Relevant Shareholders undertakes to the WFOE that, in the event of death, divorce, bankruptcy, liquidation or other circumstances regarding the Relevant Shareholders which may affect the exercise of its/his/her direct or indirect equity interest in Feiyang International, the Relevant Shareholder's respective spouse, successor, liquidator, and any other person/entity which may as a result of the above events obtain the equity interest or relevant rights directly or indirectly shall not prejudice or hinder the enforcement of the Contractual Arrangements.

Dispute Resolution

Each of the agreements under the Contractual Arrangements stipulates that the parties shall negotiate in good faith to resolve the dispute in the event of any dispute with respect to the construction and performance of the provisions. In the event the parties fail to reach an agreement on the resolution of such a dispute within 30 days after any party's request for resolution of the dispute through negotiations, any party may submit the relevant dispute to the China International Economic and Trade Arbitration Commission for arbitration, in accordance with the then-effective arbitration rules. The arbitration shall be conducted in Beijing. The arbitration ruling shall be final and binding on all parties. Any party shall have the right to apply to the courts with competent jurisdiction for enforcement of arbitration rulings after the arbitration rulings come into force.

Each of the agreements under the Contractual Arrangements also provides that (i) the arbitral tribunal may award remedies over the equity interest or assets of Feiyang International, injunctive relief (e.g. for the conduct of business or to compel the transfer of assets) or order the winding up of Feiyang International; and (ii) subject to the PRC laws and regulations, and effective arbitration rules, the competent courts of the PRC, Hong Kong, the Cayman Islands (being the place of incorporation of our Company) and other jurisdictions (being the places where the principal assets of Feiyang International or Feiyang International are located) can grant or enforce the arbitral award and the interim remedies against the shares or property interest of Feiyang International.

However, our PRC Legal Advisers have advised that the above provisions may not be enforceable under the PRC laws. For instance, the arbitral tribunal has no power to grant such injunctive relief, nor will it be able to order the winding up of Feiyang International pursuant to the current PRC laws. In addition, interim remedies or enforcement orders granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognisable or enforceable in the PRC.

As a result of the above, in the event that Feiyang International or the Relevant Shareholders breach any of the agreements under the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over our Operating Entities and conduct our business could be materially and adversely affected. See the section headed "Risk Factors – Risks Relating to our Contractual Arrangements" in this prospectus for further details.

Succession

The provisions set out in the agreements under the Contractual Arrangements are also binding on the successors of the Relevant Shareholders, as if the successors were signing parties to the agreements under the Contractual Arrangements. Under the succession laws of the PRC, the statutory successors include the spouse, children, parents, brothers, sisters, paternal grandparents, and the maternal grandparents, and any breach by the successors would be deemed to be a breach of the Contractual Arrangements. In case of a breach, the WFOE can enforce its rights against the successors.

Conflicts of Interests

The Relevant Shareholders have undertaken that, during the period that the Contractual Arrangements remain effective,

- (a) they shall not execute any documents with or make any undertaking to any third parties that may have conflicts of interests with any agreements entered into with the WFOE; (b) they shall not commit or refrain from committing any act that may lead to any conflicts of interests between the Relevant Shareholders and the WFOE (including its shareholders); and (c) in the event of the occurrence of a conflict of interests (where the WFOE has the sole absolute discretion to determine whether such conflict arises), they shall take appropriate measures upon the consent of the WFOE and its designees to eliminate such conflicts, failing which the WFOE has the right to exercise the option under the Exclusive Option Agreement; and

- unless otherwise agreed to by the WFOE in writing, they will not (a) directly or indirectly participate or engage in any business which is or may potentially be in competition with the businesses of Feiyang International or any of its subsidiaries; and (b) be employed by an entity whose operation is or may potentially be in competition with the businesses of Feiyang International or any of its subsidiaries or hold interest in or assets of such entities, save that ownership of an equity interest of up to 5% is permitted, where the WFOE has the sole absolute discretion to determine whether such conflict arises.

The Powers of Attorney also provide that, in order to avoid potential conflicts of interest, where the Relevant Shareholders are officers or directors of the WFOE or our Company, the Power of Attorney is granted in favour of other unrelated officers or directors of our Company.

Loss Sharing

None of the agreements constituting the Contractual Arrangements provide that our Company or its wholly-owned PRC subsidiary, the WFOE, is obligated to share the losses of Feiyang International. Further, Feiyang International is a joint stock limited company and shall be solely liable for its own debts and losses with assets and properties owned by it. Under the relevant PRC laws and regulations, our Company or the WFOE is not expressly required to share the losses of Feiyang International or provide financial support to Feiyang International. The WFOE may, however, provide to or assist our Operating Entities in obtaining financial support at its sole discretion. Despite the foregoing, given that our Group conducts the Relevant Businesses in the PRC through our Operating Entities which hold the requisite PRC licences and approvals, and that results of operations and assets and liabilities of our Operating Entities are consolidated into our Group's results of operations and assets and liabilities under the applicable accounting principles, our Company's business, financial condition, and results of operations would be adversely affected if our Operating Entities suffered losses.

Liquidation

Pursuant to the Exclusive Option Agreement, in the event of liquidation, Feiyang International shall sell all of its assets (after deducting the liquidation fee, employees' salary, social insurance fee, mandatory compensation fee, outstanding tax, and other debts payable by Feiyang International) to the extent permitted by PRC laws and regulations to the WFOE or its designees, at the lowest selling price permitted by applicable PRC laws and regulations. Any obligation for the WFOE to pay Feiyang International as a result of such transaction shall be waived by Feiyang International and any profits arising from the above transaction shall be paid to the WFOE or its designees under the Exclusive Option Agreement, as applicable under the then current PRC laws and regulations.

Insurance

Our Company does not maintain an insurance policy to cover the risks relating to the Contractual Arrangements.

Company's Confirmation

As at the Latest Practicable Date, our Company had not encountered any interference or encumbrance from any PRC governing bodies in operating its businesses through our Operating Entities under the Contractual Arrangements.

Given that the Contractual Arrangements will constitute continuing connected transactions of our Company, a waiver has been sought from and has been granted by the Stock Exchange, details of which are disclosed in the section headed "Connected Transactions" in this prospectus.

Legality of the Contractual Arrangements PRC Legal Opinions

Our PRC Legal Advisers, after taking reasonable actions and steps to reach its legal conclusions including interviews with competent PRC regulatory authority are of the views that:

(i) each of Ningbo Commercial, Feiyang International, Feiyang Lianchuang, Ningbo Qihang and Feiyang Commercial is an independent legal entity which is duly incorporated, and their respective establishment is valid, effective and complies with the relevant PRC laws and regulations;

(ii) all parties to each of the agreements under the Contractual Arrangements are entitled to execute the agreements under the Contractual Arrangements and perform their respective obligations thereunder;

(iii) none of the agreements under the Contractual Arrangements would be deemed as "concealment of illegal intentional with a lawful form" and void under the PRC Contract Law (《中華人民共和國合同法》) or violates any provisions of the articles of association of Ningbo Commercial, Feiyang International, Feiyang Lianchuang, Ningbo Qihang or Feiyang Commercial;

(iv) according to the interviews with the competent PRC regulatory authorities as stated below, the parties to each of the agreements under the Contractual Arrangements are not required to obtain any approvals or authorisations from the relevant PRC government authorities, except that:

    (a) the exercise of the option by the Relevant Shareholders, for the benefit of Ningbo Commercial, of its rights under the Exclusive Option Agreement to acquire all or part of the equity interest in Feiyang International are subject to the approvals of and/or registrations with the PRC government authorities;

    (b) any share pledge contemplated under the Equity Interest Pledge Agreement is subject to the registration with local administration bureau of industry and commerce; and

    (c) the arbitration awards/interim remedies provided under the dispute resolution provision of the agreements under the Contractual Arrangements shall be recognised by the PRC courts before compulsory enforcement; and

(v) each of the agreements under the Contractual Arrangements is valid, legal, binding and enforceable under the PRC laws, except that the agreements under the Contractual Arrangements provide that the arbitral tribunal may award remedies over the equity interest or assets of Feiyang International, injunctive relief (for example, for the conduct of business or to compel the transfer of assets) or order the winding up of Feiyang International, and that subject to the PRC laws and

regulations, and effective arbitration rules, the competent courts of the PRC, Hong Kong, the Cayman Islands (being the place of incorporation of our Company) and other jurisdictions can also grant or enforce the arbitral award and the interim remedies against the shares or property interest of Feiyang International. However, our PRC Legal Advisers have advised that the interim remedies or enforcement order granted by overseas courts such as those of Hong Kong and the Cayman Islands may not be recognisable or enforceable in the PRC.

Interviews with the competent PRC authorities

In October and November 2018 and March 2019, representatives of our PRC Legal Advisers and the PRC legal advisers appointed by the Sole Sponsor consulted the Tourism Bureau of Haishu District, Ningbo City (寧波市海曙區旅遊局), Tourism Bureau of Zhejiang Province (浙江省旅遊局), Ningbo Tourism Culture Development Committee (寧波市旅遊文化發展委員會), Eastern China Region Representative Office of CATA (中國航空運輸協會華東代表處), Ningbo Branch of the China Banking and Insurance Regulatory Commission Preparatory Team (寧波銀保監局籌備組) and Zhejiang Communications Administration (浙江省通信管理局) respectively. Our PRC Legal Advisers have advised us that (i) all of them are competent government authorities or departments for our Company's principal business activities; (ii) each of the officers of the competent government authorities or departments as interviewed by our PRC Legal Advisers is a competent representative of the relevant authority; (iii) the Contractual Arrangements do not require the confirmation or approval of registration with the relevant authorities; and (iv) based on such consultations, the adoption of the Contractual Arrangements is unlikely to be deemed ineffective or invalid under the applicable PRC laws and regulations. Our PRC Legal Advisers are of the view that the use of the Contractual Arrangements does not constitute a breach of the relevant PRC laws and regulations.

Based on the above analysis and advice from our PRC Legal Advisers, our Directors are of the view that the adoption of the Contractual Arrangements is unlikely to be deemed ineffective or invalid under the applicable PRC laws and regulations, and except for the relevant arbitration clauses as described in "– Contractual Arrangements – Dispute Resolution," each of the agreements under the Contractual Arrangements is enforceable under the PRC laws and regulations. Our PRC Legal Advisers are of the view that the relevant government authorities or department mentioned above, and the personnel consulted in the interview are competent and authorised to interpret the relevant laws, regulations and rules of the PRC for the industry in which our Company operates its business and make the abovementioned oral confirmations.

We are aware of a Supreme People's Court ruling (the "**Supreme People's Court Ruling**") made in October 2012 and two arbitral decisions from the Shanghai International Economic and Trade Arbitration Commission made in 2010 and 2011 which invalidated certain contractual agreements for the reason that the entry into of such agreements with the intention of circumventing foreign investment restrictions in the PRC contravene the prohibition against "concealing an illegitimate purpose under the guise of legitimate acts" set out in Article 52 of

the PRC Contract Law and the General Principles of the PRC Civil Law. It has been further reported that these court rulings and arbitral decisions may increase (i) the possibility of PRC courts and/or arbitration panels taking similar actions against contractual structures commonly adopted by foreign investors to engage in restricted or prohibited businesses in the PRC; and (ii) the incentive for the Relevant Shareholders under such contractual structures to renege on their contractual obligations. Pursuant to Article 52 of the PRC Contract Law, a contract is void under any of the following five circumstances: (i) the contract is concluded through the use of fraud or coercion by one party and thereby damages the interest of the State; (ii) malicious collusion is conducted to damage the interest of the State, a collective unit or a third party; (iii) the contract damages the public interest; (iv) an illegitimate purpose is concealed under the guise of legitimate acts; or (v) the contract violates the mandatory provisions of the laws and administrative regulations. Our PRC Legal Advisers are of the view that the relevant terms of the agreements under the Contractual Arrangements do not fall within the above five circumstances. In particular, our PRC Legal Advisers are of the view that the agreements under the Contractual Arrangements would not be deemed as "concealing illegal intentions with a lawful form" such that they also do not fall within circumstance (iv) above under Article 52 of the PRC Contract Law because the agreements under the Contractual Arrangements were not entered into for illegitimate purposes. The purpose of the Contractual Arrangements are (a) to enable Feiyang International to transfer its economic benefits to the WFOE as service fees for engaging the WFOE as their exclusive service provider and (b) to ensure that the Relevant Shareholders do not take any actions that are contrary to the interests of the WFOE. In accordance with Article 4 of the PRC Contract Law, which is a section of the Part One (General Principles) of the PRC Contract Law setting forth fundamental principles under the PRC Contract Law, the parties to the agreements under the Contractual Arrangements have the right to enter into contracts in accordance with their own wishes and no person may illegally interfere with such right. In addition, the effect of the Contractual Arrangements, which is to allow our Company to list on the Stock Exchange while obtaining the economic benefits of our Operating Entities, is not for an illegitimate purpose, as evidenced by the fact that a number of currently listed companies also adopt similar contractual arrangements. In conclusion, our PRC Legal Advisers are of the view that the Contractual Arrangements do not fall within any of the five circumstances set forth in Article 52 of the PRC Contract Law.

See "Business – Legal Proceedings and Compliance" in this prospectus for further details of the compliance history of our Group.

Sole Sponsor's View

The Sole Sponsor is of the view that the Contractual Arrangements adopted by our Group have complied with the requirements set out in the listing decision (HKEx-LD43-3) issued by the Stock Exchange in 2005 and amended in March 2011, August 2012, November 2012, December 2012, November 2013, April 2014, August 2015, February 2018 and April 2018, respectively.

ACCOUNTING ASPECTS OF THE CONTRACTUAL ARRANGEMENTS

Combination of financial results of Feiyang International

Through the Contractual Arrangements, our Company, through the WFOE, will be entitled to variable returns from our Operating Entities, able to affect such returns through its power over our Operating Entities and considered as being able to control our Operating Entities. As a result, our Operating Entities will be regarded as indirect subsidiaries of our Group under HKFRS 10 – Consolidated Financial Statements. Our Group will include the operating results and financial position of our Operating Entities in its combined financial statements for the following reasons:

(i) pursuant to the Exclusive Consulting Service Agreement, in consideration of the services provided by the WFOE, Feiyang International will agree to pay the WFOE an annual service fee equal to all of their net profit recognised under HKFRS (after deducting all relevant costs, reasonable expenses). The WFOE will have the right to, at its sole and absolute discretion, adjust the service fees payable by Feiyang International when deemed necessary. The WFOE also has the right to periodically receive and review the accounts of Feiyang International. Accordingly, WFOE has the ability to, at its sole and absolute discretion, extract substantially all the economic benefits of Feiyang International through the Exclusive Consulting Service Agreement;

(ii) under the Exclusive Option Agreement, the WFOE will have absolute control over the distribution of dividends or any other form of profits to the shareholders of Feiyang International as WFOE's prior written consent is required for any such distribution; and

(iv) under the Shareholders' Rights Entrustment Agreement, the WFOE will irrevocably and unconditionally assumes all of the shareholder's rights in Feiyang International, including the right to sell, transfer and dispose of any shares, to exercise shareholder's voting rights, to nominate and elect the directors of Feiyang International, to nominate and appoint directors, supervisors and general managers of Feiyang International, and to sign and file minutes and resolutions with the relevant company registry. Accordingly, our Company will have obtained control of Feiyang International through the WFOE and will be able to, under the our Company's sole and absolute discretion, receive substantially all of the economic benefits and returns generated by Feiyang International.

DEVELOPMENT IN THE PRC LEGISLATION ON FOREIGN INVESTMENT

Background

Discussion Draft of the Foreign Investment Law in 2015

According to the relevant China legislations enactment plan, MOFCOM published the discussion draft of the proposed draft foreign investment law (《中華人民共和國外國投資法(草案徵求意見稿)》) in 2015 (the "**2015 Draft**") with an aim to replace the three existing laws regulating foreign investment in China, namely, the Law of the People's Republic of China on Sino-Foreign Equity Joint Venture (《中外合資企業法》), the Law of the People's Republic of China on Sino-Foreign Cooperative Joint Ventures (《中外合作企業法》) and the Law of the People's Republic of China on Wholly Foreign-owned Enterprises (《外商獨資企業法》), upon its enactment.

The 2015 Draft expanded the definition of foreign investment and purports to introduce the principle of "*actual control*" (including adoption of VIE structures) in determining whether a company is considered a foreign invested enterprise or a foreign invested entity. An entity established in the PRC but "*controlled*" by foreign investors will be treated as a foreign invested entity, whereas an entity set up in a foreign jurisdiction may, upon obtaining market entry clearance by the MOFCOM, be treated as a PRC domestic investor, provided that the entity is "*controlled*" by PRC entities and/or citizens.

"*Foreign investors*" refers to the following entities making investments within the PRC: (i) natural persons without PRC nationality; (ii) enterprises established under the laws of countries or regions other than the PRC; (iii) countries or local governments other than the PRC and the departments or agencies thereunder; and (iv) international organisations. Domestic enterprises under the control of these entities are deemed as foreign investors.

"*Control*" is broadly defined in the 2015 Draft to cover the following categories: (i) directly or indirectly holding not less than 50% of shares, equity, share of property, voting rights or other similar rights of the subject entity; (ii) directly or indirectly holding, less than 50% shares, equity, share of property, voting rights or other similar rights of the subject entity, but having the power to appoint not less than half of the members of the board of directors or other similar decision-making bodies of the enterprise directly or indirectly, or having the power to secure at least 50% of the seats on the board or other equivalent decision making bodies, or having the voting power to exert material influence on the board, at the shareholding's meeting or other equivalent decision making bodies; or (iii) having the power to exert decisive influence, via contractual or trust arrangements, over the subject entity's operations, financial matters or other key aspects of business operations. Under such circumstances, if the actual controlling person is of foreign nationality, the VIE will be treated as a foreign invested enterprise. Once an entity is determined to be a foreign invested enterprise, it will be subject to the foreign investment restrictions or prohibitions set forth in the Catalog of Special Management Measures (《特別管理措施目錄》).

The FIL

On 15 March 2019, the FIL was adopted by the NPC and will come into effect on 1 January 2020. As the interpretation and implementation of the FIL has not been officially promulgated, there are uncertainties as to whether it will impact the viability of our current corporate structure, corporate governance and business operations.

The FIL is intended to replace the Law of the People's Republic of China on Sino-Foreign Equity Joint Venture, the Law of the People's Republic of China on Sino-Foreign Cooperative Joint Ventures and the Law of the People's Republic of China on Wholly Foreign-owned Enterprises. For details of the FIL, see "Regulatory Overview – Regulations relating to company establishment and foreign investment – The FIL".

The FIL did not mention the principle of "*actual control*" (including VIE structures) that the 2015 Draft purported to introduce, and set out the following four specific categories of foreign investment activities: (i) a foreign investor, by itself or with other investors, establishing foreign invested enterprises; (ii) a foreign investor obtaining shares, equity, share of property or other similar rights of a PRC domestic enterprise; (iii) a foreign investor, by itself or with other investors, investing in new PRC domestic projects; and (iv) investing in any other ways as stipulated under to laws, administrative regulations or provisions of the State Council. The FIL also sets out that the investment in specific sectors by foreign investors should be subject to the Negative List.

Negative List

The FIL stipulates that the Negative List for the access of foreign investment is divided into "prohibited investment areas" and "restricted investment areas":

(i) ***Prohibited investment areas*****:** Foreign investors are not allowed to invest in areas which are prohibited by the Negative List.

(ii) ***Restricted investment areas*****:** Foreign investors investing in areas which are restricted by the Negative List should meet the conditions as stipulated in the Negative List.

However, the FIL does not specify the scope of business which are included in the fields of restricted investment and prohibited investment.

The Impact and Potential Consequences of the FIL

VIE structure has been adopted by many Chinese companies and has been adopted by our Company in the form of contractual arrangements to establish control of foreign-owned enterprises on Feiyang International, Feiyang Lianchuang, Feiyang Commercial and Ningbo Qihang, so as to operate our related businesses in China. The FIL, unlike the 2015 Draft, does not explicitly prohibit or restrict a foreign investor to rely on contractual arrangements to

control the majority of its business that is subject to foreign investment restrictions or prohibitions in the PRC. As advised by our PRC Legal Advisers, given the FIL does not explicitly prohibit or restrict a foreign investor from relying on contractual arrangements to operate the majority of its business that is subject to foreign investment restrictions or prohibitions in the PRC when the law becomes effective on 1 January 2020; therefore, if there are no other newly issued or revised laws and regulations about regulating the "control of domestic enterprises through contractual arrangements", the FIL will not have a significant impact on the effectiveness of our existing Contractual Arrangements. See "Risk Factors – Risks relating to our Contractual Arrangements – Substantial uncertainties exist with respect to the interpretation and implementation of the FIL in the PRC which may impact the viability of our current corporate structure, corporate governance and business operations" in this prospectus for further details of risks relating to the FIL. In any event, we will take reasonable steps in good faith to seek compliance with the FIL.

The Potential Impact of Contractual Arrangements on our Company

If the operation of the business related to VIE is no longer within the scope of the Negative List and we can legally operate the relevant business under the laws of the PRC, the WFOE will exercise the equity and/or asset purchase rights under the Exclusive Option Agreement to acquire the equity and/or assets of Feiyang International and terminate the Contractual Arrangements, subject to any approval, registration procedures or declarations applicable at the time required by the relevant authorities.

If the operation of the business relating to the VIE is within the scope of the Negative List and the interpretation and/or the implementation guidelines of the FIL is to be promulgated in the future requiring further action from companies with existing VIE structures like our company, the Contractual Arrangements may be considered invalid and illegal. Therefore, we will not be able to operate related business through the Contractual Arrangements and will lose the right to receive economic benefits of the Operating Entities. As a result, the financial results of the Operating Entities will no longer be included in the financial results of our Group and we will have to derecognise its assets and liabilities in accordance with the relevant accounting standards. If our Group does not receive any compensation, the investment loss will be recognised for such termination.

As a number of existing corporations operate business under the Contractual Arrangements and some have obtained overseas listing status, our Directors believe that if the interpretation and/or the implementation guidelines of the 2019 Version is to be promulgated in the future requiring further action from companies with existing VIE structures like our company, it is unlikely that the relevant institutions will adopt retrospective effect to require the relevant enterprises to abolish their VIE or the Contractual Arrangements. Our Directors consider that there is a possibility that the PRC government may adopt a relatively cautious attitude to the treatment of VIE or Contractual Arrangements in the future.

The relevant government departments may have broad discretion in interpreting and implementing relevant provisions or take different or opposite views from the understanding of our PRC Legal Advisers. Our Company will take reasonable steps in good faith manner to comply with the Foreign Investment Law (《外商投資法》) in order to minimise the adverse impact on our Contractual Arrangements.

Our Company submits that it will disclose as soon as possible: (i) the changes and updates occurred in the Foreign Investment Law that will have a material adverse impact on our Company, (ii) a clear description and analysis of the Foreign Investment Law enacted, as well as specific measures taken by our Company to fully comply with the Foreign Investment Law enacted which is supported by the PRC legal opinions from our PRC Legal Advisers, and (iii) any significant impact on the operations and financial condition of our Company by the Foreign Investment Law enacted.

COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

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

(ii) our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;

(iii) our Company will disclose the overall performance and compliance with the Contractual Arrangements in its annual reports and interim reports to update the Shareholders and potential investors;

(iv) our Company and our Directors undertake to provide periodic updates in our annual and interim reports regarding our status of compliance with the FIL and its accompanying explanatory notes as solution "Contractual Arrangements – Background of the Contractual Arrangements" and the latest development of the FIL and its accompanying explanatory notes as disclosed in "Contractual Arrangements – Development in the PRC Legislation on Foreign Investment", including the latest relevant regulatory development; and

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

In addition, notwithstanding that four of our executive Directors, Mr. He, Mr. Li, Mr. Wu and Mr. Chen, are also the Relevant Shareholders, we believe that our Directors are able to perform their roles in our Group independently and our Group is capable of managing its business independently after the Listing under the following measures:

(i) the decision-making mechanism of our Board as set out in the Articles includes provisions to avoid conflict of interest by providing, amongst other things, that in the event of conflict of interest in such contract or arrangement which is material, a Director shall declare the nature of his or her interest at the earliest meeting of the Board at which it is practicable for him or her to do so, and if he or she is to be regarded as having material interest in any contracts or arrangements, such Director shall abstain from voting and not be counted in the quorum;

(ii) each of our Directors is aware of his or her fiduciary duties as a Director which requires, amongst other things, that he or she acts for the benefits and in the best interests of our Group;

(iii) we have appointed three independent non-executive Directors, comprising one-third of our Board, to provide a balance of the number of interested and independent Directors with a view to promoting the interests of our Company and our Shareholders as a whole; and

(iv) we will disclose in our announcements, circulars, annual and interim reports in accordance with the requirements under the Listing Rules regarding decisions on matters reviewed by our Board (including independent non-executive Directors) relating to any business or interest of each Director and his or her close associates that competes or may compete with the business of our Group and any other conflicts of interest which any such person has or may have with our Group.

OVERVIEW

We are a well-established travel service provider based in Ningbo, Zhejiang Province of the PRC. We offer diversified products that cater for different travellers' needs, including the provision of outbound and domestic travel, and other ancillary travel-related products and services. Our "iFlying" iFlying 爱飞扬 brand is a well-established brand in the industry and we believe that our customers associate our brand with quality travel products and outstanding customer service. According to the F&S Report, we ranked fifth among all travel agencies in Zhejiang Province, representing a market share of 0.9% in terms of revenue in 2017.

We are principally engaged in (i) the design, development and sales of package tours which consist of traditional package tours and tailor-made tours; (ii) the sales of FIT Products which include provision of air tickets and/or hotel accommodation; and (iii) the provision of ancillary travel-related products and services, including but not limited to visa application processing, admission tickets to tourist attractions, conferencing services and arranging purchase of travel insurance for our customers. For the year ended 31 December 2016, 2017 and 2018, our sales of package tours accounted for approximately 90.8%, 87.6% and 85.3% of our total revenue, respectively, whilst our sales of FIT Products accounted for approximately 5.1%, 9.0% and 12.1% of our total revenue, respectively for the corresponding period. Over the years, we receive numerous awards and recognition. We ranked top 50 nationwide in 2015 according to the Ranking of Top 100 National Travel Agency (2015年度全國百強旅行社) published by China National Tourism Administration (國家旅遊局). We received the "Word-of-mouth" Gold Award for Travel Agencies (金口碑旅行社) from Ningbo Municipal Tourism Development Committee (寧波市旅遊發展委員會) and Ningbo Tourism Association (寧波市旅遊協會) in 2018. We have also received the "First Prize of Ningbo Enterprise Management Modernisation Innovation Award" (寧波市企業管理現代化創新成果一等獎) from Ningbo Association for Commerce (寧波市企業聯合會), Ningbo Entrepreneur Association (寧波市企業家協會) and Ningbo Industrial and Economic Association (寧波市工業經濟聯合會) in 2013 in recognition of our "4+T" service system. See "Awards" below for other major awards received by us.

We have established our tourism square with an operating area of more than 5,700 m^2 and a spacious auditorium, which serves as our headquarters in Ningbo, Zhejiang Province and our venue for hosting promotion events and pre-tour briefing sessions to our customers. It also serves as an effective marketing tool during reception of our customers. Customers can visit our tourism square to make enquiries, reservations and purchases of travel products and services through our customer service officers and travel consultants. Our various sales channels, including our tourism square, our retail branches, our sales offices, our website, and our mobile application, allow us to reach a broad customer base efficiently. We enjoyed a diversified customer base which comprise retail customers, and corporate and institutional customers during the Track Record Period. We have maintained good business relationships with our suppliers, which mainly includes airline operators, ticketing agents, hotel operators, GDS service providers and land operators. We believe our successful business model in Ningbo, Zhejiang Province is replicable, and we intend to increase our market share and strengthen our sales by setting up new retail branches and points of sales in other coastal cities in the PRC and to cooperate and collaborate with other local travel agents in new emerging markets in the PRC to extend our geographical coverage and strengthen our bargaining power with travel service providers. See "Our Business Strategies" below for further details.

According to the F&S Report, driven by (i) increasing income level and consumption expenditure on travelling; (ii) more accessible and convenient products and services from online travel agencies; (iii) more favourable governmental policies of tourism industry; and (iv) gradual improvement of tourism infrastructure and facilities, the total tourism consumption in the PRC experienced rapid growth between 2013 and 2017 with a CAGR of 14.9%, and is expected to continue to increase to approximately RMB8,827.5 billion by 2022 with a CAGR of 9.8% between 2018 and 2022. Due to the accumulative effects of rising disposable income and increasing per capita consumption expenditure on tourism of Chinese tourists, our sales of package tours and margin income from sales of FIT Products experienced steady growth, resulting in the increase in our overall revenue during the Track Record Period. Our total revenue increased by RMB54.7 million or 13.3% from RMB410.1 million for the year ended 31 December 2016 to RMB464.8 million for the year ended 31 December 2017, and further increased by RMB28.1 million or 6.0% to RMB492.9 million for the year ended 31 December 2018.

OUR COMPETITIVE STRENGTHS

We believe we have the following competitive strengths which differentiate us from our competitors:

We are one of the leading integrated "one-stop-shop" travel service provider in Zhejiang Province, PRC

We are one of the leading integrated "one-stop-shop" travel service provider in Zhejiang Province, PRC. We were founded in 2001 and had a track record specialising in the provision of package tours, FIT Products and ancillary travel-related products and services in the PRC. With a growing population of middle class group who have stable income sources and decent living standards and are willing to pursue high-quality cultural and entertainment experiences, Zhejiang Province has seen a continuous growth in its tourism industry. We believe we are well-positioned to capture the opportunities and development of tourism market in Zhejiang Province. According to the F&S Report, fueled by the sustainable growth of income levels and leisure activities, the tourism consumption from Zhejiang Province increased with a CAGR of 17.1% from 2013 to 2017, and is projected to reach approximately RMB977.7 billion by 2022, representing a CAGR of 10.9% between 2018 and 2022; we ranked fifth among all travel agencies in Zhejiang Province, PRC, representing a market share of 0.9% in terms of revenue in 2017. Among the top four travel service providers in Zhejiang Province, two of which are state-owned enterprises. We ranked top 50 nationwide in 2015 according to the Ranking of Top 100 National Travel Agency (2015年度全國百強旅行社) issued by China National Tourism Administration (國家旅遊局). Our achievements in the travel industry are recognised by various awards we have received throughout the years, as set out in "Awards" below.

We offer comprehensive travel information and an array of products and services in order to cater for customers' needs conveniently and efficiently. Our travel products and services cover major travel elements, which include food, stay, transport, sight-seeing, shopping and entertainment. Our product development department develops and offers a variety of package tours for our customers to choose from. In order to enhance our customers' convenience and satisfaction, we offer a multitude of travel-related services ranging from one-to-one travel consultation services, air ticket booking services, hotel and accommodation booking services, visa application processing services, transportation arrangement services, conferencing services and admission tickets to tourist attractions. Each of our travel consultants focuses on one type of travel product and is equipped with specialised knowledge and ability to provide advices to our customers and prepare tailor-made itinerary covering all major travel elements for such type of product. Through extensive offering of travel products and services, we believe we have extended our market reach in various dimensions and to a vast majority of market participants, thus enabling us to keep abreast of the latest market trends, resources and information and further facilitating our pursuit of becoming a pioneer within the travel industry in Zhejiang Province, PRC. Leveraging on our industry experience, we believe our established business model place us at a favourable position to capture the overall growth trend of the travel industry and to increase our market share in Zhejiang Province, PRC.

We provide professional, quality and personalised services by multiple means which meet our customers' needs

We are committed to the provision of professional, quality and personalised services to our customers. Since our industry is highly service-oriented, we believe the provision of quality services using a standardised system that tailor for every customer's need differentiates us from our competitors. We have initiated, designed and implemented a "4+T" service system to serve our customers, which includes provision of customer service, private consultation, product management and tour operation with the use of technology. We believe our "4+T" service system together with the services provided by our travel consultant enabled us to deliver professional, quality and personalised services to our customers by offering one-on-one consultation to our customers and provide tailor-made solutions to meet their travel demand and needs. See "Quality Control and Customer Service" below for further details of our "4+T" service system. We have received the "First Prize of Ningbo Enterprise Management Modernisation Innovation Award" (寧波市企業管理現代化創新成果一等獎) from Ningbo Association for Commerce (寧波市企業聯合會), Ningbo Entrepreneur Association (寧波市企業家協會) and Ningbo Industrial and Economic Association (寧波市工業經濟聯合會) in 2013.

Apart from the service system we have adopted over the years, we serve our customers through various channels. We have opened our tourism square, which serves as our headquarters in Ningbo, Zhejiang Province. Our tourism square possesses an operating area of more than 5,700 m^2 and a spacious auditorium which facilitate us to host promotion events and pre-tour briefing sessions to our customers. Customers can visit our tourism square to make enquiries, reservations and purchases of travel products and services through our customer service officers and travel consultants. We also provide other various convenient means for our customers to obtain tour package and travel information. On top of distributing travel

pamphlets to our customers at our retail branches and travel centre, we have installed touchscreen information booths at various locations in our headquarters to allow our customers to obtain specific information about our products conveniently and efficiently. We regularly update our official website and our mobile application to include the latest tour itineraries, discounts and pricing information. In addition to our official website and our mobile application, our products and services are also available on the virtual shops we set up on other third party online sales platforms, such as Fliggy (飛豬) and Qunar (去哪兒).

Our sales team, comprised of customer service officers and travel consultants, provides one-on-one travel consultation services to our customers at our headquarters and our retail branches located in different area in Ningbo, Wenzhou, Taizhou, Hangzhou and Suzhou of the PRC. In addition, we have set up a corporate travel management team to exclusively serve our corporate and institutional customers, including but not limited to, real-time travel booking and ticketing, airport transfer, itinerary planning, arranging of overseas conferences and events. Leveraging on our capabilities to offer our customers professional, quality and individualised services, we believe our customers' trust and loyalty have been successfully cultivated over time.

Our operation system that we have implemented enabled us to build a scalable business model. Our business model and management experience allowed us to operate efficiently, ensuring the provision of comprehensive travel products and services to our customers. We believe our business model is replicable and we will continue to expand strategically in other cities of Zhejiang Province, PRC. See "Increase our market share and strengthen our sales by expanding and improving our sales channel and recruitment of relevant experienced and quality personnel for the operation of our new points of sales" for further details of our expansion plan.

We have diversified product offerings to cater for different customers' needs

In order to attract customers, we strive to offer an extensive selection of travel products and services encompassing a wide range of geographical destinations. As at the Latest Practicable Date, we offer travel products to over 50 destinations worldwide, including but not limited to Japan, Korea, Taiwan, Southeast Asia, Europe, North America, New Zealand and Australia. During the Track Record Period, we have introduced different sight-seeing package tours and theme package tours to cater for different travel preferences of customers, such as family friendly tours, cultural heritage tours, photography tours and gourmet tours. See "Our Products and Services – I. Package tours – Types" for further details. We also possess the capability to bundle domestic and/or international air tickets with different hotel accommodations to cater for different customers' needs. We collaborated with a company that owns or operates premium resort villages globally, and a company that primarily engages in the operation and provision of cruise holidays, to hold conference and marketing event for the promotion and sales of their travel products tailored to our customers. We also provide other ancillary services to our customers, such as, visa application services, local transportation booking services, reservation of admission tickets to tourist attractions, conferencing services and arranging purchase of travel insurance for our customers. Through the offering of diversified products, we are able to serve both our retail customers, and corporate and institutional customers, such as local enterprises, corporations and governmental organisations.

We closely observe the market trends and develop package tours which cater for changing customer demands and preferences. We seek to introduce new itineraries and activities from time to time in order to offer new travel experience to our customers. We conduct researches on new destinations with the aim to develop new tours to provide our customers with wider choice of destinations. We believe our commitment to developing new travel products and our diversity of product offerings will enable us to further expand our customer base.

Our in-depth technical know-how and information technology capabilities served as a backbone for future growth of our FIT Products

Over the years, we have developed expertise in the business segment of our FIT Products, and gained a deep understanding of the emerging trends and technologies in the travel industry in the PRC. According to the F&S Report, an increasing number of travel products and services are delivered through online travel agencies and with the booming of online travel agencies, consumers are more apt to compare prices, features and services online. In view of this market trend and to capture demands in the online tourism market, we have launched our own online platform for the sales of our travel products and services in 2011 and we have built a solid information technology infrastructure comprising, computer hardware, operating systems, enterprise software application, data management and storage and system integration services to support our daily operations. We have extensive technical know-how in the travel industry and our travel technology services team possess strong capabilities on (i) designing, installing and integrating real-time interface to scan and compare prices of air tickets online; (ii) developing software to supporting third-party online booking platforms; (iii) website designing; and (iv) cloud computing. In 2018, we have subscribed and gained access to new GDS service provider which allowed us to obtain information and procure air tickets provided by international airline operators. We have developed our own in-house application programming interface that allows connection of data streams from our suppliers and allow our reservation engine to be integrated with local suppliers. This programme also allows us to scan for air tickets with discounted prices 24 hours non-stop and enables us to source the air tickets with the lowest price from our various suppliers. During the Track Record Period, we incurred RMB2.2 million, RMB3.3 million and RMB6.2 million, respectively, for the development of our information technology hardware and software.

During the Track Record Period, our information technology department has completed several information technology projects including software update for internal use and software development to support the sourcing and sales of our FIT Products under the supervision of Mr. Huang Yu (黃宇), our executive Director and our chief technology officer, who has over eight years of experience in technology system industry and have worked under various technology companies prior to joining our Group. See "Directors and Senior Management – Directors – Mr. Huang Yu (黃宇)" for details of his biography. We believe that our technical know-how and information technology capabilities will enable us to maintain a competitive position in the travel industry and provide a solid platform for the future growth of our FIT Products.

We have an experienced and dedicated management team with proven track record of leadership and execution

We have an experienced and dedicated management team with invaluable knowledge and understanding of the travel industry in China. Our executive Director and our founder, Mr. He Binfeng has over 24 years of experience in the travel industry. Prior to joining our Group, Mr. He has served at various PRC travel agency companies. Our Group believes his invaluable knowledge and insight of the travel industry have enabled our Group to attain our success in the past. We have also built a loyal, experienced and capable senior management team, who are committed to improving and maintaining operational excellence by utilising their extensive knowledge of travel and tourism industry. Our senior management has, on average, over 15 years of relevant experience in tourism industry. We believe our core management team will continue to serve as a strong pillar for our success and future development. See "Directors and Senior Management" in this prospectus for further details of the biographies of our executive Directors.

OUR BUSINESS STRATEGIES

Our principal business objective is to strengthen our position as one of the leading travel service providers in Zhejiang Province. We intend to achieve our objective by implementing the following strategies:

Increase our market share and strengthen our sales by expanding and improving our sales channel and recruitment of relevant experienced and quality personnel for the operation of our new points of sales

We plan to expand our sales by deepening penetration in our existing market and entering new markets which have high growth potentials, including coastal cities in Eastern China such as Hangzhou and Shanghai. Despite the trend of transformation of travel agency business from offline to online, we believe that there remains a transition period for offline purchases to transform into wholly online purchases as many of our customers still prefer to obtain information of our travel products and services from our customer service officers and travel consultants at our tourism square or retail branches prior to placing their orders online. Customers of different age group also have their own purchase habit and some may not understand the operation of online transactions and therefore prefer making purchases at our retails branches or sales offices. Moreover, we consider that physical retail branches or sales offices can boost our online sales and are essential for the development and sales of our package tours for which we believe our customers require personalised services. Customers may visit our retail branches or sales offices to discuss their preferences face-to-face with our travel consultants so that we can provide package tours that can better accommodate the specifications of our customers. Our customer service officers and travel consultants can assist our customers in visualising their travel itineraries. This would allow our customers to obtain a more thorough understanding of our travel products, who may subsequently place their orders through our online sales channels. By having access to our physical retail branches and sales offices, we believe that our customers will also have greater confidence in making purchases

through our online sales channels, thereby increasing our online sales. According to the F&S Report, (i) offline tourism channels have the significance in raising customers' confidence on travel agencies and strengthening brand image; and (ii) it is increasingly common for market players to establish both online and offline channels to expand business landscape and enhance business operation.

In order to cater the demands of all customers, we intend to replicate our success in Ningbo, Zhejiang Province and to implement our expansion plan gradually through refurbishing existing retail branches and setting up new retail branches and points of sales in coastal cities in Eastern China. We believe that by expanding and improving our sales channel, we are able to maximise our brand presence and enhance our reputation. Through such brand building, we can further increase our market shares by reaching more potential customers, thereby achieving higher sales and acquiring better understanding of the market trend to further diversify and enhance our product offerings.

We plan to refurbish our existing retail branches in stages with the aim of improving brand awareness, strengthen our corporate image, and enrich customers' experience during their visits to our retail branches. We will install more touchscreen information booths at our retail branches to allow our customers to easily access specific information about our products conveniently and efficiently. Scenic pictures and videos showcasing different attractions of travelling destinations will also be available for viewing on our mobile application and for display on flat screen TV installed at the wall of our newly refurbished retail branches to promote travelling culture and to enhance shopping experience. We intend to refurbish our existing retail branches one at a time and each will take approximately two to three months to complete. We may refurbish the entire or partial areas of our existing retail branches depending on their respective existing conditions. As such, we believe that such refurbishment will not cause any material disruptions to our Group's business operations.

We also intend to set up new retail branches and points of sales in coastal cities in Eastern China, such as Hangzhou and Shanghai, in order to increase our visibility to our customers and market presence. By opening more retail branches and points of sales, our customers will have more convenient access to our products and services. We have chosen to establish new retail branches and points of sales in these locations because our Directors believe that PRC residents in the coastal regions have more spending power and higher demand for travel products and services. According to the F&S Report, (i) Shanghai is a city with two of the world's top 50 airports by traffic; and (ii) there is also rapid increase in the total number of tourist visits from Hangzhou. Also, our main target customers in these fast-growing cities are institutional and corporate customers. As many international corporations and online travel agencies have opened office(s) in Hangzhou and/or Shanghai, our Directors considered these two cities to be markets with great potential and abundant resources still to be fully exploited. Given the extensive geographical area in Hangzhou and Shanghai and their abovementioned market potential, we intend to establish two new retail branches and points of sales in each of Hangzhou and Shanghai to further capture market demand in these areas. The geographical advantages and the potential customers in these two cities also match with the Group's expansion plan. We believe that the potential competition between our existing and new retail

branches and points of sales in Hangzhou and Shanghai will be minimal as our existing and new retail branches and points of sales will be located in different areas and will focus on different types of customers and product segments. For instance, the focus of our new points of sales in Shanghai will be outbound package tours (ex-Japan) for travel agencies. We will also take into account the proximity factor when we select the location of our new retail branches and point of sales to maximise our customer coverage in these cities. In order to implement our plan, we intend to engage professionals to probe into the necessary local licensing criteria and corporate procedures required for establishment of new retail branches and points of sales. In addition to Hangzhou and Shanghai, we will also consider further expanding into third and fourth tier cities, such as Suzhou and Taizhou, in order to further expand our sales network when suitable opportunity arises.

During the Track Record Period, we have established 35 points of sales and we have deregistered 21 points of sales in order to streamline our Group's structure and according to our business needs. See "Sales – Our sales channels – 1. Offline sales channels – (ii) Retail branches and sales offices" below for further details. Out of the 21 deregistered points of sales, 12 of them had an operation history of over two years. As at the Latest Practicable Date, we have 28 points of sales in operation. We will evaluate our corporate structure and network of point of sales on an ongoing basis with reference to our business strategies, market condition, customer preference and retail network, and set up/acquire and/or deregistered points of sales from time to time. Despite we have deregistered 21 points of sales during the Track Record Period, the deregistration was due to various factors and not merely profitability of the points of sales. Our Directors believe that the continuous operation of our points of sales demonstrates our ability and experience in establishing and operating points of sales, which are essential for us to increase our market share and to support our future expansion.

We intend to apply 20.0% of our net proceeds of the Global Offering (approximately HK$17.5 million) for the refurbishing existing retail branches, setting up new retail branches and points of sales, two in Hangzhou and two in Shanghai, and the recruitment of the relevant experienced and quality personnel for the operation of our new retail branches and points of sales. Subject to market condition and the performance of these new retail branches and points of sales, we may consider setting up further retail branches and/or points of sales in the future if appropriate. We estimate that approximately (i) HK$2.7 million will be required for the rental costs of our new points of sales to be set up during the two years ending 31 December 2021, taking into account the intended rental area for our points of sales to be approximately 100 to 150 sq.m. and the market rate for rental costs; (ii) HK$19.7 million will be required for the recruitment of approximately ten to 12 staffs per points of sales during the first year, and further ten to 12 staffs per points of sales during the second year of operation of our new points of sales, including 12 to 16 local management with monthly salary ranging from RMB10,000 to RMB20,000, 12 to 40 sales staff, eight to 20 product development staff and eight to 20 administrative staff with monthly salary ranging from RMB5,000 to RMB15,000, with reference to (a) the number of employees of our existing points of sales with similar operation in Shanghai and Hangzhou; (b) the expected expansion of such points of sales; and (c) the market pay rates for equivalent positions; and (iii) HK$1.0 million will be required for the refurbishment of our existing retail branches for the two years ending 31 December 2021.

Approximately 74.8% of the aforementioned estimated costs (representing approximately HK$17.5 million) will be funded by our net proceeds from the Global Offering, and the remaining will be funded by our internal resources.

In 2017, we established one of our existing offices in Shanghai which served as a supporting function of products development and no revenue was derived from this office during the Track Record Period. We also established a sales office in Hangzhou in September 2017 of which we derived revenue amounting to approximately RMB52,000 and RMB0.8 million during the year ended 31 December 2017 and 2018, respectively.

In early 2019, we commenced operations of one sales office in Hangzhou and one sales office in Shanghai.The sales office in Shanghai combined and merged the operation of the sales office set up in Shanghai in 2014 which had no material operation and was then deregistered in 2018. Up to the Latest Practicable Date, these two sales offices have been profitable. Our Directors estimated that the revenue from the point of sales will grow further by the ramping up of the operation.

To strengthen our ability to collectively procure upstream resources through cooperation and collaboration with other travel service providers

Cooperation and collaboration with travel service providers for upstream travel resources

We plan to strengthen our market position and foothold in the Zhejiang Province and other emerging markets in China by collectively procuring upstream resources which include food, accommodation, transport, sight-seeing, shopping and entertainment. According to the F&S Report, developing wide and established relationships with multiple parts of travel resource providers is one of the decisive factors for the provision of high quality services to better cater for the needs of customers.

We plan to cooperate and collaborate with other travel service providers, such as ticketing agents and other travel agents, in the procurement of travel resources for package tours, such as air tickets, hotels and admission tickets to local tourist attractions by procuring and sharing the costs of such travel resources collectively, which is also an industry practice according to the F&S Report. Through a larger bargaining power and sharing of acquired resources with these travel services providers, we are able to enjoy lower prices for purchasing in bulk. In addition, as part of our cooperation and collaboration with other travel services providers, we will also share and/or leverage each other's experience and connections to procure various travel resources. Through such cooperation and collaboration, we are able to lower the cost of our procurement due to the business relationship of our collaborated partners and the travel resources providers and to extend the reach of our travel resources not available to us to broaden our product offering in the design and bundling of different travel elements to our package tours products. Our Directors believe that such cooperation and collaboration will enable our Group to tap into these upstream suppliers which we might not have prior business relationships and we are able to better serve the needs of consumers since we have a better capability to source a variety of travel goods and services with lower costs. As at the Latest

Practicable Date, we entered into several cooperation agreements with travel services providers to collectively procure air tickets. Pursuant to the cooperative agreements, one of the contracting parties will act as the lead agent to liaise with the travel services providers to collectively procure the air tickets. The air tickets to be procured will be collectively determined by the contracting parties. The purchase money from each of the parties will be deposited into a designated bank account of the lead agent and the percentage of purchase money to be paid by each of the party can vary each time. Each party will then obtain its part of air tickets. Since the parties will only proceed with the procurement of air tickets upon receipt of deposits from all contracting parties, the risk of default is not material. As confirmed by our Directors, during the Track Record Period and up to the Latest Practicable Date, we have not experienced any default under the cooperative agreements.

In addition, through such cooperation and collaboration, we will be able to collect data on travellers' behaviour and interests in different regions of China and will allow us to carry out big data analytics on the latest market trends. We will carefully select travel service providers with solid track record, considerable business scale and established sales network located in other cities in China with growing potentials. In particular, we will target those travel service providers that have a management team which share our vision and with relevant experience, territorial expertise and established marketing network. We believe our business will benefit from strong synergies with these travel service providers and our profitability will be enhanced through such cooperation and collaboration.

Increase prepayment and deposits to air ticket suppliers

As our Directors envisage more frequent engagement of new suppliers, and in view of our expansion of sales channel and increase in market share, we anticipate the demand for prepayments and deposits to our suppliers will increase as some of these travel service providers, such as airline operators, GDS service providers and ticketing agents, will usually require a deposit or prepayment from us. According to the F&S Report, the tourism consumption on FIT products increased to RMB4,691.5 billion in 2017 with a CAGR of 14.5% between 2013 and 2017, and is expected to increase to RMB7,767.2 billion by 2022 with a CAGR of 9.8% between 2018 and 2022. As such, we anticipate that there will be a continuous growth in the sales of air tickets. During the Track Record Period, we witnessed a growing trend in the number of our FIT Products. During the Track Record Period, our margin income from sales of air tickets increased from RMB19.3 million for the year ended 31 December 2016 to RMB39.4 million for the year ended 31 December 2017, and further to RMB57.1 million for the year ended 31 December 2018. Alongside, our prepayments and deposits for air tickets also increased from RMB16.2 million as at 31 December 2016 to RMB31.3 million as at 31 December 2017, and further increased to RMB65.8 million as at 31 December 2018. To maintain our competitiveness, we will need to increase our deposits and prepayments to our air ticket suppliers in exchange for sufficient ticketing authority, the assignment of electronic ticket numbers and/or better terms and policies for air tickets so that we will be able to meet the increasing demands for air tickets. See "Sales – Pricing and Payment – Prepayment and settlement under air ticket distribution" below for further details.

We intend to apply 35.0% of our net proceeds of the Global Offering (approximately HK$30.7 million) to increase our deposits and prepayment to our air ticket suppliers gradually in view of our expansion of sales channel and the deposit/prepayment requirement imposed by our air ticket suppliers for sufficient ticketing authority, the assignment of electronic ticket numbers to us and/or better terms and policies for air ticket.

Upgrade our information technology system and continue to focus on operational efficiency

We believe that our in-house information technology capabilities have been crucial to establishing our leading position in travel industry in Ningbo, Zhejiang Province, PRC and to facilitate effective operation and dynamic pricing of our tours and products. To cope with our business expansion, we plan to upgrade and optimise our existing information technology infrastructure including data storage, electronic documentation, cloud based back up storage, communication technology network, computer systems and information security to support the flow, storage, processing and analysis of our operating and financial data.

In order to broaden our customer base, connections with diverse Internet platforms is crucial for market players to acquire customer effectively and efficiently according to the F&S Report. In light of the improved acquisition capacity of consumers and that speedy and accurate processing capability is crucial to online booking services, we also plan to upgrade our own system that enables us to build direct connect with budget airline operators and international GDS service providers through connecting our platform to their systems. We believe that this is particularly important for the sales of our FIT Products which require less personalisation and tailor-made elements, such as bookings of air tickets and when our customers gather travel related information and pricing details.

To keep up with the constantly evolving market and technology, it is essential for us to ensure that our information technology system is up to date and is in line with latest market practice. As such, we plan to upgrade and optimise our information technology systems which involves real time synchronisation of our system with the voluminous air tickets information available on the GDS and from both the major and budget airline providers, allowing us to sort all air tickets available in accordance with the prices and terms offered by different suppliers and to create the most competitive combination of air tickets to be provided to the online travel agencies for sales through their platforms on a constant and timely basis. We aim to explore and develop our own automation software tool to handle customers' enquiries, and to improve automation of our ticketing system. We also expect to centralise the provision of our other ticketing services such as ticket cancellation and amendments. We believe that this will provide us with a competitive edge against our competitors, and the upgrades to our information technology system will ensure effective coordination among various aspects of our business as we expand.

In addition to our core technology systems and to further enhance our "4+T" service system, we seek to explore and develop our own software system to handle customers' inquiries quickly and conveniently, and to employ machine learning techniques for correct identification of user intent. We believe such automation of our customer services will allow us to handle customer enquiries accurately and efficiently and can save man hours of our employees and labour cost.

We intend to apply 10.0% of our net proceeds of the Global Offering (approximately HK$8.8 million) for upgrading our information technology system. We estimate that approximately (i) HK$9.9 million will be required for the recruitment of approximately ten to 15 information technology staff during the year ending 31 December 2020, and further ten to 15 information technology staff during the year ending 31 December 2021, representing an increase of approximately 35.7% to 53.6% each year from our existing information technology staff as at the Latest Practicable Date, mainly for the maintenance and development of our information technology system, and payment for the related personnel costs based on the market pay rates for equivalent positions. We believe that this is necessary for us to keep up with the constantly evolving technology, especially for the sales of our FIT Products which is experiencing growth throughout the Track Record Period, and to maintain sufficient manpower in our information technology department during our business expansion, which entails the upgrade and optimisation of our information technology system on an ongoing basis; and (ii) HK$3.7 million, based on our historical costs and expected future upgrades, will be required for the upgrade, development and maintenance of our information technology system including but not limited to the costs for our data storage and the necessary hardwares, for the two years ending 31 December 2021. Approximately 64.7% of the aforementioned estimated costs (representing approximately HK$8.8 million) will be funded by our net proceeds from the Global Offering, and the remaining will be funded by our working capital.

Enhance our brand recognition and awareness

Our "iFlying" iFlying爱飞扬 brand is a well-established brand in the industry and we believe that our customers associate our brand with quality travel products and outstanding customer service. We believe our reputation as a customer-oriented travel service provider is vital to our ongoing success.

We plan to continue to establish a customer-oriented brand image by increasing our marketing effort in (i) traditional media, such as placing advertisements on both local and national Chinese newspapers and commercials on various television advertising, engaging spokespersons, and providing sponsorship to selected events by providing complimentary air tickets and/or hotel accommodations; and (ii) new media, such as Internet, social network advertising and mobile applications, to increase brand recognition and brand loyalty. We also intend to participate in industry trade conference and organise travel shows to promote our products and services to potential customers. We believe this is in complement to and will support our other expansion plans. In particular, we will need to promote and raise awareness of the opening of our new retail branches in Hangzhou and Shanghai in order to attract more new customers in these markets. Enhancing our brand recognition will also facilitate our negotiations with other travel service providers for cooperation and collaboration in the procurement of travel resources for package tours.

With the increasing popularity of Internet for online travel booking, we will strengthen our digital marketing efforts by placing advertisements on popular social media and online sales platforms and purchasing key words from major search engines in China. Through advertising on social media, online sales platforms and search engine marketing, we strive to increase our online presence to reach out to a wider spectrum of our potential customers, so that our advertisements of our products will be readily visible on their social media accounts and links to our website will be conveniently displayed on the first few pages of search engine results. The digital marketing campaign will also allow us to collect data on traveller's behaviour, interests and other useful information so that we will be able to regularly analyse the spending pattern and preference of our customers and carry out targeted product promotion to specific interests groups.

In light of our abovementioned marketing strategies, we intend to apply 10.0% of our net proceeds of the Global Offering (approximately HK$8.8 million) for enhancing our brand recognition and awareness for the two years ending 31 December 2021.

Continue to attract, motivate and retain experienced and quality staff

Our customer-oriented business philosophy emphasises on delivering excellent customer service. We believe maintaining a positive working environment will encourage better staff relations and talent retention, as well as enhancing the quality of our customer service by motivating staff. In order to foster a work environment that attracts and inspires our people to achieve excellent performance, we will also seek to motivate and retain valuable and talented staff by implementing an incentive scheme to align compensation and remuneration with performance. Our Directors will review the remuneration package on a regular basis to ensure it remains competitive at all times.

As part of our continuing efforts to enhance our customer service, we will continue to recruit appropriate employees to join our Group, particularly experienced and high-quality tour escorts and/or tour guides, travel consultants and other talents in operation management. We will also continue to enhance our employee training programs by developing our coaching, on-the-job training to enhance individual staff skills and knowledge of sales and marketing techniques, customer management skills, customer service, product information, quality control and industry knowledge.

OUR BUSINESS MODEL

We are principally engaged in (i) the design, development and sales of package tours; (ii) the sales of FIT Products; and (iii) the provision of ancillary travel-related products and services. Our package tours consist of traditional package tours and tailor-made tours for customers with specific requirements, which covers both domestic and outbound travel, whereas our FIT Products mainly include air-ticketing services, hotel-only booking and combination of both. We also provide ancillary travel-related products and services, such as visa application services, arranging purchase of travel insurance for our customers, conferencing services and admission tickets to tourist attractions. We provide travel-related

products and services to our retail customers, and corporate and institutional customers, and we procure products and services from our suppliers, including but not limited to airline operators, ticketing agents, hotel operators, land operators and GDS service providers. The below diagram sets forth our business model:

We believe that our ability to offer comprehensive travel information and a multitude of travel related products and services covering major travel elements such as travel consultation, food, stay, transport, visa applications, sight-seeing, shopping and entertainment makes us one of the leading integrated "one-stop-shop" travel service provider in Zhejiang Province, the PRC. We also have our own travel consultants each focusing on one type of travel product and equipped with specialised knowledge and ability to provide advices to our customers and prepare tailor-made itinerary. Through extensive offering of travel products and services, we are able to extend our market reach which allows us to keep abreast of the latest market trends, resources and information and in turn, further facilitating our pursuit of becoming a pioneer within the travel industry in Zhejiang Province, the PRC and our aim to develop even more new tours on top of our diversified product offerings. As at the Latest Practicable Date, we offer travel products to over 50 destinations worldwide and have introduced different sight-seeing package tours and theme package tours to cater for different travel preferences of customers.

In order to further diversify and enhance our product offerings, we intend to expand and improve our sales channel, such as setting up new retail branches and/or sales offices in cities like Hangzhou and Shanghai which have huge geographical advantages and potentials, with a view to increase our customer coverage and access to resources. By widening our customer base, we can observe different market trends and develop new package tours and itineraries or activities accordingly. Moreover, we are committed to providing professional, quality and personalised services to our customers. For example, our "4+T" service system, which includes the provisions of customer service, private consultation, product management and tour operation with the use of technology, combined with our one-on-one travel consultation services and our dedicated corporate travel management team differentiates us from our competitors.

In addition, as stated in the F&S Report, there is an increasing number of travel products and services delivered through online travel agencies, especially for air tickets. To capture demands in the online tourism market, we have launched our own online platform for the sales of our travel products and services and have built a solid information technology infrastructure comprising computer hardware, operating systems, enterprise software application, data management and storage and system integration services to support our daily operations and cooperations with third party online travel agencies. We have also set up virtual shops on other third party online sales platforms, such as Fliggy (飛豬) and Qunar (去哪兒) and have entered into agreements with online travel agencies, such as Ctrip (攜程), Qunar (去哪兒), Fliggy (飛豬) to supply mostly air tickets and other travel products to them.

In light of the above, we are able to strengthen our brand identity and associate our well-established brand, the "iFlying" iFlying 愛飛翔 brand, with quality travel products and outstanding customer service, which we believe helps us to increase brand loyalty and thereby enabling us to compete effectively against our competitors in the fragmented travel agency market in Zhejiang Province, the PRC.

OUR PRODUCTS AND SERVICES

During the Track Record Period, our products and services can be categorised into three principal segments: (i) package tours, (ii) FIT Products, and (iii) ancillary travel-related products and services. The following table sets out a breakdown of our revenue by business segments for the period indicated:

	Year ended 31 December					
	2016		2017		2018	
	Revenue	Percentage of revenue	Revenue	Percentage of revenue	Revenue	Percentage of revenue
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Sales of package tours	372,456	90.8	407,362	87.6	420,376	85.3
Margin income from sales of FIT Products	21,022	5.1	41,712	9.0	59,764	12.1
Ancillary travel-related products and services	16,637	4.1	15,770	3.4	12,711	2.6
Total	410,115	100.0	464,844	100.0	492,851	100.0

1. Package tours

Our package tours usually comprise flights, hotel accommodations, meals, transfers, sight-seeing as a bundled package and are accompanied by our tour escorts and/or tour guides throughout the tours. We operate both outbound and domestic package tours. See "Destinations" below for further details. In addition, we also offer different types of package

tours to cater for different customer needs, such as traditional package tours which are group tours with standardised itineraries; and 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. Sales of package tours was recognised on a gross basis as our Group acts as the principal and has control over the provision of package tour services. For the year ended 31 December 2016, 2017 and 2018, we served a total of approximately 9,400, 12,500 and 10,800 package tours, respectively.

Types

We offer a wide range of package tours to our customers, which can be classified into two categories: (i) traditional package tours, and (ii) tailor-made tours. Traditional package tours comprised of two types, namely, sight-seeing tours; and special theme tours. Tailor-made tours include two types, namely, customised corporate tours, such as corporate retreats or conference events; and customised small group tours. For special theme tours, we have introduced different theme tours to cater for different travel preferences of customers such as cultural experience tours, ski tours, safari tours, relaxing beach and resort tours, natural heritage tours and family-friendly tours. We also tailor-make tours for our corporate clients and other individual clients who have special requests for more private-travelling experience.

The following table sets forth some of our traditional package tours offered to our customer during the Track Record Period:

Name of package tours	Type of package tours	Package tour details	Product posters
European 11 Day Tours	Sight-seeing tours	This package tour features popular sightseeing spots in Germany, France, Switzerland and Italy	

Name of package tours	Type of package tours	Package tour details	Product posters
Thailand Glamour Tours	Sight-seeing tours	This package tour features local cuisine, Thai massage and elephant riding experience	
Mount Putuo Day Tour	Sight-seeing tours	This package tour features key tourist attractions in Mount Putuo, such as Puji Temple, Guanyin of Southern Sea and Xitian Scenic Site	
Japan Honshu Ski Tours	Special theme tours	This package tour features five days and four nights stay at ski resort in Honshu, Japan	

The following table sets out our revenue, number of tours and average revenue per tour from package tours by types during the Track Record Period:

	Year ended 31 December											
	2016				2017				2018			
	Revenue	Percentage of revenue	Number of tours	Average revenue per tour	Revenue	Percentage of revenue	Number of tours	Average revenue per tour	Revenue	Percentage of revenue	Number of tours	Average revenue per tour
	RMB'000	*%*		*RMB'000*	*RMB'000*	*%*		*RMB'000*	*RMB'000*	*%*		*RMB'000*
Traditional package tours	304,967	81.9	7,452	41	316,326	77.7	9,341	34	307,930	73.3	7,698	40
Tailor-made tours	67,489	18.1	1,995	34	91,036	22.3	3,161	29	112,446	26.7	3,088	36
Total	372,456	100.0	9,447	39	407,362	100.0	12,502	33	420,376	100.0	10,786	39

The average revenue per tour decreased from approximately RMB39,000 for the year ended 31 December 2016 to approximately RMB33,000 for the year ended 31 December 2017 mainly due to (i) reduced size for package tours in light of the market trend for smaller group tours to enhance service quality, which led to the decrease in average revenue per tour; and (ii) increase in number of short term domestic tours within Zhejiang Province with relatively lower tour price. During the year ended 31 December 2017, we launched over 3,000 short term tours within Zhejiang Province such as the Mount Putuo Day Tour with revenue of approximately RMB300 per tourist, as compared to approximately 1,000 tours during the year ended 31 December 2016. As a result, the number of tours increased while the average revenue per tour decreased.

Our sales of package tours increased by RMB13.0 million from RMB407.4 million for the year ended 31 December 2017 to RMB420.4 million for the year ended 31 December 2018 mainly due to the increase in demand for our tailor-made tours. Our sales of tailor-made tours increased from RMB91.0 million for the year ended 31 December 2017 to RMB112.4 million for the year ended 31 December 2018 and contributed 26.7% of our total sales of package tours. Our sales of traditional package tours decreased from RMB316.3 million for the year ended 31 December 2017 to RMB307.9 million for the year ended 31 December 2018 mainly due to our business strategy to provide less short term domestic tours within Zhejiang Province which had relatively lower tour prices and focus on other tours with relatively higher tour prices. During the year ended 31 December 2018, the number of short term tours within Zhejiang Province arranged decreased by approximately 1,000 tours to 2,000 tours which led to the decrease in number of traditional package tours. As a result, the average revenue per tour increased while the total number of tours decreased.

Destinations

During the Track Record Period, we provided domestic package tours and outbound package tours bound to more than 50 destinations worldwide.

Our sales of outbound package tours accounted for approximately 68.2%, 63.3% and 62.8% of our revenue from sales of package tours for the year ended 31 December 2016, 2017 and 2018, respectively. We have also sold cruise holiday packages to our customers during the Track Record Period, including cruises bound for Japan. During the Track Record Period, we have provided domestic package tours to various destinations in the PRC, such as, Beijing, Hainan, Tibet, Guangxi, Fujian Province, Shandong Province, Hunan Province, Yunnan Province, Sichuan Province and Inner Mongolia. The following table sets out our revenue from package tours by destination for the Track Record Period:

	Year ended 31 December					
	2016		2017		2018	
	Revenue	Percentage of revenue	Revenue	Percentage of revenue	Revenue	Percentage of revenue
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
PRC	118,257	31.8	149,536	36.7	156,205	37.2
United States, Europe & Canada	66,013	17.7	77,890	19.1	83,518	19.9
Southeast Asia	55,665	14.9	67,989	16.7	77,842	18.5
Japan & South Korea	82,474	22.1	66,057	16.2	61,551	14.6
Other destinations	50,047	13.5	45,890	11.3	41,260	9.8
Total	372,456	100.0	407,362	100.0	420,376	100.0

2. FIT Products

We sell FIT Products, which mainly comprise air tickets, hotel accommodation and a combination of both to our retail customers, and corporate and institutional customers. Customers can purchase air tickets, hotel accommodation or flight-plus-hotel bundled packages individually and separately. We sell air tickets to retail customers, and corporate and institutional customers, including enterprises, government organisations and third party online travel agencies which may resell to other end-customers. Margin income from sales of FIT Products was recognised on a net basis as our Group acts as an agent and does not obtain control over the service performed by the airline companies and hotels. During the Track Record Period, a majority of our revenue in FIT Products was attributable to sales of air tickets, which accounted for approximately 91.9%, 94.3% and 95.5% of our total revenue of our FIT Products for the year ended 31 December 2016, 2017 and 2018, respectively. We receive incentive commission for the sales of air tickets offered by certain airline operators and

ticketing agents. Such incentive commission is generally determined by tiered commission structure with reference to the transaction value or volume of air tickets procured by us. The calculation basis of the incentive commissions varies between different airline operators and ticketing agents, but generally, the calculation basis is either (i) a fixed amount will be awarded to us should our monthly average sales volume exceeded a certain percentage comparing to the corresponding period in the past year; (ii) a certain percentage of our annual total transaction value will be awarded to us if we satisfied the required amount of annual transaction value and some may also require that we reach a certain growth compared to the past year; or (iii) a stipulated percentage of our transaction value for a specific period will be awarded to us when we meet the corresponding transaction value threshold. For the year ended 31 December 2016, 2017 and 2018, our incentive commission amounted to RMB0.2 million, RMB7.7 million and RMB31.6 million from airline operators and ticketing agents for the sales of air tickets, respectively, representing approximately 1.2%, 18.5% and 52.9% of our revenue generated from our FIT Products.

During the Track Record Period, we mainly generated our sales of FIT Products from corporate and institutional customers of our Group. In order to further develop our corporate sales, we have set up a corporate travel management team to cater to the needs of our corporate and institutional customers. They will provide services such as real-time travel booking and ticketing, airport transfer, itinerary planning, arranging of overseas conferences and events to our corporate and institutional customers.

3. Ancillary Travel-related Products and Services

We offer other ancillary travel-related products and services generally aimed to provide convenience to our customers. Our ancillary travel-related products and services include visa application processing, conferencing services, arranging purchase of travel insurance for our customers, admission tickets to tourist attractions such as theme parks and shows, local transportation such as car-rental services and airport transportation. We also refer our customers to some of our suppliers, such as tourist attractions and restaurants, who we have business relationship with, in return for fees from such suppliers. Our sales of ancillary travel-related products and services accounted for approximately 4.1%, 3.4% and 2.6% of our total revenue for the year ended 31 December 2016, 2017 and 2018, respectively.

OUR OPERATION

The below diagram sets forth our operation flow and processes:

1. Product Development

Our product development department is responsible for the design and development of our package tours and FIT Products. We conduct site visits to new and existing tour destinations to seek for new travel destinations, new tourist attractions and other travel elements to be included in our package tours or FIT Products. We take into account factors such as market trend, customers' feedback, suggestions from our tour escorts and/or tour guides and land operators, and new hotels and attractions, when designing our new package tours. For FIT Products, we analyse the purchase patterns of customers to bundle different travel elements, such as domestic and/or international air tickets with different hotel accommodations and develop FIT Products to accommodate customers' evolving preference.

2. Tour Planning and Procurement

Our tour and FIT operation department will liaise with airlines and ticketing agents to check the availability of flight seats and carry out detailed planning on selection of accommodation, land operators, ground transportation and restaurants. We have subscribed and gained access to two GDS service providers that allow us to access inventory, availability, scheduling, pricing, policies and rules of airlines and we may book and issue air tickets from

the GDS service providers from time to time. We will assist and bundle desired travel elements into a package according to our customers' requirements and preferences in respect of travel destinations, airlines, hotels and level of luxury, for our tailor-made tours.

Some of our major airline suppliers will allocate block seats to us for their flights three to six months in advance. We may make reservation of flight seats in advance and arrange for chartered flights from time to time depending on the sales of our travel products and place ah-hoc orders with our airline suppliers for additional flight seats from time to time. For outbound package tours, we usually engage land operators to arrange for local travel elements such as local transportation, meals and hotel accommodation. Our land operators are responsible for the tour operation at destination and will charge our Group a fixed sum which covers all costs of local travel elements. Based on our specifications and requirements, our land operators recommend and prepare itineraries for our package tours. For our domestic tours, we are primarily responsible for the procurement of travel elements, such as air tickets, train tickets and hotel accommodation for tours in Zhejiang Province, surrounding area outside Zhejiang Province and Beijing, and we may engage third-party land operators for the operation of domestic tours to other destinations in the PRC.

We select our suppliers such as hotel operators, restaurants and ground transportation operators which met our standard of quality and safety. We require our land operators to select local travel elements which meet our standard of quality and safety. We assess our potential suppliers based on their quality of services, safety standards, responsiveness, reliability and pricing. We continue to monitor the performance of our suppliers through collecting feedbacks from our tour escorts and/or tour guides and tour participants. Our tour and FIT operation department will brief our customer service officers and travel consultants on our new package tours and products so that they can understand the characteristics of each product and provide relevant advice and assistance to our customers. Tour planning and procurement together with product development usually takes approximately up to three months for existing destinations and approximately up to six months for new destinations, from research to the introduction of products to our customers.

3. Sales and Marketing

We sell our travel products and services to individual customers through our retail branches, our sales offices, our website, mobile application and other online sale platforms. As at the Latest Practicable Date, our sales team consisted of 91 travel consultants, who are mainly responsible for the sales of our travel products and services through our sales channels. See "Sales" below for further details. We have an information management system to assist our frontline travel consultants in their sales operation. Our customer service officers and travel consultants are required to input all customers' preference, details and sales data into the system. We have real time updates of the latest enrolment status and availability of our package tours, air tickets and hotel accommodations on our system across all our retail branches and sales offices.

When customers enrol in our package tours, they are required to pay a deposit at the time of booking. Customers are generally not allowed to withdraw or cancel orders for tours enrolled without forfeiture of deposit or a cancellation fee, except where tours are cancelled due to insufficient tour participants or situations beyond our control such as hostilities, political unrest, terror attacks and natural disasters, prior to departure. In the event that our customer terminates the contract in less than 30 days prior to departure, they are normally liable to pay a damages of 5% to 70% of the consideration to us. We endeavour to resolve any issues arising from such termination with our customers amicably. However, as a last resort, should we suffer any losses due to such termination, we shall forfeit certain amount of the customers' deposit paid to us based on our actual losses, and recognise the amount as other income. The aggregate amount of forfeited deposits from our customers were approximately RMB12,000 during the Track Record Period. For package tours which are cancelled due to insufficient participants, we will inform our customers generally at least seven to 15 days prior to departure for domestic/short-haul and 15 to 30 days prior departure for outbound/long-haul package tours. Our customers can either join another tour offered by us or request a full refund if tours are cancelled due to situations beyond our control and due to insufficient participants.

For retail customers who purchased our FIT Products, they are generally required to make full payment at the time of reservation and are not allowed to cancel the reservations subject to the terms imposed by airlines and hotel operators.

4. Pre-Tour Arrangement and Tour Operation

Tour booking is generally confirmed around one to four weeks prior to departure. We will assign tour escorts and/or tour guides and liaise with local land operators once a tour has been confirmed. The tour operation will be generally handled by our selected land operators based on our specifications and agreed arrangements for hotels, meals, local transportation and activities as approved by us before the engagement of the land operators for the relevant tour. For domestic tours bound for Zhejiang Province, surrounding area outside Zhejiang Province and Beijing, we are primarily responsible for the arrangement of travel elements. Tour escorts and/or tour guides employed by us will attend to the needs of our customers and accompany the tour group throughout the tours. They are responsible for serving our customers and ensuring satisfactory customer service quality. We usually arrange one tour escort and/or tour guide to accompany each of our tour to coordinate the whole tour operation. In the event of any issue arising from the operation of the tour or in case of emergency, our tour escort and/or tour guide will report to our tour operation department immediately and our tour operation department will assist our tour escort and/or tour guide to resolve the issue. As at the Latest Practicable Date, we have 74 full-time tour escorts and/or tour guides, who are our employees. During the Track Record Period, we hired freelance tour escorts and/or tour guides from time to time, particularly during the peak seasons.

5. Evaluation

Our customer service officers will conduct phone interviews with our customers to collect their feedback on the quality of our products and services within one week upon completion of the tour. Our tour escorts and/or tour guides are also required to provide a tour completion report on the quality of the services of our suppliers. Our customers can also provide feedback through our customer service hotline, our website or our mobile application. The land operators engaged by us may from time to time provide their comments on each tour and relay to us any feedback given by our customers, the tour escorts and/or tour guides. This on-going evaluation process will allow us to monitor and improve the quality of our products and services and assess our customers' preferences.

SALES

Our sales channels

In order to make the purchase experience more convenient, we sell our travel products and services through (i) our offline sales channels including tourism square, our retail branches, our sales offices, our call centre; and (ii) online sale platforms such as our website, our mobile application and online platforms operated by independent third parties, such as Qunar (去哪兒) and Fliggy (飛豬). Some of our customers may employ a combination of channels, such as first visiting our tourism square, retail branch or sales office to obtain information about our products and make payment online after he/she confirms to proceed, or first browse our website and make payment at our tourism square, retail branch or sales office.

The following table sets out a breakdown of our revenue by online/offline channel during the Track Record Period:

	Year ended 31 December					
	2016		2017		2018	
	Revenue	Percentage of revenue	Revenue	Percentage of revenue	Revenue	Percentage of revenue
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Offline[(1)]	357,084	87.1	299,622	64.5	290,244	58.9
Online[(2)]	53,031	12.9	165,222	35.5	202,607	41.1
Total	410,115	100.0	464,844	100.0	492,851	100.0

Notes:

(1) Includes orders placed at our tourism square, retail branches, sales offices and through call centre with physical contracts entered into with our customers.

(2) Includes orders placed through our website and mobile application, online sales platform operated by third party, and other online travel agencies with electronic contracts entered into with our customers.

1. Offline sales channels

(i) Tourism square

The tourism square, with a total of four floors and an approximate total gross floor area of more than 5,700 m^2, serves as our headquarters in Ningbo, Zhejiang Province. Promotion events and pre-tour briefing sessions with our customers may sometimes be held at our tourism square. Customers can visit our tourism square to make enquiries, reservations and purchases of travel products and services through our customer service officers and travel consultants. We believe our tourism square will further enhance the shopping experience of our customers and further strengthen our position as a "one-stop-shop" travel service provider in the region.

(ii) Retail branches and sales offices

During the Track Record Period, our retail branches and sales offices were located in various PRC cities such as Ningbo, Wenzhou, Taizhou, Hangzhou and Suzhou. Customers can visit our retail branches and sales offices to make enquiries, reservations and purchases of travel products and services. Our travel consultants at our retail branches and sales offices provide one-to-one assistance and advice to the customers to address their needs and concerns. The information technology system at our retail branches and sales offices are linked to our centralised booking system and our travel consultants are able to check real-time availability of our package tours, FIT Products and other travel-related products and services.

We set out below the movement in the number of our points of sales including our tourism square, retail branches and sales offices during the Track Record Period:

	Year ended 31 December		
	2016	**2017**	**2018**
At the beginning of the year	13	27	27
Established/acquired during the year	17	6	12
Deregistered during the year	3	6	12
At the end of the year	27	27	27

Note: Excluding Zhejiang Hengyue, Ningbo Commercial and Shengda Feiyang.

Our offline sales amounted to RMB357.1 million, RMB299.6 million and RMB290.2 million for the year ended 31 December 2016, 2017 and 2018, respectively, Our average revenue per retail branch or sales office decreased from approximately RMB13.2 million for the year ended 31 December 2016 to RMB11.1 million for the year ended 31 December 2017 because of the decrease in our revenue derived from our offline channels in the corresponding period in 2017, and remained relatively stable at RMB10.7 million for the year ended 31 December 2018. In order to optimise our sales channels and expand geographical coverage, we continue to monitor and evaluate our retail branches and sales offices network coverage. During the Track Record Period, we established and/or acquired 17, six and 12 points of sales and deregistered three, six and 12 points of sales during the year ended 31 December 2016, 2017 and 2018, respectively.

Selection of location for our retail branches and sales offices

We will take into consideration the following factors for the selection of location for our retail branches and sales offices including but not limited to:

- ***Potential of target market*** – including the projected growth in the tourism consumption, future development trend and speed of development. As demonstrated in the F&S Report, the tourism consumption of Ningbo residents is expected to reach RMB259.4 billion by 2022 with a CAGR of 11.3% between 2018 and 2022, which outpaced the overall growth of tourism consumption of China of 9.8% during the same period, illustrating the vast market potential;

- ***Demographics factors of the location*** – including the population, per capita annual average disposable income. We set up retail branches and points of sales in coastal regions as they have more spending power and higher demand for travel products and services;

- ***Proximity to our target customers*** – for instance, many international corporations and online travel agencies have set up office(s) in the cities such as Hangzhou and Shanghai who are our target customers, we set up and intend to further establish sales offices in these locations to cater the demand of our customers; and

- ***Brand presence and reputation*** – whether such location can enhance our brand presence and reputation and enable us to increase our reach to potential customers and acquire understanding of market trend and consumer preference.

With our years of experience in the travel industry, we have accumulated in-depth knowledge of our target customer groups and their preferences in Ningbo as well as Zhejiang Province, PRC. With the benefits of our knowledge and expertise, we are able to select the best locations for our retail branches and sales offices that align with our business strategies.

Deregistration of retail branches and sales offices

During the Track Record Period, we adjusted and deregistered some of our retail branches and sales offices due to: (i) streamline of our corporate structure by deregistering entities which did not have material business operations; (ii) we combined and merged the deregistered entities' operations with existing and new entities to increase efficiency; (iii) some point of sales were located in areas with low customer flow; (iv) the business performances of the deregistered entities did not meet our initial expectations; and (v) strategic adjustments in relation to our retail network. The lengths of operation of the entities deregistered during the Track Record Period prior to their respective deregistration vary and 12 of them had operation histories of over two years. Set out below are the details of our retail branches and/or sales offices deregistered during the Track Record Period:

	Point of sales	Date of incorporation (acquisition)	Date of deregistration	Length of operation (month(s))	Nature	Location	Profitability during the year before deregistration
Streamline of our Group's structure							
1.	Feiyang Ticketing	30 August 2006	29 November 2018	146	Sales office	Ningbo	Loss-making
2.	Feiyang Travel Promotional Services	6 April 2010	29 November 2018	103	Sales office	Ningbo	Profitable
3.	Ningbo Lantian Travel Agency Co., Ltd. (Gulou Branch) (寧波藍天旅行社鼓樓門市部)	5 September 2005 (acquired on 13 April 2016)	6 December 2018	31	Retail branch	Ningbo	No separate financial statement
4.	Ningbo Lantian Travel Agency Co., Ltd. (Jiangbei Branch) (寧波藍天旅行社有限公司江北門市部)	20 January 2010 (acquired on 13 April 2016)	6 December 2018	31	Retail branch	Ningbo	No separate financial statement

	Point of sales	Date of incorporation (acquisition)	Date of deregistration	Length of operation (month(s))	Nature	Location	Profitability during the year before deregistration
5.	Ningbo Lantian Travel Agency Co., Ltd. (Yinzhou Tangxi Branch) (寧波藍天旅行社有限公司鄞州塘溪分公司)	25 November 2009 (acquired on 13 April 2016)	10 December 2018	31	Sales office	Ningbo	No separate financial statement
6.	Ningbo Hengyue	24 June 2013	27 December 2018	66	Sales office	Ningbo	Profitable
Adjustment of points of sales according to our Group's business needs							
7.	Xiangshan Shipu Fisherman's Wharf Commercial Square Operation Limited (象山石浦漁人碼頭商業廣場經營有限公司)	19 July 2012	16 May 2016	45	Sales office	Ningbo	Loss-making
8.	Ningbo Feiyang Travel Agency (Cicheng Branch) (寧波飛揚旅行社慈城門市部)	26 December 2002	13 December 2016	167	Retail branch	Ningbo	No separate financial statement
9.	Feiyang Lianchuang (Jiaxing Branch) (浙江飛揚聯創旅遊有限公司嘉興分公司)	28 November 2016	27 December 2016	1	Sales office	Jiaxing	No separate financial statement
10.	Xiangshan Feiyang Catering Management Limited (象山飛揚餐飲管理有限公司)	29 August 2013	3 January 2017	40	Sales office	Ningbo	Loss-making
11.	Feiyang Lianchuang (Lishui Branch) (浙江飛揚聯創旅遊有限公司麗水分公司)	15 November 2016	19 January 2017	2	Sales office	Lishui	No separate financial statement
12.	Feiyang International (Zhoushan Branch) (浙江飛揚國際旅遊集團股份有限公司舟山分公司)	12 October 2011	2 March 2017	64	Sales office	Zhoushan	No separate financial statement
13.	Feiyang Lianchuang (Yuyao Branch) (浙江飛揚聯創旅遊有限公司余姚分公司)	17 August 2016	11 May 2017	8	Sales office	Yuyao	No separate financial statement

	Point of sales	Date of incorporation (acquisition)	Date of deregistration	Length of operation (month(s))	Nature	Location	Profitability during the year before deregistration
14.	Feiyang International (Ningbo, Yinzhou Hengjie Branch) (浙江飛揚國際旅遊集團股份有限公司寧波市鄞州橫街門市部)	3 June 2016	27 June 2017	12	Retail branch	Ningbo	No separate financial statement
15.	Feiyang Lianchuang (Zhangqi Branch) (浙江飛揚聯創旅遊有限公司掌起門市部)	26 September 2016	21 December 2017	14	Retail branch	Cixi	No separate financial statement
16.	Feiyang International (Zhenhai Lianhua Branch) (浙江飛揚國際旅遊集團股份有限公司鎮海煉化門市部)	12 May 2017	18 April 2018	11	Retail branch	Ningbo	No separate financial statement
17.	Feiyang Commercial (Wenzhou Branch) (浙江飛揚商務管理有限公司溫州分公司)	21 March 2018	25 September 2018	6	Sales office	Wenzhou	No separate financial statement
18.	Feiyang International (Yuyao Branch) (浙江飛揚國際旅遊集團股份有限公司余姚門市部)	21 January 2015	23 November 2018	46	Retail branch	Yuyao	No separate financial statement
19.	Feiyang International (Qinqiao Branch) (浙江飛揚國際旅遊集團股份有限公司琴橋門市部)	14 June 2018	6 December 2018	5	Retail branch	Ningbo	No separate financial statement
20.	Feiyang International (Jiangbei Wanda Branch) (浙江飛揚國際旅遊集團股份有限公司江北萬達門市部	10 May 2018	17 December 2018	7	Retail branch	Ningbo	No separate financial statement
21.	Feiyang International (Shanghai Branch) (浙江飛揚國際旅遊集團股份有限公司上海分社)	13 January 2014	20 December 2018	59	Sales office	Shanghai	No separate financial statement

Note: Separate financial statement of the branch office was not available as its results of operation were consolidated into the financial statement of its parent company.

Our Directors confirm that all of our retail branches and sales offices deregistered during the Track Record Period were solvent at the time they were respectively dissolved by deregistration.

Below is a breakdown of the number of points of sales operated by us by locations at the Latest Practicable Date:

Location	Number of points of sales[1]
Ningbo	16
Suzhou	3
Shanghai[2]	2
Beijing	2
Hangzhou	2
Taizhou	1
Wenzhou	1
Chongqing	1
Total:	28

Notes:

(1) Excluding Zhejiang Hengyue, Ningbo Commercial and Shengda Feiyang.

(2) In January 2019, we opened a new sales office in Shanghai, the PRC.

Our Directors believe that the continuous operation of our points of sales demonstrates our ability and experience in establishing and operating points of sales and our track record in successfully renewing the leases of our office premises. Out of our 28 points of sales stated above, 23 of them have operation histories of over one year. Set out below are the details of our points of sales:

	Point of sales	Date of incorporation (acquisition)	Length of operation as at the Latest Practicable Date (month(s))	Nature	Location
1.	Feiyang International	19 September 2001	212	Tourism square	Ningbo
2.	Feiyang Expo	21 February 2011	99	Sales office	Ningbo
3.	Feiyang International (Taizhou Branch) (浙江飛揚國際旅遊集團股份有限公司台州分公司)	5 November 2013	67	Sales office	Taizhou

	Point of sales	Date of incorporation (acquisition)	Length of operation as at the Latest Practicable Date (month(s))	Nature	Location
4.	Feiyang International (Beijing Branch) (浙江飛揚國際旅遊集團股份有限公司北京分公司)	10 April 2014	62	Sales office	Beijing
5.	Feiyang Lianchuang	21 May 2001 (acquired on 13 April 2016)	37	Sales office	Ningbo
6.	Feiyang International (Beilun Branch) (浙江飛揚國際旅遊集團股份有限公司北侖門市部)	23 May 2016	36	Retail branch	Ningbo
7.	Feiyang International (Zhenhai Branch) (浙江飛揚國際旅遊集團股份有限公司鎮海門市部)	22 June 2016	35	Retail branch	Ningbo
8.	Feiyang Lianchuang (Xiangshan Branch) (浙江飛揚聯創旅遊有限公司象山分公司)	28 June 2016	35	Sales office	Ningbo
9.	Feiyang International (Ningbo Fenghua Branch) (浙江飛揚國際旅遊集團股份有限公司寧波奉化門市部)	30 June 2016	35	Retail branch	Ningbo
10.	Ningbo Qihang	3 August 2012 (acquired on 11 July 2016)	34	Sales office	Ningbo
11.	Feiyang Lianchuang (Ninghai Branch) (浙江飛揚聯創旅遊有限公司寧海門市部)	15 August 2016	33	Retail branch	Ningbo

	Point of sales	Date of incorporation (acquisition)	Length of operation as at the Latest Practicable Date (month(s))	Nature	Location
12.	Feiyang Lianchuang (Shipu Branch) (浙江飛揚聯創旅遊有限公司石浦營業部)	16 August 2016	33	Sales office	Ningbo
13.	Feiyang Lianchuang (Wenzhou Branch) (浙江飛揚聯創旅遊有限公司溫州分公司)	20 September 2016	32	Sales office	Wenzhou
14.	Ningbo Qihang (Suzhou Branch) (寧波啟航航空票務有限公司蘇州分公司)	22 February 2017	27	Sales office	Suzhou
15.	Feiyang Lianchuang (Suzhou Branch) (浙江飛揚聯創旅遊有限公司蘇州分公司)	3 May 2017	25	Sales office	Suzhou
16.	Feiyang Commercial	13 June 2017	23	Sales office	Ningbo
17.	Ningbo Qihang (Shanghai Branch) (寧波啟航航空票務有限公司上海分公司)	18 July 2017	22	Sales office	Shanghai
18.	Feiyang Commercial (Hangzhou Branch) (浙江飛揚商務管理有限公司杭州分公司)	6 September 2017	21	Sales office	Hangzhou
19.	Ningbo Qihang (Chongqing Branch) 寧波啟航航空票務有限公司重慶分公司	18 January 2018	16	Sales office	Chongqing

	Point of sales	Date of incorporation (acquisition)	Length of operation as at the Latest Practicable Date (month(s))	Nature	Location
20.	Feiyang International (Yinzhou Branch) (浙江飛揚國際旅遊集團股份有限公司鄞州分公司)	19 January 2018	16	Sales office	Ningbo
21.	Feiyang Lianchuang (Ninghai Branch) (浙江飛揚聯創旅遊有限公司寧海分公司)	9 February 2018	16	Sales office	Ningbo
22.	Ningbo Qihang (Beijing Branch) (寧波啟航航空票務有限公司北京分公司)	27 April 2018	13	Sales office	Beijing
23.	Feiyang International (Ningbo Lianfeng Branch) (浙江飛揚國際旅遊集團股份有限公司寧波聯豐門市部)	11 May 2018	12	Retail branch	Ningbo
24.	Ben Niao Travel	3 August 2018	10	Sales office	Ningbo
25.	Feiyang Travel Agency	11 October 2018	7	Sales office	Ningbo
26.	Feiyang Lianchuang (Hangzhou Branch) (浙江飛揚聯創旅遊有限公司杭州分公司)	15 October 2018	7	Sales office	Hangzhou
27.	Jiangsu Ben Niao	19 December 2018	5	Sales office	Suzhou
28.	Feiyang Lianchuang (Shanghai Branch) (浙江飛揚聯創旅遊有限公司上海分公司)	18 January 2019	4	Sales office	Shanghai

(iii) Call centre

Customer service officers and travel consultants at our call centre are responsible for serving customers who make enquiries and booking through our hotlines. Customer service officers are primarily responsible for recording preferences and requests of our customers, and they will direct calls to different travel consultants based on their expertise and the destinations our customers are interested in. Our travel consultants will provide one-to-one consultation to the customers individually and will follow up with the enquiries of the specific customer until a transaction takes place. They will also provide an update of the enrolment status of tours to our customers from time to time. We operate enquiry and emergency hotline in order to bring convenience to our customers who have purchased our products and services. As at the Latest Practicable Date, we have 72 customer service officers and 91 travel consultants serving at our call centre.

2. Online sales channels

(i) Website and mobile application

We launched our own online platform and mobile application software for the sales of our travel products and services in 2011 and 2014, respectively. Both of our website and mobile application are built to enable customers to (i) check the availability and pricing of our package tour and FIT Products; (ii) make bookings and payments for our travel products and services directly through our website and our mobile application; (iii) chat online with our travel consultants for assistance; and (iv) review the comments of other customers on our package tours. Our website and our mobile application also serve as a marketing platform to promote our products and provide information to our customers. We update our tour product information and promotional offers on our website and mobile application. Below are screenshots of our website and mobile application:

(ii) Online sales platform operated by third party

Since 2011, we have opened virtual stores on certain popular third-party Chinese online shopping websites, such as Qunar (去哪兒) and Fliggy (飛豬), which are specialised in provision of outbound travel services. We receive orders and payment from our customer through these online sales platforms, and these online sales platforms charge us a fixed amount or a certain percentage of the transaction amount carried out on its online platform as transaction fees. During the Track Record Period, we have paid transaction fees of approximately RMB31,000, RMB6,000 and RMB19,000, respectively to these online sales platforms. Set forth below is a summary of the principal terms of our arrangement with these online sales platforms:

Term of arrangement	:	To open our virtual stores on these online sales platforms and websites and transactions with customers are conducted via these platforms
Payment	:	We are normally required to pay (i) a deposit ranging from approximately RMB10,000 to RMB50,000 to the online sales platform upon signing the agreement for opening virtual stores on its website, and (ii) an annual service fee (subject to change every year) prior to the opening of our virtual stores A transaction fee of approximately 1.0% to 1.5% of the transaction amount carried out on the virtual store will be deducted by the online sales platform from the total transaction amount paid by the customer to us.
Termination	:	The agreement can be terminated by either party by giving 15 days of written notice or mutually agreed by the parties

During the Track Record Period, the service fees paid for online sales mainly represented the transaction fees to online sales platforms and third party mobile electronic transfer, such as WeChat Pay, which amounted to approximately RMB0.1 million, RMB0.2 million and RMB0.3 million, respectively.

Pricing and Payment

We determine the price of our travel products and services on a cost-plus basis. We take into consideration, among others, the market comparable, the prevailing exchange rate and cost of travel elements including air tickets, hotel accommodation, local transportation, meals and sight-seeing, costs of travel escorts and/or tour guides and land operators, costs of admission tickets from tourist attractions, market demands, the prices of similar products offered by our competitors. Once we provide the final selling price to our customers upon entering into agreements with them, no adjustment is allowed to be made to such price. We review the prices of our travel products and services from time to time. The following table sets out the approximate price range of our main products by destination during the Track Record Period:

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB	*RMB*	*RMB*
PRC	70 – 13,000	30 – 12,000	30 – 15,000
United States, Canada & Europe	8,000 – 50,000	8,000 – 29,000	8,000 – 55,000
Southeast Asia	2,000 – 7,000	1,800 – 8,000	2,000 – 10,000
Japan & South Korea	2,000 – 17,000	3,000 – 17,000	3,000 – 15,000

For retail customers, we accept payment by cash, credit cards, bank transfer, or other third party mobile electronic transfer. Retail customers are usually required to pay a deposit at the time of booking if they are enrolled in package tour, and the remaining balance will be settled between seven to 30 days prior to departure. We may allow customers to settle the remaining balance between ten to 30 days if they purchase long-haul package tours. For cruise tours, our customers are required to settle the balance approximately seven days before departure. For other products, full payment is usually made at the time of booking. Our corporate and institutional customers usually maintain a corporate account with us and are required to pay within 10 to 15 days upon receipt of our invoice.

Prepayment and settlement under air ticket distribution

Our Group procure air tickets from airline operators directly, through GDS service providers and ticketing agents. When deciding the procurement source of air tickets, we take into consideration the following factors: (i) terms of sales; (ii) availability of air tickets; and (iii) purchase costs.

We are usually required to make prepayments, deposits or letters of guarantee to airline operators, GDS service providers and/or ticketing agents for the procurement of air tickets, details of which are set out below:

	Prepayments	**Deposits**	**Letters of guarantee**
Package tours	Airline operators and ticketing agents	Airline operators	N/A
FIT Products	Ticketing agents	GDS service providers and ticketing agents	GDS service providers

(i) Package tours

For package tours, we make prepayments and/or deposits to airline operators and prepayments to ticketing agents for air tickets. The amount of deposits is determined by the request of different airline operators and the amount of prepayments is determined by our estimation of upcoming potential package tour orders with reference to market trends and

historical sales pattern. We did not provide letters of guarantee for the procurement of air tickets for our package tours. The diagram below sets forth the operation flow of our procurement of air tickets for our package tours:

We will estimate our potential package tour orders by (i) analysing the market trends; (ii) making reference to previous sales records; and (iii) analysing feedback from customers. For example, if we note that there is an increase in demand for Japan bound package tours, we will launch more Japan bound package tours and make more prepayments to secure the corresponding increase in number of Japan air tickets.

For our package tours, prepayments made by us to the airline operators and/or ticketing agents are for a certain amount of air tickets of specific flights with specific date and time for our planned package tours, based on the estimation of our potential package tour orders set out above and is different from the air ticket procurement by our FIT Product operation. Our prepayments are made on a rolling basis. We will review and reconcile our package tours sales transactions daily in order to track our air ticket purchases. We will update our estimates for prepayment accordingly, so as to obtain more air tickets to meet the demand for our package tours. As such, at the time we make the prepayment, the prepayments amount is not supported by confirmed orders but based on our estimation of customers' demands for our potential package tour. The amount of prepayment attributable to the relevant costs of air ticket varies from an insignificant amount to 100%, depending on our relationship and terms of arrangement with different air ticket suppliers.

Upon customers' confirmations for our package tours, we will complete the ticket purchase process and issue the air tickets to our customers. The air ticket price is determined by the air ticket suppliers and we will take the price as quoted when we complete the ticketing process. Our customers are then required to settle the purchase costs of the package tours including cost of the air tickets. Our prepayment paid will be deducted as part of the air ticket purchase costs and we shall settle the remaining balance of the air tickets. Should we foresee that we will not be able to utilise all air tickets partially prepaid and reserved for, we shall inform the relevant air ticket supplier within the stipulated period as stated in our agreement for a partial or full refund of the prepayments paid. We may also try to sell the air tickets in excess to other parties. In the event that we could not obtain a refund and/or sell the air tickets in excess to other parties, our prepayments paid may be forfeited.

(ii) FIT Products

In relation to FIT Products, we either make prepayment or deposits to ticketing agents, taking into consideration, among others, the length of cooperation, number of air tickets to be procured, availability of air tickets and payment terms. We usually make prepayment to ticketing agents with shorter terms of cooperation and smaller amount of procurement while we will make deposits to ticketing agents for larger procurement with longer history of cooperation. We will also make deposits or letters of guarantee, where deposits are held by banks as securities, to GDS service providers so as to secure sufficient air ticket supply and for better terms and policies for air tickets. The amount of deposits is determined by reference to our estimated daily gross sales value of air tickets.

The diagram below sets forth the operation flow of our procurement of air tickets for our FIT Products:

We will either make prepayment or deposits to ticketing agencies to secure air ticket supply, taking into consideration, among others, the length of cooperation, number of air tickets to be procured, availability of air tickets and payment terms. We usually make prepayment to ticketing agents with shorter terms of cooperation and smaller amount of procurement while we will make deposits to ticketing agents for larger procurement with longer history of cooperation. We will also make deposits to GDS service providers so as to secure sufficient air ticket supply and for better terms for air tickets. The amount of deposits paid, representing the amount of the Deposit Purchase Limit (as defined herein below), is determined by reference to our estimated daily gross sales value of air tickets and will be reviewed and/or replenished on the next working day after the issuance of air tickets or twice every week. Upon payment of deposits, we are able to issue air tickets costing up to the amount of the deposits paid (the "**Deposit Purchase Limit**"). For air tickets to be issued under the Deposit Purchase Limit, no specific dates, time or destinations are confirmed and it represented the limit of the gross value of air tickets we are able to process which is different from our package tour air ticket procurement operation. We estimate the Deposit Purchase Limit with reference to (i) the actual transaction volume of air tickets; (ii) the historical growth trend; and (iii) our expected future growth of the transaction volume of air tickets. As such, our Deposit Purchase Limit is not supported by confirmed orders. In view of the increasing trend of the transaction volume of air tickets, we increased our prepayment and deposits and so the Deposit Purchase Limit during the Track Record Period.

Upon customer's confirmation of the purchase of air tickets, we will check the availability of the requested flight and if it is available, we will immediately confirm the sales order, complete the ticket purchase process and issue the air ticket to the customer. The air ticket price is determined by the air ticket suppliers at the time the customers confirmed the air tickets. Our Deposit Purchase Limit will then be withheld (but not deducted) by the full amount of the issued air ticket costs. Our air ticket sales transactions are recorded and maintained in our internal system, which enabled us to track each of our air ticket sales and the balance of the Deposit Purchase Limit. For example, if the Deposit Purchase Limit is RMB10 million and we procure air tickets with gross sales value of RMB5 million, an amount of RMB5 million will be withheld from our Deposit Purchase Limit. After such procurement of air tickets, we will then be able to procure further air tickets with gross sales value of up to RMB5 million.

For air tickets procured from GDS service providers and/or ticketing agents to which we have paid deposits, we will make payment for the air ticket purchase costs upon issuance of air tickets. The settlement will either take place on the next working day after the issuance of air tickets or twice every week. Upon settlement, the equivalent amount will be added back to replenish the Deposit Purchase Limit.

On the other hand, we make prepayments on a rolling basis. Similarly, at the time of our payment for prepayments to suppliers, such prepayments are not supported by confirmed orders. For air tickets procured from ticketing agents to which we have made prepayments, the purchase costs of air tickets are deducted from such prepayments. For instance, if we pay RMB10 million of prepayments and procure air tickets with gross sales value of RMB5 million, it will be deducted from our prepayments and the remaining balance of our prepayments will then be RMB5 million.

In the case of purchases from our retail customers, payments will be made to us by the customers upon their confirmation of orders. On the other hand, for transactions carried out through our online travel agency customers, 70%-90% of the purchase prices are usually settled on the next business day after issuance of air tickets. The remaining balance as performance guarantee shall be settled on the day after departure.

Set our below is a summary of our prepayments, deposits and letters of guarantee in relation to our procurement of air ticket, as at the dates indicated:

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Prepayment	8,832	13,281	24,352
Deposit	7,363	18,056	41,496
Pledged deposits for letters of guarantee	9,394	21,000	18,088
	25,589	52,337	83,936

Our prepayments, deposits and letters of guarantee for air tickets increased throughout the Track Record Period mainly due to the increase in our estimation of the amount of prepayments, deposits and letters of guarantee derived with reference to our rising gross sales proceeds for air tickets increasing from approximately RMB448.1 million for the year ended 31 December 2016 to approximately RMB1,692.6 million for the year ended 31 December 2017, and further increased to approximately RMB2,818.0 million for the year ended 31 December 2018 and our average daily gross sales proceeds of air tickets amounted to RMB1.2 million, RMB4.6 million and RMB7.7 million during the same period, respectively. Since we did not manage to fully utilise all reserved seats during the Track Record Period, approximately RMB0.1 million, RMB0.2 million and RMB0.2 million of our deposits and prepayments paid to our air ticket suppliers were forfeited for the year ended 31 December 2016, 2017 and 2018, respectively, whilst the refunded amount during the Track Record Period was insignificant.

During the Track Record Period, excluding the air tickets we bundled into our package tours, majority of our air tickets were sold to our corporate and institutional customers, such as online travel agencies and local enterprises. Depending on the types of travel products and the terms of agreement we entered into with our corporate and institutional customers, the cash collection period ranges from one day to up to 60 days. In respect of sales of air tickets, our corporate and institutional customers usually settle approximately 70.0% to 90.0% of the purchase price the day after the issuance of air tickets, and the remaining balance as performance guarantee will be settled the day after departure. Our trade receivables were primarily receivables from our corporate and institutional customers. See sub-section above for details of payment for our retail, and corporate and institutional customers and "Financial Information – Description of Certain Items of Combined Statements of Financial Position" for details of our trade receivables.

Seasonality

Due to inherent nature of travel industry, we experience seasonal fluctuation in our revenue. The sales of package tours, FIT Products and ancillary travel-related products and services is generally higher during holidays such as Chinese Lunar New Year and summer holidays in July and August, and is generally lower during off-peak times. Our Directors confirmed that we have not experienced material seasonal fluctuations in our revenue during the Track Record Period.

MARKETING AND PROMOTION

We are committed to continue to promote our "iFlying" brand as a well-known brand, representing one-stop professional and personalised travelling products and services. We believe brand recognition is critical to our ability to attract customers. Our total advertising and marketing expenses were approximately RMB6.7 million, RMB5.9 million and RMB5.9 million for the year ended 31 December 2016, 2017 and 2018, respectively. We have adopted the following marketing strategies to promote our brand awareness and our business:

Media Advertising

We promote our travel products and services through our website and mobile application. We have also developed our corporate page on popular social networks such as WeChat (微信) and Weibo (微博) to provide the latest promotion information to our customers and to strengthen our corporate image.

Travel Fairs and Joint Promotion with our Suppliers

We participate in travel fair to promote our products and services to potential customers, and we organise promotion events with our suppliers, such as cruise operators and hotel operators, to promote their products and services to our potential customers. For example, in September 2016, we collaborated with a global theme park and resort operator to organise a travel fair for three days in Ningbo International Convention and Exhibition Centre (寧波國際會展中心).

Display in Tourism Square, Retail Branches and Sales Offices

Posters, flyers and brochures with tour and product information with attractive photos are displayed at prominent areas of our tourism square, retail branches and sales offices.

Loyalty Program

We have launched a loyalty program known as "Feiyang Chairman of Silver Age Club (飛揚老班長俱樂部)" in 2014 for our customers. Customers that are aged between 50 to 70 are qualified to join our loyalty program. Members will be entitled to benefits, such as, exclusive products tailored for members and fast track services at our branches.

SUPPLIERS

Our suppliers mainly include airlines, ticketing agents, cruise operators, land operators, and online sales platforms. Cost of sales from our largest suppliers accounted for approximately 4.3%, 4.8% and 6.3% of our total cost of sales for the year ended 31 December 2016, 2017 and 2018, respectively, whilst cost of sales from our five largest suppliers accounted for approximately 18.1%, 14.9% and 16.8% of our total cost of sales for the year

ended 31 December 2016, 2017 and 2018, respectively. For a sensitivity analysis regarding changes in the cost of our land operators, air tickets and local transportation, see "Financial Information – Pricing of our travel products and services".

All of our five largest suppliers during the Track Record Period are parties with whom we had business relationship for more than two years. To the best of our Directors' knowledge, none of our Directors, or their respective close associates or any person who owns more than 5% of our issued share capital or any of our subsidiaries, had any interest in any of our five largest suppliers during the Track Record Period. During the Track Record Period and up to the Latest Practicable Date, there have not been any material non-performance by our suppliers that caused disruptions to our business or materials complaints of the travel products or services provided by our Group. We do not maintain inventory in our business operation.

Set forth below is a summary of the principal terms of our arrangement with our suppliers:

Terms of arrangement	Airlines	Cruise operators	Ticketing agents	GDS service providers	Land operators	Online sales platform
Length of term and termination clause	Generally quarterly and no termination clause	Generally entered into per purchase or with a term of one year	Generally one year, subject to automatic renewal of one year if no written termination by either party	Generally one to four years, subject to automatic renewal if no written termination by either party	Generally one year, subject to automatic renewal and terminable upon request of either party	Generally one year
Deposit	Deposits ranging from approximately RMB4,000 to RMB470,000 are usually required upon entering into the agreements	Deposits ranging from approximately 10.0% to 30.0% of the total Cruise tour fees are usually required upon confirmation of purchase	Deposits ranging from approximately RMB10,000 to RMB16.0 million are usually required upon entering into the agreements	Deposits ranging from approximately RMB1,000 to RMB1.9 million and/or letter of guarantees for approximately RMB6.0 million	Deposits are usually not required	Deposits are usually not required
Payment term	Varies depending on different destinations and terms offered by the airlines, but outstanding balance is usually required to be settled prior to departure	Generally settled within seven days to one month prior departure of the cruise	The purchase amount is usually required to be settled prior to issuance of tickets	Varies depending on the providers, but outstanding balance is generally settled within 30 days upon receipt of invoices, or deducted from incentive commissions due to us	Generally settled within 5 business days upon receipt of invoices	Generally settled within 15 days upon receipt of invoices
Payment method	Cheque or remittance	Remittance	Remittance	Cheque or remittance	Remittance	Remittance

The following table sets out the information of our five largest suppliers during the Track Record Period:

Year ended 31 December 2016

Rank	Supplier's name	Relationship since	Products and/or services supplied to us	Nature and background of supplier	Cost of sales of our Group *(RMB'000)*	% of total cost of sales
1	Octopus Online Travel Development Company Limited (Zhejiang Branch) (八爪魚在線旅遊發展有限公司(浙江分公司)) ("**Bazhuayu**")	2016	Package tours	A branch office in Zhejiang Province of a limited liability company based in the PRC which engages in the online travel business and sale of tourism related software products	14,748	4.3%
2	Beijing Pipikou International Travel Services Company Limited (Shanghai Branch) (北京匹匹扣國際旅行社有限公司(上海分公司)) ("**Beijing Pipikou**")	2016	Package tours and land operating services	Shanghai branch office of a company based in the PRC which engages in the travel agency business	14,315	4.2%
3	Supplier A	2016	Cruise tours	A limited liability company established in the PRC which engages in the provision of cruise products	12,358	3.6%
4	Hangzhou Nota Air Service Company Limited (杭州諾達航空服務有限公司) ("**Hangzhou Nota**")[(1)]	2015	Air tickets	A limited liability company established in the PRC which engages in the provision of air tickets and hotel rooms	10,714	3.1%
5	Ningbo Zhengda Ticket Affairs Company Limited (寧波正大票務有限公司)	2016	Air tickets	A limited liability company established in the PRC which engages in the provision of ticket services	10,036	2.9%
				Total cost of sales from our five largest suppliers:	62,171	18.1%

Year ended 31 December 2017

Rank	Supplier's name	Relationship since	Products and/or services supplied to us	Nature and background of supplier	Cost of sales of our Group *(RMB'000)*	% of total cost of sales
1	Shanghai Huayuan International Travel Service Company Limited (上海華遠國際旅行社有限公司) ("**Shanghai Huayuan**")	2016	Package tours and land operating services	A limited liability company established in the PRC which engages in the travel agency business and tourism information consultation	18,038	4.8%
2	Hangzhou Nota[(1)]	2015	Air tickets	A limited liability company established in the PRC which engages in the provision of air tickets and hotel rooms	12,279	3.3%
3	Shanghai Spring Travel Service Company Limited (Ningbo Branch) (上海春秋旅行社有限公司(寧波分公司)) ("**Shanghai Spring Travel**")	2014	Air tickets	A limited liability company established in the PRC which primarily engages in travel agency business and ticket services	8,539	2.3%
4	Suzhou World Customers International Travel Service Company Limited (Shanghai Branch) (蘇州世界風情國際旅行社有限公司(上海分社))	2017	Package tours	Shanghai branch office of a company based in the PRC which primarily engages in the domestic, inbound and outbound tourism business	8,476	2.3%
5	Supplier B	2014	Cruise tours	A limited liability company established in the PRC which engages in the provision and sales of cruise products	8,198	2.2%
				Total cost of sales from our five largest suppliers:	55,530	14.9%

Year ended 31 December 2018

Rank	Supplier's name	Relationship since	Products and/or services supplied to us	Nature and background of supplier	Cost of sales of our Group *(RMB'000)*	% of total cost of sales
1	Shanghai Huayuan	2016	Package tours and land operating services	A limited liability company established in the PRC which engages in the travel agency business and tourism information consultation	24,279	6.3%
2	Hangzhou Nota[(1)]	2015	Air tickets	A limited liability company established in the PRC which engages in the provision of air tickets and hotel rooms	15,957	4.1%
3	Zhejiang Kingway International Travel Agency Company Limited (浙江君威國際旅行社有限公司)	2014	Land operating services	A limited liability company established in the PRC which engages in domestic, inbound and outbound tourism business	9,468	2.5%
4	Zhejiang Lixi International Travel Company Limited (Hangzhou Branch) (浙江立喜國際旅遊有限公司(杭州分公司))	2016	Air tickets, hotel accommodation and land operating services	Hangzhou branch office of a company based in the PRC which engages in inbound and outbound tourism business	7,831	2.0%
5	Zhejiang Zhongshan International Travel Service Company Limited (Nanjing Branch) (浙江中山國際旅行社有限責任公司(南京分公司))	2013	Cruise tours	Nanjing branch office of a company based in the PRC which engages in travel business and provision of ticket services	7,388	1.9%
				Total cost of sales from our five largest suppliers:	64,923	16.8%

Note:

(1) Indonesia Sriwijaya Air (Hangzhou Branch) (印尼蘇拉維加亞航空公司(杭州代表處)) is a branch office of an Indonesian airline which engages in the provision of flight services mainly in national and regional areas and has business relationship with our Group since 2017. To our Directors' best knowledge, information and belief, Hangzhou Nota and Indonesia Sriwijaya Air (Hangzhou Branch) had common management during the Track Record Period.

CUSTOMERS

Our customers primarily comprise retail customers, and corporate and institutional customers such as local enterprises, corporations and government organisations. For the year ended 31 December 2016, 2017 and 2018, we served over 170,000, 194,000 and 189,000 customers who participated in our package tours, respectively. The following table sets out the breakdown of our revenue by types of customers during the Track Record Period:

	Year ended 31 December					
	2016		**2017**		**2018**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Retail customers	282,687	68.9	304,526	65.5	291,656	59.2
Corporate and institutional customers	127,428	31.1	160,318	34.5	201,195	40.8
Total	410,115	100.0	464,844	100.0	492,851	100.0

For the year ended 31 December 2016, 2017 and 2018, our revenue generated from our five largest customers amounted to RMB32.4 million, RMB48.9 million and RMB63.2 million, respectively, representing approximately 7.9%, 10.6% and 12.8% of our total revenue, respectively, and our revenue generated from our largest customer was RMB17.8 million, RMB23.7 million and RMB25.2 million, respectively, representing approximately 4.3%, 5.1% and 5.1% of our total revenue, respectively. We have maintained business relationships with our five largest customers for a period ranging from two to six years. To the best of our Directors' knowledge, none of our Directors or their respective close associates or any person who owns more than 5% of our issued share capital or of any of our subsidiaries, had any interest in any of our five largest customers during the Track Record Period.

The following tables set out certain information about our five largest customers for the periods indicated:

Year ended 31 December 2016

Rank	Customer's name	Relationship since	Nature and background of customer	Purchases from the customer *(RMB'000)*	% of total revenue
1	Customer A	2016	A limited liability company established in the PRC which engages in domestic and outbound tourism business and the provision of e-commerce and computer technology development	17,810	4.3%
2	Tong Cheng International Travel Service Company Limited (同程國際旅行社有限公司) ("**Tongcheng**")	2015	A limited liability company established in the PRC which engages in inbound and outbound tourism business and is a leading online travel service provider in the PRC	4,958	1.2%
3	Beijing Pipikou	2016	Shanghai branch office of a company based in the PRC which engages in the travel agency business	4,426	1.1%
4	Nanjing Tuniu International Travel Service Company Limited (南京途牛國際旅行社有限公司) ("**Tuniu**")	2015	A limited liability company established in the PRC which engages in the provision of online travel service platform and other travel products and services	2,904	0.7%
5	Customer B	2014	Beijing branch office of a company based in the PRC which engages in inbound, outbound and domestic tourism business	2,325	0.6%
			Total purchases from our five largest customers:	32,423	7.9%

Year ended 31 December 2017

Rank	Customer's name	Relationship since	Nature and background of customer	Purchases from the customer *(RMB'000)*	% of total revenue
1	Customer A	2016	A limited liability company established in the PRC which engages in domestic and outbound tourism business and the provision of e-commerce and computer technology development	23,707	5.1%
2	Customer C	2016	A limited liability company established in the PRC which primarily engages in inbound and outbound tourism business and tourism consulting	10,492	2.3%
3	Tongcheng	2015	A limited liability company established in the PRC which engages in inbound and outbound tourism business and is a leading online travel service provider in the PRC	8,763	1.9%
4	Tuniu	2015	A limited liability company established in the PRC which engages in the provision of online travel service platform and other travel products and services	3,308	0.7%
5	Customer D	2015	A limited liability company established in the PRC which engages in domestic and inbound tourism business	2,626	0.6%
			Total purchases from our five largest customers:	48,896	10.6%

Year ended 31 December 2018

Rank	Customer's name	Relationship since	Nature and background of customer	Purchases from the customer *(RMB'000)*	% of total revenue
1	Customer A	2016	A limited liability company established in the PRC which engages in domestic and outbound tourism business and the provision of e-commerce and computer technology development	25,221	5.1%
2	Customer C	2016	A limited liability company established in the PRC which primarily engages in inbound and outbound tourism business and tourism consulting	21,557	4.4%
3	Ningbo Xiaoyao Holiday Tourism Company Limited (寧波逍遙假期旅遊有限公司)	2016	A limited liability company established in the PRC which engages in domestic and outbound tourism business and provision of ship and ticket services	6,794	1.4%
4	Wenzhou Jincheng International Tour Company Limited (溫州市精誠國際旅行社有限公司)	2017	A limited liability company established in the PRC which primarily engages in outbound, inbound and domestic tourism business	5,095	1.0%
5	Tu Yi Group Holding Company Limited (Wenzhou Branch) (途益集團股份有限公司溫州分公司)	2012	Wenzhou branch office of a company based in the PRC which primarily engages in outbound tourism	4,554	0.9%
			Total purchases from our five largest customers:	63,221	12.8%

Retail customers

Our retail customers include travellers who purchase our package tours, FIT Products, our visa application services and other travel-related products and services. We did not enter into any long term agreement with our retail customers and enter into transaction with them on order-by-order basis. The retail customers normally settle in cash, credit cards, bank transfer, or other third party mobile electronic transfer. Due to the nature of our industry, for each of the year ended 31 December 2016, 2017 and 2018, we did not have any single retail customer who accounted for more than 5% of our revenue. Set forth below is a summary of the key terms of the standardised agreements we entered into with our retail customers for the sale of our package tours based on the template agreement as required under the relevant PRC laws and regulations:

Term of arrangement	:	We shall provide the package tours as described in the travel itinerary form, which include but not limited to, destinations, durations, transportation and accommodation arrangement, meal standards, and details of attractions
Payment	:	Payment varies according to the types of products and services we provide but generally, we request that our retail customers settle the payments in full upon signing the agreement
Termination	:	If we terminate the contract 30 days prior to departure, and the customer refuses to postpone, transfer to another tour or accept change of itinerary upon our notification 30 days prior to departure, we shall refund the total amount paid to our retail customer. A damages of 2% to 20% of the consideration shall be paid to our customer if we terminate the contract in less than 30 days prior to departure. A damages of 5% to 70% of the consideration shall be paid to us if our customer terminate the contract in less than 30 days prior to departure, except in certain circumstances, including but not limited to health reasons and engaging in illegal activities, etc.
Insurance	:	Customers can choose to purchase insurance through us at a top-up fee or to purchase insurance on their own
Quality assurance	:	To provide products or services according to the itinerary which varies from customer to customer
Disclaimer of liabilities	:	We shall not be responsible for any extra costs incurred due to any circumstances not within our control, such as strike, weather conditions, cancellation of flight and traffic delays.

Corporate and institutional customers

Our corporate and institutional customers include local enterprises, corporations and government organisations, and they usually purchase from us air tickets or tailor-made tours. During the Track Record Period, we have provided travel products and services for corporate retreats and conference events. Set forth below is a summary of the major terms of our supply agreements with our corporate and institutional customers:

Term	:	Effective from the date of the agreement
Term of arrangement	:	The products we supply vary from one corporate customer to another depending on the needs of the corporate customer
Payment	:	Payment terms vary depending on the terms of the agreement but normally, we request for at least 50% of the tour fee as a deposit together with the non-refundable costs such as costs for air tickets, train tickets and ferry tickets, to be paid to us prior to departure. Depending on the agreement, our corporate customers are usually required to settle the remainder of the outstanding fees within 10 to 15 days upon receipt of our invoice or within one week upon return
Termination	:	Corporate customer may generally terminate the agreement subject to a compensation of no more than 10% of the total purchase price to us and all necessary fees incurred by us prior to the termination
Insurance	:	Customers can choose to purchase insurance through us at a top-up fee or to purchase insurance on their own
Quality assurance	:	In general, to provide quality services in accordance to any service guidelines agreed between the parties and the relevant PRC industry standards
Disclaimer of liabilities	:	Vary depending on the terms of the agreement but generally, we shall not be responsible for any delays, alterations or cancellations in relation to the travel itinerary or any losses or bodily harm caused by any factors that are not within our control or by third parties.

Online travel agencies

We have entered into agreements with online travel agencies, such as Ctrip (攜程), Qunar (去哪兒), Fliggy (飛豬), Tuniu (途牛) and Tongcheng (同程) to supply mostly air tickets and other travel products to them. According to the F&S Report, the prices of air tickets vary depending on the country of departure as they are determined by the airline operators' regional sales office located at the point of embarkation. Therefore, for online travel agencies such as Ctrip (攜程) and Tongcheng (同程), it is commercially impracticable and unfeasible for them to liaise with every single airline local/regional offices given the large number of airline operators available with different routes bound for various destinations around the world. As stated in the F&S Report, it is the industry norm for online travel agencies to purchase air tickets from travel agencies like our Group. Depending on the relationships between different travel agencies or ticketing agents with the airline operators, different commercial terms may be reached amongst the parties for the procurement of air tickets. For example, we may be able to bargain for more favourable terms than other ticketing agents when we have a longer established relationship with certain airline operator. Set forth below is a summary of the major terms of our agreements with online travel agencies:

Term	:	Usually one year from the effective date
Term of arrangement	:	We supply mostly air tickets and other travel products, such as tour packages and cruise holiday packages, to the online travel agencies
Minimum purchase requirement	:	We do not impose minimum purchase requirement on the online travel agencies
Payment	:	For air tickets: 70.0%-90.0% of the purchase price is usually settled on the next business day after issuance of air tickets and the remaining balance as performance guarantee shall be settled on the day after departure
Renewal	:	Parties may mutually agree to renew the agreements
Termination	:	Either party may terminate the agreement by giving one month written notice
Insurance	:	Depending on the terms of the agreement and the products or services provided, but some customers may be responsible for purchasing insurances on behalf of the travellers
Quality assurance	:	Varies between customers but generally, to provide good quality and timely services
Disclaimer of liabilities	:	We are generally not responsible for any losses or damages caused by any force majeure events such as natural disasters, wars or weather conditions.

We have no control over our online travel agency customers with respect to their sales and pricing policies, refund and exchange arrangements and sales targets. To the best knowledge of our Directors, no online travel agency customer has conducted its business under our Group's name.

ENTITIES WHO ARE OUR CUSTOMERS AND ALSO OUR SUPPLIERS

During the Track Record Period, some of our suppliers are also our customers. The following are the circumstances where we have supplied to and procured from the same entity during the Track Record Period:

(i) *Online sales platforms*: Online sales platforms, which were both our suppliers and customers during the Track Record Period, include Bazhuayu (八爪魚), Beijing Pipikou (匹匹扣), Tuniu (途牛) and Tongcheng (同程). Some of these online sales platforms are an inter-travel agency distribution online platforms which allow travel agencies to sell and procure travel products and services from their industry peers. During the Track Record Period, we have sold our package tours and have procured some other tour package products from these online sales platforms;

(ii) *Other travel agencies and airline operators*: We have also supplied air tickets and visa processing services to some travel agencies and airline operators, respectively, from which we have procured land operation services and air tickets, respectively during the Track Record Period. Airline operators include Shanghai Spring Travel, which was one of our top five suppliers in the year ended 31 December 2017; and

(iii) *Others*: During the Track Record Period, in situation where our tours did not have sufficient enrolment, we have procured from other travel agencies, which offered similar tour package, tour places to accommodate our customers and vice versa.

For the year ended 31 December 2016, 2017 and 2018, our sales to these entities, who are both our customers and suppliers, accounted for approximately 6.8%, 7.2% and 7.6%, of our total revenue, respectively, whereas our costs to these entities amounted for approximately 27.0%, 29.6% and 29.4%, of our total costs, respectively, which was mainly due to our adoption of inter-travel agency distribution online platforms as set out in (i) above, during the same period. As confirmed by our Directors, the sales to these entities were conducted on normal commercial basis.

CREDIT CONTROL

Corporate and institutional customers are normally granted credit terms of up to 60 days. Retail customers are normally not provided with credit terms. Our finance department reviews the credit terms for each existing and prospective corporate and institutional customers. The settlement and credit terms granted to corporate and institutional customers are determined with reference to, among others, (i) the length of business relationship with us; (ii) the payment history of the customer; and (iii) the financial strength and credibility of such customers.

We closely monitor our outstanding trade receivables. As at 31 December 2016, 2017 and 2018, the general provision made for impairment loss of trade receivables were RMB0.4 million, RMB0.6 million and RMB2.1 million, respectively, according to our Group's policy. If we cannot recover an outstanding trade receivable after liaison with the relevant customer, we may issue demand letter to such customer as and when appropriate. For the Track Record Period, our Group had not experienced any material bad debt.

CASH CONTROL POLICY

Payments received from our customers

Our finance department is responsible for overlooking and monitoring the cash proceeds received in our operations. All our travel consultants are required to deliver all cash proceeds received from customers to the settlement officers of our finance department within one business day. The settlement officers will countersign a slip to confirm the receipt of the cash proceeds, which will be submitted to the supervisors of finance department for further processing. The supervisors will usually bank in when our safe or locked drawer maintain cash proceeds of over RMB100,000 and a copy of the bank-in slip along with other documents such as official receipts and electronic payment slips will be provided to the manager of the finance department on the same day. Our finance department will be responsible for checking the amounts of payment received against our records in our sales system. In cases of discrepancies, our finance department will inquire with the travel consultants regarding the relevant transaction. As confirmed by our Directors, during the Track Record Period, there were no material incidents of cash misappropriation reported.

Advances paid to our tour escorts and/or tour guides for tour operations

During our tour operation, we may need to settle the costs of travel elements such as hotel accommodation, meals, admission tickets and local transportation by way of cash during the tour. We make cash advances to our tour escorts and/or tour guides so that they could settle such tour operation expenses. Prior to departure of each tour, our tour escorts and/or tour guides will estimate the tour expenses that are required to settle by cash during the tour based on the tour itinerary and will submit an expense report to our finance and accounting department. The expense report will be reviewed and counter-signed by the financial controller and the manager of the operation department. Our finance department will then advance cash in the relevant currencies to our tour escorts and/or tour guides upon receipt of such approvals.

The tour escort and/or tour guides is required to submit tour expenses summary sheet setting out the amount, details of vendors and date of payment, original receipts and remaining unused cash within seven working days upon return of tour to our finance department. In the event that the expenses exceed the maximum allowable limits for each type of expense, our finance department will reimburse the tour escort and/or tour guides after obtaining approval of the financial controller of our finance department. As confirmed by our Directors, during the Track Record Period, we did not experience any case of misappropriation or unauthorised usage of funds by our tour escorts.

QUALITY CONTROL AND CUSTOMER SERVICE

Suppliers

We place great emphasis on the selection of our suppliers since we believe that our commitment to offer quality products and services is one of the major factors contributing to our success. We have a list of suppliers that have been shortlisted based on our selection criteria and our product development team may only choose our suppliers based on the approved list.

Itinerary managers in charge of different destinations and our tour escorts and/or tour guides will in general provide feedbacks on the quality of service of suppliers engaged in their tours to our procurement committee. Our tour escorts and/or tour guides are required to closely monitor the quality of arranged transportation, hotels, restaurants and service of local tour guide during the tour, and make sure the itinerary and standard of service provided comply with the itinerary and the terms agreed with our customers. Upon completion of the tour, our tour escorts and/or tour guides are required to provide a tour evaluation report on the quality of the services of our suppliers. We assess our suppliers annually, and we might remove those suppliers from our approved list or terminate our relationship with them if material safety accident occurred during our cooperation with them or if we receive frequent poor evaluation from our tour escorts or tour guides or itinerary managers.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we did not experience any material delays when liaising with, or any disputes with, suppliers in relation to the sourcing of travel elements, and there was no material adverse consequence from any defective products or services provided by our suppliers.

Tour escorts and tour guides

We have adopted stringent quality control measures on tour escorts and tour guides. We provide all-rounded trainings to our newly recruited tour escorts and tour guides which will cover aspects such as knowledge of our products and services, customer services, communication skills and safety and emergency handling. They are also subject to periodic evaluation and continuous trainings. We would also require our freelance tour escorts to meet our standard of services which is the level we expect from tour escorts employed by us. We conduct interviews with our freelance tour escorts during the recruitment process to make sure they are competent to serve our customers.

Customer service and complaint handling

Since our industry is highly service-oriented, we believe the provision of quality services using a standardised system that tailor for every customer's need discerns us from our competitors. We have implemented "4+T" service system for our sales and operation process:

(i) *Customer service*: Our customer service officers in our call centres will be responsible for recording the preferences of our customers when they first approach us, and based on the customers' preferences for the travel destinations and products, our officers will input the data onto our system and assign a travel consultant, who are familiar with the destination our customers select, to provide suggestions and advices to the customers. They are also responsible for conducting evaluation and survey with our customers upon their return from tours;

(ii) *Private consultation*: Each of our travel consultant is a specialist for one type of travel products, such as outbound long-haul destinations, outbound short-haul destinations and domestic tours, etc, and they are only responsible for customers assigned to them by the customer service officers. Our travel consultants oversee and monitor the whole sales process from answering queries, providing advices to placing order and follow up with the customers they are assigned to from time to time;

(iii) *Product management*: Our product managers are in general responsible for product research and design, procurement, quality control and supervision of customer service officers and travel consultants. They review the performance of our customer service officers and travel consultants from time to time and communicate with the customers when complaints are received;

(iv) *Tour operation*: Our tour escorts and/or tour guides are responsible for the provision of services and attend to our customers' needs during the tour. They also monitor the quality of services provided to our customers by our suppliers, such as hotel operators and land operators, and collect feedbacks from our customers during the tour; and

(v) *Technology*: We have adopted customer relationship management software system ("**CRM System**") to track customer interactions and manage customer accounts. We analyse the data to be accumulated from the CRM System from time to time to understand our customers' behaviour in depth, including resell patterns, product preferences and customer lifestyles. We believe the CRM System will give us a tool to examine and uncover market trends, customer preferences and other useful information that can help us to provide accurate travel advices to different types of customers.

We believe our "4+T" service system is crucial to our delivery of quality service and we are committed to deliver high quality products and services to our customers. We have provided various means for our customers to provide feedback, enquiries and suggestions, such as customer service hotline and corporate page on various popular social networks. See "Our Operation – 5. Evaluation" above for further details. Since customer satisfaction is our core value, we also have adopted a complaint handling system to enhance our customer satisfaction and to resolve any disagreement amicably. The following sets out the general process flow of our procedures on handling customer complaints:

During Track Record Period, we received complaints from customers relating to travel itinerary, lost of luggage, service quality of tour guides and travel insurance, none of which our Directors expect would have any material adverse effect on our operations or financial conditions. Among all cases of complaints received from customers during the Track Record Period, all were resolved involving an aggregate settlement amount of approximately RMB113,000, RMB232,000 and RMB139,000 for the year ended 31 December 2016, 2017 and 2018. As at the Latest Practicable Date, there was one case of complaint received from our customer outstanding with an estimated settlement amount of RMB5,000.

EMPLOYEES

As at the 31 December 2018, our Group has a total of 506 employees based in the PRC. Set out below is a breakdown of our employees by function:

Function	Number of employees
Management and administration	27
Product development	55
Tour and FIT operations	75
Tour escorts and tour guides	74
Visa processing operation	10
Sales and marketing	117
Customer service	73
Human resources	3
Information Technology	33
Finance	39
Total	506

During the Track Record Period, we engaged some freelance tour escorts and/or tour guides for some of our tour operations. We require all freelance tour escorts and/or tour guides to possess valid tour escort and/or tour guides permit and to meet the standard of services that we would require from tour escorts and/or tour guides employed by us. We believe our ability to recruit and retain experienced and skilled labour is key to our growth and development. We recruit our staff through recruitment fairs and advertisements. Our recruitment is based on a number of factors including qualification, experience, personality, teamwork and industry knowledge.

Our success depends on ability to attract, retain and motivate qualified personnel. We offer employees competitive salaries, performance-based bonuses and other incentives and we conduct annual performance reviews to assess the performance of our employees. We generally enter into a standard employment contract with our employees with a probation period ranging from one to three months. For the year ended 31 December 2016, 2017 and 2018, we incurred a total employee benefit expense (including directors' and chief executive's remuneration) of approximately RMB31.3 million, RMB40.9 million and RMB51.6 million, respectively.

Pursuant to the applicable PRC laws and regulations, we are required to participate in various employee benefit plans, such as pension funds, medical insurance, work-related injury insurance, unemployment insurance, maternity insurance and housing provident funds for our employees.

We maintain good working relationships with our employees. We believe that our management policies, working environment, staff development opportunities and benefits have contributed to building good employee relations and retention of our employees. As at the Latest Practicable Date, we had not experienced any strikes or any labour disputes with our employees which have had a material effect on our business.

INFORMATION TECHNOLOGY

We have built a solid information technology infrastructure comprising computer hardware, operating systems, enterprise software application, data management and storage and system integration services to support our daily operations. Our information technology team possess advances skills and strong capabilities on (i) the designing, installing and integrating of real-time interface to sync with different GDS service providers; (ii) developing software to support booking and payment platforms and data management; (iii) website design; and (iv) cloud computing. For the sales of air tickets, we have developed in-house software applications to provide for uploading, searching and viewing of real-time air tickets prices, importing and verifying booking information, monitoring ticket issuing status and creating ticketing instruction.

In order to ensure compliance with the relevant data privacy and information security regulations, our Group uses the hypertext transfer protocol secure (HTTPS) issued by certificate authority for encryption of data when transmitting the same generated from the online sales conducted through its website, which helps to minimise the risk caused by any hacking or hijacking attacks on our information technology system and ensures the privacy of the customers' information. We also have data administration policies in place which set out the overall responsibilities and procedures of our staff. All of the user data on our system is encrypted and saved in our internal servers with restricted access. We have appointed a designated staff to monitor any changes or updates on the regulations on the data privacy and information security regulations related to our online sales. Our Directors confirm that there was no material breach by our Group in relation to data privacy and information security during the Track Record Period and up to the Latest Practicable Date.

We have dedicated personnels who are responsible for developing and refining our software programs and leveraging the latest technology for applications in our operations. Our information technology department is responsible for conducting all our software development work from business requirements and analysis, software design and programming and bug fixing. They are also responsible for planning and implementation of version upgrades and enhancements from time to time. As at 31 December 2018, our department comprises 33 staff specialised in software development, system integration, web design and web development, which is led by Mr. Huang Yu (黃宇), our executive Director and our chief technology officer, who has over eight years of experience in technology system industry and have worked under various technology companies prior to joining our Group.

INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, we were the registered owner of 14 trademarks in the PRC and five trademarks in Hong Kong that are material to our business. We have also filed six trademark applications in Hong Kong which we consider to be or may be material to our business.

As at the Latest Practicable Date, we were the registered owner of the following material domain name: iflying.com. Details of our intellectual property rights, which are material to our business and operations, are set out in "Statutory and General Information – E. Further Information about our Business – 2. Our Intellectual Property Rights" in Appendix V to this prospectus.

In some of our advertisements and marketing materials, we may adopt online materials or images or material provided by our suppliers, such as articles and video clips. We have assigned a marketing manager to review all materials used for our advertisements before publication to ensure that no unauthorised materials are used and to minimise the risk of any potential infringement of intellectual property rights when adopting authorised materials. See "Risk Factors – We may not have recourse against third parties for infringement of our intellectual property rights and our business operation is subject to the risk of infringement of third party intellectual property rights." for further details.

As at the Latest Practicable Date, we had not been subject to any material intellectual property claim against us or experienced any dispute in relation to the infringement on our intellectual property rights. Our Directors believe that we have taken reasonable measures to prevent infringement of our intellectual property rights.

COMPETITION

The travel service industry in the PRC is highly fragmented and competitive. According to the F&S Report, by the end of 2017, there were approximately 2,200 travel agencies in Zhejiang Province. Revenue for the top five licensed travel agencies accounted for approximately 8.3% of total revenue of licensed travel agencies in Zhejiang Province. In terms of revenue in 2017, we ranked fifth among all travel agencies in Zhejiang Province with revenue of RMB464.8 million representing a market share of 0.9%. We compete primarily with other licensed agents for the provision of travel products and services in the PRC. We also face competition from airlines, travel agents outside of the PRC and online travel agencies which allow customers to book their own travel tickets and accommodation over the Internet. As a result of the invalidation of the Air Ticketing Sales Agency Qualification Recognition Certificate, companies are no longer required to apply for the qualification of an air ticketing sales agency to engage in the air ticketing sales agency business. Notwithstanding the above, it is unlikely that there will be any material impact on our Group in terms of competition given the existing major entry barriers of the market stated in the section headed "Industry Overview".

See "Contractual Arrangements – Background of the Contractual Arrangements – Relevant Laws and Regulations – (A) Air Ticketing Sales Agency business" in this prospectus for further details in relation to the impact of the invalidation of the Air Ticketing Sales Agency Qualification Recognition Certificate on our Group.

We believe we have the following competitive advantages over other licensed travel agents, such as (i) our position as one of the leading integrated "one-stop-shop" travel service providers; (ii) ability to provide professional, quality and personalised services by multiple means to meet our customers' needs; (iii) diversified product offerings; (iv) in-depth technical know-how and information technology capabilities; and (v) experienced and dedicated management team. Although we face intense competition in the travel industry, in light of our strengths as set out in "– Our Competitive Strengths" above, our Directors believe that our Group's commitment to provide all rounded quality "one-stop-shop" travelling services will differentiate us from other travel agents within the industry.

INSURANCE

As at the Latest Practicable Date, we maintained various insurance policies relating to our business operation. Our Group has taken out annually a public liability insurance with coverage over accidental bodily injury or damage to property of third parties. We also require our tour escorts and/or tour guides employed by us to maintain insurance cover for their protection while they are accompanying tours outside China. Our Directors consider that the coverage from the insurance policies maintained by us is adequate for our present operations and is in line with the industry norm. During the Track Record Period and up to the Latest Practicable Date, we have not made, nor been the subject of, any material insurance claims.

PERMITS, LICENCES AND APPROVALS

We are required to obtain relevant permits, licences, and approvals from the competent government authorities. As advised by our PRC Legal Advisers, during the Track Record Period and up to the Latest Practicable Date, we had complied with all relevant laws and regulations in all material respects and had obtained and maintained the validity of all necessary material permits, licences, and approvals from the relevant PRC authorities for our operation during their respective terms. The following table sets forth details of our material permits and licences:

Licence/permit/certificate	Holder	Issuing authority	Expiry date/ Issuing date*
Travel Business Operation Permit (旅行社業務經營許可證)	Feiyang International	China National Tourism Administration Bureau (國家旅遊局)	22 October 2015*
Travel Business Operation Permit (旅行社業務經營許可證)	Feiyang Lianchuang	China National Tourism Administration Bureau (國家旅遊局)	24 September 2016*
Travel Business Operation Permit (旅行社業務經營許可證)	Ben Niao Travel	Zhejiang Province Tourism Administration Bureau (浙江省旅遊局)	26 October 2018*
Travel Business Operation Permit (旅行社業務經營許可證)	Feiyang Travel Agency	Zhejiang Province Tourism Administration Bureau (浙江省旅遊局)	26 October 2018*
Certificates for Approval of Aviation Service Sales Agency Business Qualifications (1st Category) (航空運輸銷售代理業務資質認可證書一類)	Ningbo Qihang	China Aviation Transport Association (中國航空運輸協會)	25 September 2020
Certificates for Approval of Aviation Service Sales Agency Business Qualifications (2nd Category) (航空運輸銷售代理業務資質認可證書二類)	Ningbo Qihang	China Aviation Transport Association (中國航空運輸協會)	19 May 2021

Licence/permit/certificate	Holder	Issuing authority	Expiry date/ Issuing date*
Certificates for Approval of Aviation Service Sales Agency Business Qualifications (1st Category) (航空運輸銷售代理業務資質認可證書一類)	Feiyang Commercial	China Aviation Transport Association (中國航空運輸協會)	12 March 2021
Certificates for Approval of Aviation Service Sales Agency Business Qualifications (2nd Category) (航空運輸銷售代理業務資質認可證書二類)	Feiyang Commercial	China Aviation Transport Association (中國航空運輸協會)	12 March 2021
Permit for Sideline Insurance Agency Business (保險兼業代理業務許可證)	Feiyang International	China Insurance Regulatory Commission (中國保險監督管理委員會)	21 September 2019
Value-added Telecommunication Business Permit (增值電信業務經營許可證)	Feiyang International	Zhejiang Province Telecommunication Administrative Bureau (浙江省通信管理局)	16 March 2024

Certain of our material permits and licences have a limited period of validity. We monitor the validity status of our permits and licences, and make timely applications for the renewal of relevant permits and licence prior to the expiration dates. We did not experience any material difficulty in obtaining or renewing the required permits and licences or our business operations during the Track Record Period or up to the Latest Practicable Date. We do not expect any material impediment in renewing our material permits and licences as they expire in future.

AWARDS

Our commitment to quality products and services has been recognised by many tourism organisations and other entities. The following table sets out a summary of the awards/recognitions we received over the years:

Year	Award/recognition	Issuing party
2013	First Prize of Ningbo Enterprise Management Modernisation Innovation Award (寧波市企業管理現代化創新成果一等獎)	Ningbo Association for Commerce (寧波市企業聯合會), Ningbo Entrepreneur Association (寧波市企業家協會) and Ningbo Industrial and Economic Association (寧波市工業經濟聯合會)
	Top 10 Best Ningbo Travel Agency (2013年度寧波市十佳旅行社)	Ningbo Tourism Bureau (寧波市旅遊局)
2014	Top 10 "Star of Innovation" Service Enterprise in Ningbo (寧波市服務業十佳"創新之星"企業)	The People's Government of Ningbo Municipality (寧波市人民政府)
	2014 Best E-commerce Enterprise Award (2014年度旅遊機構"最佳電商企業獎")	Modern Jinbao Newspaper (現代金報社)
2015	Best Business Partner Award (最佳合作夥伴)	Air China (中國國際航空公司)
	Top 100 National Travel Agency (Rank No. 50) (2015年度全國百強旅行社)	China National Tourism Administration (國家旅遊局)
	"Feiyang Lvyou" (飛揚旅優) was recognised as Ningbo Famous Trademark (寧波市知名商標)	Market Supervision Administration of Ningbo Municipal (寧波市市場監督管理局)
	Top 10 Best Ningbo Travel Agency (2015年度寧波市十佳旅行社)	Ningbo Tourism Bureau (寧波市旅遊局)
2016	Outstanding Agency Award (優秀代理獎)	Korean Air (大韓航空)
	Best Business Partner Award (最佳合作夥伴)	Air China (中國國際航空公司)
	Top 100 National Travel Agency (2015年度全國百強旅行社)	China National Tourism Administration (國家旅遊局)

Year	Award/recognition	Issuing party
	Best International Sales Award in Ningbo District (寧波地區最佳國際銷售獎)	Hainan Airlines (海南航空)
	Zhejiang Trademark and Brand Demonstration Enterprise (浙江省商標品牌示範企業)	Zhejiang Administration Bureau for Industry and Commerce (浙江省工商行政管理局)
2017	Outstanding Business Partner Award (傑出合作夥伴)	Qantas (澳洲航空公司)
	Best Business Partner Award (最佳合作夥伴)	Air China (中國國際航空公司)
	"Feiyang" (飛揚) was recognised as Famous Tradename of Zhejiang Province (浙江省知名商號)	Zhejiang Administration Bureau for Industry and Commerce (浙江省工商行政管理局)
	AAA "Contract honouring and Credit Keeping" Enterprise of Zhejiang Province (浙江省AAA"守合同重信用"企業)	Zhejiang Administration Bureau for Industry and Commerce (浙江省工商行政管理局)
2018	Top 100 Ningbo Outstanding Service Enterprise (Rank No. 67) (寧波市服務業百強企業)	Ningbo Association for Commerce (寧波市企業聯合會), Ningbo Entrepreneur Association (寧波市企業家協會) and Ningbo Industrial and Economic Association (寧波市工業經濟聯合會)
	Consumer Trustworthy Enterprise Award of Ningbo (寧波市消費者信得過單位)	Ningbo Consumer Protection Committee (寧波市消費者權益保護委員會)
	"Word-of-mouth" Gold Award for Travel Agencies (金口碑旅行社)	Ningbo Municipal Tourism Development Committee (寧波市旅遊發展委員會) and Ningbo Tourism Association (寧波市旅遊協會)

HEALTH, WORK SAFETY, SOCIAL AND ENVIRONMENTAL MATTERS

We are committed to conducting our operations in compliance with applicable health, work safety, social and environmental protection laws and regulations and we always strive to provide a safe working environment to our employees. To ensure compliance with the relevant laws and regulations, our human resources department supervise and monitor compliance with statutory regulations and our internal standards in respect of health, work safety, social and environmental matters.

Our Directors are of the view that the annual cost of compliance with applicable Hong Kong and PRC health, work safety, social and environmental laws, regulations and polices was immaterial during the Track Record Period and the cost of such compliance is not expected to be material going forward.

We have not been subject to any material claim or penalty in relation to health, work safety, social and environmental protection and have not been involved in any accident or fatality and have been in compliance with the applicable Hong Kong and PRC laws and regulations in all material aspects during the Track Record Period.

PROPERTIES

Owned Properties

As at the Latest Practicable Date, we had property ownership certificate for one property in the PRC with an aggregate gross floor area of approximately 527.5 m^2.

The following table sets forth a summary of properties owned by us:

Location	**Description/Usage**	**Approximate gross floor area** *(m^2)*
PRC		
No. 188 Yongjiang Avenue, Ningbo City	Leased to independent third party as office premise	527.5

See the Property Valuation Report in Appendix III to this prospectus for further details of our properties.

Leased Properties

As at the Latest Practicable Date, we leased certain properties with an aggregate gross floor area of 9,061.9 m^2 in the PRC. The following table sets forth a summary of properties leased by our Group as at the Latest Practicable Date:

Location	Description/ Usage	Approximate area (m^2)	Term of lease	Lease expiry date
PRC				
Room 6501, 6502, 6601, No. 2369 and Room 6116, 6117, No. 2437 Zhongshan East Road, Ningbo	Office premise	4,481.0	Ten years	6 November 2027
Room 6403, No. 2369 Zhongshan East Road, Ningbo	Office premise	1,291.0	Ten years	9 November 2027
No. 809 & 810, Building 9, No. 1599 Suzhan Road, Gusu District, Suzhou	Office premise	300.9	Two years	15 January 2021
No. 225 Xichangying Lane, Siming Street, Zhenhai District, Ningbo	Commercial Use	50.0	Eight months and 18 days	28 February 2020
11-12/F, No. 160 Nanshan Road, Fenghua	Office premise	95.0	Three years	31 May 2022
No. 225-227 Lianfeng Road, Haishu District, Ningbo	Office premise	100.0	One year	14 July 2019
(1-140), No. 30 Dashani Street, Ningbo	Office premise	386.4	Five years	15 October 2023

Location	Description/ Usage	Approximate area (m^2)	Term of lease	Lease expiry date
Room 901-2, Building 2, Jinlin Huayuan, Chezhan Avenue, Lucheng District, Wenzhou	Office premise	140.0	Three years	4 June 2020
Room 901, Tower 1, Zhongyin Huilong Building, No. 8 Suhua Road, Suzhou Industrial Park, Suzhou	Office premise	155.7	Two years	4 March 2021
Room 9-10, West gate Wenlian Building, Pantianshou Square, Yuelong Street, 110 Beidou North Road Ninghai County	Office premise	123.0	Three years	16 March 2022
1-9 Tower 2, Xizi International Square, Ninghai County	Operation of tourism business	100.9	Three years/nine months and one day	5 January 2022
No. 32 Shifu Avenue, Taizhou	Office premise	207.5	Three years	19 October 2021
No. 12 and No. 16, Fubang Street, Beilun Xinyi	Office premise	152.5	Two years	9 May 2021
1/F, No. 668, Xiangshanggang Road, Dandong Street, Xiangshan County	Office premise	41.0	Five years	30 April 2023
No. 217, Southside of Fengqi Road, Shipu Town	Office premise	49.0	Two years	31 December 2021
Room 1705, 17/F, Xinye Commercial Building, Nos. 72, 76, 78, 80, 82 Xintang Road, Jianggan District, Hangzhou	Office premise	55.0	One year	14 January 2020

Location	Description/ Usage	Approximate area (m^2)	Term of lease	Lease expiry date
Room 709, 7/F, Building 3, No. 1486 Nanjing West Road, Jingan District, Shanghai	Office premise	35.0	Six months and 21 days	21 October 2019
Room 1116, 7/F, Building 3, No. 1486 Nanjing West Road, Jingan District, Shanghai	Office premise	75.0	Six months and 21 days	21 October 2019
Room 1913, Kairuijin Block, No. 1505 Kejiguan Street, Changhe Road, Binjiang District, Hangzhou	Office premise	58.4	Two years	14 October 2020
6-03, Building 14, Zhongke Electronic Business Valley, Daxing District, Beijing	Office premise	98.8	Three years	31 July 2021
0705/0706 No. 9 Honghu East Road, Yubei District, Zhongqing	Office premise	310.0	Two years and one month	28 February 2020
Room 603, Yinfeng Building, No. 1505 Binsheng Road, Binjiang District, Hangzhou	Office premise	118.0	Two years	14 August 2019
Units A & D, 19/F Huaihai Commercial Building No. 85, Huaihai East Road Shanghai	Office premise	376.8	Three years	31 December 2021
Room 512, Unit 1, No. 2 Fangzhuang South Road, Fengtai District, Beijing	Office premise	101.0	Two years	31 December 2019

LEGAL COMPLIANCE AND PROCEEDINGS

During the Track Record Period, we have been involved in certain legal disputes with our customers in relation to travel itinerary, lost of luggage, service quality of tour guides and travel insurance, but none of such legal disputes were subject to any material claims, damages or losses. As at the Latest Practicable Date, none of our Company, our subsidiaries or any of our Directors was a party to any material litigation, arbitration or claim that could have a material adverse effect on our financial conditions or results of operations. To the best of our knowledge after making reasonable enquiry, no such material litigation, arbitration or administrative proceedings have been threatened against our Company or any of our subsidiaries.

Non-compliance

During the Track Record Period, our Group experienced the following non-compliance incident:

Details of non-compliance incident	Reasons	Possible legal consequences and impact	Remedial actions and internal control measures
1. Failure to enter into labour contract with employees within one month from the commencement of the employment of the employee			
Ningbo Qihang had failed to enter into labour contracts with its employees within one month from the commencement of their employment. We estimated the total possible claim to be claimed by employees who have not entered into labour contracts within one month from the commencement of the employment of the employees to be RMB60,000 and RMB0.1 million for the financial year ended 31 December 2017 and 2018, respectively.	The non-compliance incidents were due to the fact that the relevant staff of our human resources department were unfamiliar with the relevant PRC employment laws and regulations.	According to the Labour Contract Law of the PRC 《勞動合同法》 and Regulation on the Implementation of the Employment Contract Law of the PRC 《勞動合同法實施條例》, where an employer fails to conclude a written employment contract with an employee during the period of one month after and less than one year from the date when the employee is employed, it shall pay to the worker his/her monthly wages in double amount. Where an employer fails to conclude a written employment contract with an employee within the one full year from the day when the employee is employed, the employer shall pay his monthly wages in double amount from the day subsequent to the period of one month after, to less than one year from, the employee's employment commencement date. The limitation period for labour dispute arbitration is one year from the date on which the party becomes aware of or should have become aware that his rights have been infringed.	We shall implement internal control procedures whereby we must sign labour contracts with our employees within one month from the commencement date of employment as mentioned in the human resources management policy, and those employees who refuse to sign the labour contracts shall be treated as voluntary withdrawal.

Details of non-compliance incident	Reasons	Possible legal consequences and impact	Remedial actions and internal control measures
2. Failure to make social insurance and housing provident fund contributions in full in the PRC			
During the Track Record Period, we did not make full contribution to the social insurance fund and housing provident fund. We estimated that the outstanding social insurance fund and housing provident fund was RMB2.0 million, RMB3.4 million and RMB2.2 million for the year ended 31 December 2016, 2017 and 2018, respectively.	The non-compliance incidents were mainly due to inconsistency in implementation or interpretation of PRC laws and regulations by the local authority and insufficient understanding of the relevant PRC laws and regulations among our human resources personnel.	In respect of the outstanding social insurance contribution incurred during and subsequent to the Track Record Period, according to the relevant PRC laws and regulations, the social insurance authority may order us to pay the overdue fine equivalent to 0.05% of the outstanding amount within the specified time limit (calculated daily from the date on which the relevant social insurance contribution became payable).	We have obtained the confirmations from the local social insurance authority and housing provident fund authority for the majority of the subsidiaries respectively that they did not impose any administrative penalty on us for violating the laws and regulations of social insurance and housing provident fund. Our PRC Legal Advisers have informed us that the local social insurance authority and housing provident fund authority are the competent authorities issuing the above written confirmations. We have made provisions for the overdue contribution amounting to approximately RMB7.6 million as at the Latest Practicable Date. Our Directors are of the view that, the provisions can cover the potential payment in relation to the non-compliance matters. To comply with the relevant regulations, we will confirm with the relevant government authorities the basis for calculating social security insurance and housing provident fund contributions for our existing employees and make contributions to the social insurance and housing provident fund based on the actual salary of employees pursuant to the applicable PRC laws and regulations.

Details of non-compliance incident	Reasons	Possible legal consequences and impact	Remedial actions and internal control measures
			Our Directors believe that the foregoing non-compliance incidents have not caused or will not cause, whether individually or in aggregate, any material and adverse financial or operational impact on us due to the following reasons: (a) our internal policy and guidelines have been revised to include (i) compliance on calculation of social insurance and housing provident fund contribution matters; and (ii) our head of the human resources department will review calculation of the relevant contributions, and keep proper records of any contributions paid; and (b) our Controlling Shareholder has irrevocably undertaken to us that, in the case the relevant social insurance authority and housing provident fund authority requested us to pay for such non-compliance, he will indemnify us against all losses, claims, penalties, fines, and expenses as a result of the existing or potential non-compliance.

INTERNAL CONTROL AND RISK MANAGEMENT

Internal Control and Risk Management System

Our Directors are responsible for the formulation and overseeing the implementation of our internal control measures and effectiveness of quality and risk management system. We have adopted, or expect to adopt before the Listing, a series of internal control policies, procedures and programs designed to provide reasonable assurance for achieving objectives including effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. Highlights of our internal control system include the followings:

- *Code of conduct*: Our code of conduct explicitly communicates to each employee our values, acceptable criteria for decision-making and our ground rules for behaviour. Our code of conduct also includes whistleblowing policies to encourage all employees to speak up against any sub-standard behaviour.

- *Anti-corruption*: Our anti-corruption policies provide the tools and resources necessary to enable, monitor and enforce full compliance with the anti-bribery and anti-corruption laws of China and other countries where we conduct our business operations.

- *Compliance with the Listing Rules*: Our various policies aim to ensure compliance with the Listing Rules, including but not limited to aspects related to corporate governance, connection transactions and securities transactions by our Directors. We have appointed Giraffe Capital Limited as our compliance adviser upon Listing and will engage external legal advisers to advise us on compliance with the Listing Rules.

- *Internal Audit*: Our internal audit function regularly monitors key controls and procedures in order to assure our management and Board of Directors that the internal control system is functioning as intended. The Audit Committee in our Board of Directors is responsible for supervising our internal audit function.

- *Non-compliances relating to failure to timely enter into labour contract and to make social insurance and housing provident fund contributions in the PRC*: We have implemented internal enhancement measures to prevent re-occurrence of the non-compliances by: (i) establishing human resources management policy to strengthen internal control procedures for social welfare and housing provident fund contributions and the timely signing of labour contracts with our employees; and (ii) engaging our PRC legal advisers to provide trainings to our directors and our human resources department relating to the legal requirements for labour contracts and social welfare and housing provident fund contributions. Based on the above, our Directors are of the view that the internal enhancement measures are adequate and effective.

The ultimate goal of our risk management process is to identify and focus on the issues in our business operations that create impediments to our success. Our risk management process starts with identifying the major risks associated with our corporate strategy, goals and objectives. The key process points in our risk management include:

- *Identify*: We identify current and emerging risks in our business operations and categorise those risks into a reasonable profile based on timeframe, likelihood, intensity and impact severity. We establish four risk categories, including strategic risks, financial risks, operating risks and legal risks.

- *Assess*: We assess and prioritise risks so that the most important risks can be identified and dealt with. Based on both qualitative and quantitative analyses, we prioritise risks in terms of likelihood and impact severity.

- *Mitigate*: Based on our assessment of (i) the probability and impact severity of the risks and (ii) cost and benefit of the mitigation plans, we choose the appropriate option for dealing with risks, including risk elimination by suspending the associated business activities, risk reduction by adopting appropriate control measures, risk transfer by outsourcing or purchasing insurance policies, and risk acceptance by choosing to accept risks of low priority.

- *Measure*: We measure our risk management by determining if changes have been implemented and if changes are effective. In the event of any weakness in control, we follow up by adjusting our risk management measures and reporting material issues to our Directors.

Foreign Exchange Risk Management

During the Track Record Period and up to the Latest Practicable Date, we have not entered into any hedging transactions to reduce our exposure to foreign exchange risk, which our Group considers not material to our Group's financial performance. In 2018, we procured certain air tickets from international airline operators and such transactions 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. Our suppliers, such as land operators, on the other hand borne the foreign exchange risk by settling the foreign currency transactions and we settled our procurement costs to our suppliers in RMB. We have developed foreign exchange risk management procedures to manage our exposure to foreign exchange risk. Our goal is to control our foreign exchange risk to an acceptable level by ensuring that we are able to obtain sufficient amount of foreign currencies at acceptable exchange rates for meeting our payment obligations, where necessary. As part of our procedures and measures implemented to monitor and manage our foreign exchange risk, we will review (i) the estimated and actual enrolment data of our package tours, air tickets and hotel accommodations; and (ii) the corresponding estimated costs of travel elements denominated in foreign currencies for the enrolment data on a weekly basis, and determine the amount of foreign exchange currencies to be purchased for the coming week. As such, our Directors considered that the duration of exposure to fluctuation

of foreign exchange rates is short and our Group is able to manage its foreign exchange risk. The audit committee will also be responsible for providing recommendations to improve our foreign exchange risk management, when appropriate. Our Directors will regularly monitor our foreign exchange risk and should they find our exposure to foreign exchange risk increases, we will adopt risk management measures to ensure that our exposure is kept to an acceptable level.

CONTROLLING SHAREHOLDERS OF OUR COMPANY

Immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account the Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme), HHR Group, Michael Group, KVN Holdings and DY Holdings will hold in aggregate approximately 320,298,000 shares, which is approximately 64.0596% of the issued share capital of our Company, and QJ Holdings will hold approximately 29,864,000 shares, which is approximately 5.9728% of the issued share capital of our Company. Each of HHR Group, Michael Group, KVN Holdings and DY Holdings is wholly owned by Mr. He, our chairman, chief executive officer and executive Director. QJ Holdings is wholly owned by Ms. Qian, the spouse of Mr. He. Mr. He and Ms. Qian are deemed as parties acting in concert. For the purpose of the Listing Rules, HHR Group, Michael Group, KVN Holdings, DY Holdings, QJ Holdings, Mr. He and Ms. Qian are regarded as our Controlling Shareholders and a group of Controlling Shareholders (as defined in the Listing Rules) who hold approximately 70.0324% of the issued share capital of our Company immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account the Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme). See "History, Reorganisation and Corporate Structure – Reorganisation" in this prospectus for details of HHR Group, Michael Group, KVN Holdings, DY Holdings and QJ Holdings.

COMPETING INTEREST

Save and except for their respective interests in our Company and its subsidiaries, none of our Controlling Shareholders, our Directors nor any of their respective close associates had any interest in any other companies which competes, or is likely to compete, either directly or indirectly, with the business of our Group, and would require disclosure pursuant to Rule 8.10 of the Listing Rules at as the Latest Practicable Date.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Taking into consideration of the following factors, our Board is satisfied that our Group is capable of carrying out our business independently from our Controlling Shareholders upon the Listing. Our Directors are of the view that there will be no significant transactions between our Group and our Controlling Shareholders following the completion of the Capitalisation Issue and the Global Offering.

Operational Independence

Our Company is capable of making independent decisions on business operations. Although our Controlling Shareholders retain a controlling interest in our Company after the Listing, it does not prevent us from exercising full rights to carry out our own decisions on the business operations.

In addition, our organisational structure is well defined to align the day-to-day operation of the business with the organisational aims. Each department in our organisational structure is empowered to determine the modes in which it operates and performs independently, subject to the final confirmation and approval of our chief executive officer. We have also established efficient and transparent internal control system to facilitate the effective operation of our business.

Accordingly, our Directors are satisfied that we have been operating independently from our Controlling Shareholders and their respective close associates during the Track Record Period and will continue to operate independently.

Management Independence

Our management and operational decision are made by our Board and senior management. Our Board comprises six executive Directors and three independent non-executive Directors. Mr. He, one of our Controlling Shareholders, is also our executive Director, chief executive officer and chairman, and director of the subsidiaries of our Company, namely Bird Investment, Feiyang HK, Shengda Feiyang, Ningbo Commercial, Feiyang Expo and Feiyang International.

Our managerial decision makers are empowered to provide input into and have final approval of development of corporate strategy and performance objectives. Their managerial roles include, among others, independently reviewing, ratifying and monitoring systems of risk management, internal control and legal compliance. Our Directors and senior management are familiar with the fundamentals of our Company's business, its operations and informed about our Company's activities.

Our Group has established an (i) audit committee, (ii) remuneration committee, and (iii) nomination committee. Each committee includes independent non-executive Directors so as to monitor the operations of our Group. Further, we believe that our independent non-executive Directors will be able to exercise their independent judgment and will be able to provide impartial opinion and professional advice in the decision-making process of our Board to protect the interests of our Shareholders.

Each Director understands that, he/she owes primary duties to our Company and is aware of his/her fiduciary duties as a Director which requires, among others, that he/she must act for the benefit of and in the best interests of our Company and shall avoid any conflict between his/her personal interests and those of our Company. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) and their respective close associate(s) shall abstain from voting at the relevant Board meetings of our Company in respect of such transactions and shall not be counted in the quorum.

Our Company has also established internal control mechanism to identify connected transactions to ensure that our Shareholders or Directors with conflicting interests in a proposed transaction will abstain from voting on the relevant resolutions. Save for those transactions disclosed in "Connected Transactions", our Directors do not expect that there will be any significant transactions between our Group and our Controlling Shareholders upon the Listing.

Since all of our executive Directors have substantial experience in their respective expertise areas and/or in the industry in which our Group is engaged, we believe that they will be able to make business decisions that are in the best interest of the our Group. In addition, the business of our Group has been operated under substantially the same management throughout the Track Record Period and up to the Latest Practicable Date.

Further, our Board acts collectively by majority decisions in accordance with the Articles and applicable laws, and no single Director is supposed to have any decision-making power unless otherwise authorised by our Board. Having considered the above factors, our Directors are satisfied that our Board as a whole together with our senior management team are able to make independent managerial decisions having regard to their own knowledge of the corporation and their experience and skills.

Financial independence

Our Company is empowered to make independent decision in respect of business financial matters. Our Group has our own internal control, accounting and financial management system, accounting and finance department, independent treasury functions for cash receipts and payment and the ability to operate independently of our Controlling Shareholders from a financial perspective. During the Track Record Period and up to the Latest Practicable Date, Mr. He, Ms. Qian and Feiyang Management had provided guarantees for certain banking facilities obtained by our Group. Our Directors confirm that such guarantees will either be released or replaced by corporate guarantees to be provided by members of our Group on or before the Listing. Save as disclosed above, our Directors are of the view that our Group is financially independent from our Controlling Shareholders or their respective associates in our Group's business operations and our Group is able to obtain external financing on market terms and conditions for our business operations as and when required.

LOCK-UP UNDERTAKING BY THE CONTROLLING SHAREHOLDERS

Pursuant to Rule 10.07(1) of the Listing Rules

Each of our Controlling Shareholders, collectively a group of controlling shareholders (as defined in the Listing Rules), has undertaken to our Company and the Stock Exchange that, as a controlling shareholder or a group of controlling shareholders, he, she or it shall not, at any time during the (i) first six-month period commencing on the Listing Date (the "**First Six-month Period**"), which is required under the Listing Rules, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in

respect of any of the Shares in respect of which, he, she or it is shown in this prospectus to be the beneficial owner (as defined in Rule 10.07(2) of the Listing Rules) (the "**Relevant Securities**"); and (ii) the six-month period commencing on the date on which the First Six-month Period expires (the "**Second Six-month Period**"), which is required under the Listing Rules, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the Relevant Securities if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, our Controlling Shareholders would cease to be a controlling shareholder or a group of controlling shareholders (as defined in the Listing Rules) of our Company.

COMPETITION

None of our Directors, Controlling Shareholders or any of their respective close associates is a director or a shareholder of any business apart from the business of our Group which competes or is likely to compete, either directly or indirectly, with the business of our Group and would require disclosure pursuant to Rule 8.10 of the Listing Rules. To ensure that competition will not exist in the future, each of our Controlling Shareholders has entered into the Deed of Non-competition in favour of our Company to the effect that each of them will not, and will procure each of their respective close associates not to, directly or indirectly participate in, or hold any right or interest, or otherwise be involved in any business which may be in competition with our businesses.

DEED OF NON-COMPETITION

In order to maintain a clear delineation of the businesses between our Group and our Controlling Shareholders, our Controlling Shareholders (together the "**Covenantors**") have entered into the Deed of Non-competition in favour of our Company (for itself and as trustee for each of its subsidiaries from time to time).

Under the Deed of Non-competition:

(a) each of the Covenantors irrevocably and unconditionally, jointly and severally, undertakes to our Company (for itself and as trustee for each of its subsidiaries from time to time) that he/she/it shall not, and shall procure that none of their respective associates (other than members of our Group) shall, during the period (the "**Restricted Period**") in which (i) our Shares remain listed on the Main Board of the Stock Exchange; and (ii) the Covenantors and their respective associates (other than members of our Group), individually or jointly, are entitled to exercise, or control the exercise of, not less than 30% of the voting power at general meetings of our Company, directly or indirectly, either on their own account, in conjunction with, on behalf of, or through any person, firm or company, among other things, carry on, participate or be interested, engaged or otherwise involved in or acquire or hold any right or interest in or provide any financial assistance, technical support or business know-how to any other person to carry on (in each case whether as a shareholder,

partner, agent, employee or otherwise and whether for profit, reward or otherwise) any activity or business which competes or is likely to compete, whether directly or indirectly, with any activity or business of any members of our Group and any other new business which our Group may undertake from time to time after the Listing within Hong Kong and such other places as our Group may conduct or carry on business from time to time (the "**Restricted Business**");

(b) each of the Covenantors further undertakes to procure that, during the Restricted Period, any business investment or other commercial opportunity relating to the Restricted Business (the "**New Opportunity**") identified by or offered to the Covenantors and/or any of their respective associates (other than members of our Group) (the "**Offeror**") is first referred to our Group (the "**Right of First Refusal**") in the following manner:

(i) the Covenantors are required to, and shall procure their respective associates (other than members of our Group) to, refer, or procure the referral of, the New Opportunity to our Group, and shall give written notice to our Company of any New Opportunity containing all information considered by our Directors necessary for our Directors and our Company to consider whether (1) the New Opportunity forms part of the Restricted Business, and/or (2) it is in the interest of our Group and the shareholders of our Company as a whole to pursue the New Opportunity, including but not limited to the nature of the New Opportunity and the details of the investment or acquisition costs (the "**Offer Notice**") as soon as practicable after such opportunity arises;

(ii) the Offeror will be entitled to pursue the New Opportunity only if (1) our independent non-executive Directors have served a written notice on the Offeror and the Covenantors declining the New Opportunity and confirming that the New Opportunity would not constitute competition with the business of our Group (the "**Decline Notice**"), or (2) our independent non-executive Directors have not served a notice within fifteen business days from our Company's receipt of the Offer Notice; and

(iii) if there is a material change in the terms and conditions of the New Opportunity (or any subsequent revised New Opportunity) offered by the Offeror, the Covenantors are required to, and shall procure their respective associate to, refer or procure the referral of such revised New Opportunity in the manner provided for in paragraph (b)(i) above, and our independent non-executive Directors shall have a further fifteen business days period to provide a response to the Offeror and the Covenantors;

(c) where the Covenantors and/or their respective associates (other than members of our Group) have acquired any business, investment or interest in any entity relating to the Restricted Business pursuant to paragraph (b)(ii) above, the relevant Covenantors and/or their respective associates (other than members of our Group) shall provide to our Company with pre-emptive right (the "**Pre-emptive Right**") to acquire any such Restricted Business on terms that are no less favourable than that offered to the Covenantors and/or their respective close associates. Where our independent non-executive Directors decide to waive the Pre-emptive Right by way of written notice, or where our independent non-executive Directors do not exercise the Pre-emptive Right within fifteen business days from the day the Pre-emptive Right is granted to the Company, the relevant Covenantors and/or their respective associates (other than members of our Group) may offer to sell such business, investment or interest in the Restricted Business to other third parties on such terms which are no more favourable than those made available to our Company; and

(d) each of the Covenantors further undertakes and agrees that during the Restricted Period:

(i) not at any time to induce or attempt to induce directly or indirectly, any director, manager, consultant or employee of our Group to terminate his or her service contract, contract of employment with our Group, whether or not such act of that person would constitute a breach of that person's service contract or contract of employment;

(ii) not at any time to solicit or persuade directly or indirectly, any person who has dealt with our Group or is in the process of negotiating with our Group in relation to the Restricted Business cease to deal with our Group or reduce the amount of business which the person would normally do with our Group;

(iii) to provide all relevant information requested by our Company which is necessary for the annual review by our independent non-executive Directors for the compliance with and the enforcement of the Deed of Non-competition;

(iv) prior to the proposed Listing, to use its reasonable endeavours to provide assistance to our Company when required, including but not limited to entering into a supplemental deed of non-competition in a form satisfactory to the Stock Exchange and/or the Securities and Futures Commission (collectively, the "**Regulators**") if any parties, including but not limited to the Regulators, raise any concerns over competition issues between the Covenantors and our Company or our Group;

(v) to allow, subject to confidentiality restrictions imposed by any third party, the representatives of our Company and of the auditors of our Company to have access to his/her/its financial and/or corporate records as may be necessary for our independent non-executive Directors to determine whether the Covenantors and their respective associates have complied with the terms of the Deed of Non-competition;

(vi) to make an annual declaration in a form determined by our Company on the compliance with the terms of the Deed of Non-competition in accordance with the principle of voluntary disclosure in our Company's corporate governance report within two months after the date upon which the financial period of our Company ends, or if not, particulars of any non-compliance, which declaration (or any part thereof) may be reproduced, incorporated, extracted and/or referred to in our Company's annual report, corporate governance report, its other announcements or publications;

(vii) the Covenantors, for themselves and on behalf of their respective associates (except any members of our Group), acknowledge that our Company may be required by the relevant laws, regulations, rules of the stock exchange(s) on which the Shares may be listed and the regulatory bodies to disclose, from time to time, information on the New Opportunity, including but not limited to disclosure in public announcements or our Company's corporate communications in relation to the New Opportunity and agree to the disclosure to the extent necessary (including, for the avoidance of doubt, our Company's advisors) to comply with any such requirement; and

(viii) to procure our Company to disclose on matters reviewed by our independent non-executive Directors relating to the compliance and enforcement of the Deed of Non-competition either through our Company's annual report, or by way of announcement(s) to the public.

CORPORATE GOVERNANCE MEASURES

Our Directors recognise the importance of incorporating elements of good corporate governance in management conducive to the protection of the interests of our Shareholders. In particular, the following corporate governance measures in relation to managing potential conflict of interests arising from potential competing business between our Controlling Shareholders and our Group will be taken:

(a) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors (or their close associates), the interested Directors shall abstain from voting at the relevant Board meeting and shall not be counted in the quorum;

(b) our independent non-executive Directors will review, on an annual basis, the compliance with the Deed of Non-competition by our Controlling Shareholders;

(c) our Controlling Shareholders have undertaken under the Deed of Non-competition to provide all information necessary for the annual review by our independent non-executive Directors with regard to compliance of the terms of the Deed of Non-competition and the enforcement of undertakings under the Deed of Non-competition;

(d) our Company will disclose in the annual report of our Company or, where our Board considers is appropriate by way of announcement(s), the decisions with basis on matters reviewed by our independent non-executive Directors relating to the compliance with and enforcement of the Deed of Non-competition;

(e) our Controlling Shareholders have undertaken to us under the Deed of Non-competition to make an annual declaration as to compliance with the terms of the Deed of Non-competition in the annual report of our Company;

(f) the independent board committee of our Company comprising all independent non-executive Directors (the "**Independent Board Committee**") will be responsible for deciding and given the authority to decide, without attendance by any Directors with beneficial or conflicting interest in the New Opportunities referred to our Group by our Controlling Shareholders (or their associates other than members of our Group) and the exercise of the Pre-emptive Right under the Deed of Non-competition. We believe that our independent non-executive Directors are of sufficient caliber, are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide impartial and professional advice to protect the interests of our Shareholders. For more details of expertise and experience of our independent non-executive Directors, see "Directors and Senior Management" in this prospectus. In addition, the Independent Board Committee may, at the costs of our Company and from time to time, engage independent financial advisor and other external professional advisers as they may consider necessary to advise them on the issues which relate to the above matters;

(g) our Company has established internal control mechanism to identify connected transactions, and will comply with Chapter 14A of the Listing Rules, including, where applicable, the announcement, reporting and independent shareholders' approval requirements; and

(h) our Company has appointed Giraffe Capital Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to corporate governance.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Controlling Shareholders and our Group and to protect the interests of our Shareholders, in particular, our minority Shareholders.

EXEMPT CONTINUING CONNECTED TRANSACTION

During the Track Record Period, certain Directors and substantial Shareholders and their respective associates, being the connected persons of our Company, purchased certain travel products from our Group, which will continue after the Listing, which constitute continuing connected transactions under Chapter 14A of the Listing Rules.

These purchases are made in the ordinary and usual course of the business of our Group, on normal commercial terms and for their own consumption. The transactions contemplated under these continuing connected transactions fall within the exemption of buying or selling of consumer goods or services under Rule 14A.97 of the Listing Rules and are fully exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Note 31 to the Accountants' Report in Appendix I to this prospectus sets out the air tickets purchases by our connected persons during the Track Record Period.

Our Directors (including our independent non-executive Directors) consider that the travel products purchased by our connected persons have been entered into on normal commercial terms and in the ordinary and usual course of business, and that the transactions contemplated thereunder are fair and reasonable and in the interests of our Company and the Shareholders as a whole.

NON-EXEMPT CONTINUING CONNECTED TRANSACTION

As disclosed in the section "Contractual Arrangements", the business operations of our Operating Entities constitute a business restricted to foreign investment in the PRC, therefore, we cannot directly acquire equity interests in our Operating Entities. As a result, we have entered into a series of agreements narrowly tailored to provide our Group with control over our Operating Entities and grant our Group the right to acquire the equity interests of our Operating Entities when and to the extent permitted by the PRC laws and regulations. Under the Contractual Arrangements, we supervise and control the business operations of our Operating Entities and derive economic benefit from our Operating Entities.

The Contractual Arrangements consist of Structured Contracts which are entered into among the WFOE on the one hand and Feiyang International and/or the Relevant Shareholders (namely Mr. He, Ms. Qian, Mr. Li, Mr. Wu, Mr. Chen, Ms. Qiu and Feiyang Management) (where applicable) on the other hand. See "Contractual Arrangements" for the details of these Structured Contracts.

Listing Rules implications

The table below sets forth the connected persons of our Company involved in the Contractual Arrangements and the nature of their connection with our Group. The transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of our Company under the Listing Rules upon the Listing.

Name	Connected Relationships
Mr. He	Mr. He is an executive Director and a Controlling Shareholder, and therefore a connected person of our Company under Rule 14A.07 of the Listing Rules.
Ms. Qian	Ms. Qian is the spouse of Mr. He and a Controlling Shareholder, and therefore an associate of Mr. He and a connected person of our Company under Rule 14A.07 of the Listing Rules.
Mr. Li	Mr. Li is an executive Director and therefore a connected person of our Company under Rule 14A.07 of the Listing Rules.
Mr. Wu	Mr. Wu is an executive Director and therefore a connected person of our Company under Rule 14A.07 of the Listing Rules.
Mr. Chen	Mr. Chen is an executive Director and therefore a connected person of our Company under Rule 14A.07 of the Listing Rules.
Feiyang Management	Feiyang Management is directly held as to 91.7328% by Mr. He and is therefore an associate of Mr. He and a connected person of our Company under Rule 14A.07 of the Listing Rules.
Feiyang International	Feiyang International is directly and indirectly held as to 95.2830% by Mr. He and Ms. Qian and is therefore an associate of Mr. He and Ms. Qian and a connected person of our Company under Rule 14A.07 of the Listing Rules.

Our Directors (including our independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated therein are fundamental to our organisational structure and business, that such transactions have been and will be entered into in our ordinary and usual course of business, are on normal commercial terms and are fair and reasonable and in the interests of our Company and our Shareholders as a whole. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements and

any new transactions, contracts and agreements or renewal of existing transactions, contracts and agreements to be entered into, among others, by any of our Operating Entities and any member of our Group ("**New Intergroup Agreements**" and each of them, a "**New Intergroup Agreement**") technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that, given that we are placed in a special situation in relation to relying on the Contractual Arrangements to operate a substantial portion of our business, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to us if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, the announcement and independent shareholders' approval requirements.

Application for waiver

In view of the Contractual Arrangements, in respect of transactions contemplated under the Structured Contracts and any New Intergroup Agreements, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with (i) the announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules; (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules; and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Shares are listed and the Operating Entities will continue to be treated as our Company's subsidiaries subject to the following conditions:

(a) No change without independent non-executive Directors' approval

No change to the Contractual Arrangements (including with respect to any fees payable to the WFOE thereunder) will be made without the approval of the independent non-executive Directors.

(b) No change without independent Shareholders' approval

Save as described in paragraph (d) below, no change to the agreements governing the Contractual Arrangements will be made without the approval of our independent Shareholders. Once independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company (as set out in paragraph (e) below) will however continue to be applicable.

(c) Economic benefits flexibility

The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by our Operating Entities through (i) the WFOE's options (if and when so allowed under the applicable PRC laws) to acquire, all or part of the equity interests or assets of our Operating Entities for a nominal consideration of RMB1.0 or the minimum amount of consideration permitted by applicable PRC laws and regulations, (ii) the business structure under which the profit generated by our Operating Entities is substantially retained by us, such that no annual cap shall be set on the amount of service fees payable to the WFOE by our Operating Entities under the Exclusive Consulting Service Agreement, and (iii) WFOE's right to control the management and operation of, as well as, in substance, all of the voting rights of our Operating Entities.

(d) Renewal and reproduction

On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and its subsidiaries in which our Company has direct shareholding, on the one hand, and our Operating Entities, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of our Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements. The directors, chief executive or substantial shareholders of any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as ours which we may establish will, upon renewal and/or reproduction of the Contractual Arrangements, however be treated as connected persons of our Company and transactions between these connected persons and our Company other than those under similar contractual arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC laws, regulations and approvals.

(e) Ongoing reporting and approvals

We will disclose details relating to the Contractual Arrangements on an on-going basis as follows:

- the Contractual Arrangements in place during each financial period will be disclosed in our annual report and accounts in accordance with the relevant provisions of the Listing Rules;

- our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our annual report and accounts for the relevant year that (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements and that the profit generated by our Operating Entities has been substantially retained by the WFOE, (ii) no dividends or other distributions have been made by our Operating Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to us, and (iii) any new contracts entered into, renewed or reproduced between us and our Operating Entities during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous to our Shareholders, so far as we are concerned and in the interests of the Shareholders as a whole;

- our Company's auditor will carry out review procedures annually on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to our Directors with a copy to the Stock Exchange confirming that the transactions have received the approval of our Directors, have been entered into in accordance with the Contractual Arrangements and that no dividends or other distributions have been made by the Operating Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to us;

- for the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", our Operating Entities will be treated as our Company's subsidiaries, but at the same time, the directors, chief executives or substantial shareholders of our Operating Entities and its associates will be treated as connected persons of our Company (excluding for this purpose, our Operating Entities), and transactions between these connected persons and our Group (including for this purpose, our Operating Entities), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules; and

- our Operating Entities will undertake that, for so long as the Shares are listed, our Operating Entities will provide our management and our Company's auditor full access to its relevant records for the purpose of our Company's auditor's review of the connected transactions.

CONFIRMATION FROM OUR DIRECTORS

Our Directors, including our independent non-executive Directors, consider that the continuing connected transactions as disclosed in "Contractual Arrangements" have been and will be entered into: (i) in the ordinary and usual course of the business of our Group; (ii) on normal or better commercial terms; and (iii) in accordance with the respective agreement governing them on terms that are fair and reasonable and in the interest of our Shareholders as a whole.

CONFIRMATION FROM THE SOLE SPONSOR

The Sole Sponsor has reviewed the relevant documents and information provided by our Group, has obtained necessary representations and confirmations from our Company and our Directors and has participated in the due diligence and discussions with our management and our PRC Legal Advisers. Based on the above, the Sole Sponsor is of the view that the transactions contemplated under the Contractual Arrangements have been and will be entered into in the ordinary and usual course of business of our Group, are fundamental to our Group's legal structure and business operations and on normal commercial terms or better that are fair and reasonable and in the interests of our Company and our Shareholders as a whole. Based on the above, the Sole Sponsor is also of the view that with respect to the term of the relevant agreements underlying the Contractual Arrangements which is of a duration longer than three years, it is a justifiable and normal business practice to ensure that (i) the financial and operational policies of our Operating Entities can be effectively controlled by the WFOE, (ii) the WFOE can obtain the economic benefits derived from our Operating Entities, and (iii) any possible leakages of assets and values of our Operating Entities can be prevented, on an uninterrupted basis.

DIRECTORS AND SENIOR MANAGEMENT

Our Board of Directors consists of nine Directors, comprising six executive Directors and three independent non-executive Directors.

The following table sets out information concerning our Directors:

Name	Age	Position	Date of appointment as a Director	Date of joining our Group	Roles and Responsibilities in our Group	Relationship with other Directors or senior management
Executive Directors						
Mr. He Binfeng (何斌鋒)	46	Executive Director, chairman and chief executive officer	18 October 2018	19 September 2001	Formulating corporate strategy, planning, business development and supervising the overall operations of our Group, serving as the chairman of our nomination committee and a member of our remuneration committee	N/A
Mr. Zhang Qinghai (張青海)	47	Executive Director and chief financial officer	18 October 2018	3 July 2017	Responsible for the corporate financial planning of our Group	N/A
Mr. Huang Yu (黃宇)	31	Executive Director and chief technology officer	18 October 2018	22 December 2014	Responsible for the technology system development of our Group	N/A
Mr. Wu Bin (吳濱)	50	Executive Director and deputy general manager	18 October 2018	1 December 2006	Responsible for the sales and customer service functions of our Group	N/A
Mr. Li Da (李達)	34	Executive Director and deputy general manager	18 October 2018	1 November 2010	Responsible for the business development and marketing functions of our Group	N/A

Name	Age	Position	Date of appointment as a Director	Date of joining our Group	Roles and Responsibilities in our Group	Relationship with other Directors or senior management
Mr. Chen Xiaodong (陳曉冬)	51	Executive Director and deputy general manager	18 October 2018	6 March 2012	Responsible for the product development and procurement functions of our Group	N/A
Independent non-executive Directors						
Mr. Li Huamin (李華敏)	41	Independent non-executive Director	29 April 2019	10 February 2017	Providing independent advice to our Board, serving as the chairman of our remuneration committee and a member of our audit committee and nomination committee	N/A
Mr. Yi Ling (易淩)	58	Independent non-executive Director	29 April 2019	29 April 2019	Providing independent advice to our Board, serving as a member of our audit committee and nomination committee	N/A
Ms. Li Chengai (李成艾)	39	Independent non-executive Director	29 April 2019	10 February 2017	Providing independent advice to our Board, serving as the chairlady of our audit committee and a member of our remuneration committee	N/A

DIRECTORS

Executive Directors

Mr. He Binfeng (何斌鋒)

Mr. He Binfeng (何斌鋒), aged 46, is our executive Director, chairman and chief executive officer. He was appointed as our Director on 18 October 2018 and re-designated as an executive Director on 16 January 2019. Mr. He is also the chairman of our nomination committee and a member of our remuneration committee. Mr. He is the founder of our Group. Mr. He is responsible for formulating corporate strategy, planning, business development and supervising the overall operation of our Group. Mr. He is also the director of our Company's subsidiaries, namely, Bird Investment, Feiyang HK, Shengda Feiyang, Ningbo Commercial, Feiyang Expo and Feiyang International.

Mr. He has over 24 years of experience in the tourism industry. Mr. He served as a tour guide and office manager of Ningbo China Travel Service Group Co., Ltd. (寧波中國旅行社集團有限公司) from July 1994 to August 1997 and from May 1999 to January 2000, respectively. From July 1997 to May 1999, Mr. He worked at the Quality Supervision and Management Department of the Ningbo Tourism Bureau (寧波市旅遊局) (currently known as Ningbo Bureau of Culture, Radio, TV and Tourism (寧波市文化廣電旅遊局)). From January 2000 to August 2001, he served as a manager of Ningbo Travel Service Group Company Ltd. Gulou Office (寧波旅行社有限責任公司鼓樓門市部). From September 2001, Mr. He served as the chairman and general manager of Feiyang International.

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

Mr. Zhang Qinghai (張青海)

Mr. Zhang Qinghai (張青海), aged 47, is our executive Director and chief financial officer. He was appointed as our Director on 18 October 2018 and re-designated as an executive Director on 16 January 2019. Mr. Zhang joined our Group on 3 July 2017 as our chief financial officer and the secretary to the board of directors of Feiyang International. Mr. Zhang is responsible for the corporate financial planning of our Group.

Mr. Zhang has over 20 years of experience in the accounting and finance industry. Mr. Zhang was an accountant and an assistant to financial manager in Beijing Dafa Zhengda Company Limited (北京大發正大有限公司) from July 1995 to July 1997. From July 1997 to April 2007, Mr. Zhang served as an accountant, financial manager and head of financial control in Ningbo East China BP Liquefied Petroleum Company Limited (寧波華東BP液化石油氣有限公司). From April 2007 to April 2010, Mr. Zhang served as a head of financial control in BPZR (Ningbo) LPG Co., Ltd (鎮海煉化碧辟(寧波)液化氣有限公司) (currently known as Ningbo Minggang Gas Co., Ltd (寧波明港液化氣有限公司)). From April 2010 to September 2011, Mr. Zhang served as the head of financial control of Zhejiang Longchi Group Company Limited (浙

江龍馳集團有限公司). From September 2011 to May 2016, Mr. Zhang served as the head of internal control of Shanshan Group Company Limited (杉杉集團有限公司). Prior to joining our Group, Mr. Zhang served as a senior manager of financial management department in Zhengzhou Yutong Bus Co., Ltd (鄭州宇通集團有限公司) and was in charge of its internal control and financial control from June 2016 to June 2017.

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

Mr. Huang Yu (黃宇)

Mr. Huang Yu (黃宇), aged 31, is our executive Director and chief technology officer. He was appointed as our Director on 18 October 2018 and re-designated as an executive Director on 16 January 2019. Mr. Huang joined our Group on 22 December 2014 as a chief technology officer. Mr. Huang is responsible for the technology system development of our Group. Mr. Huang is also a director of our subsidiary, namely Zhejiang Hengyue.

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

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

Mr. Wu Bin (吳濱)

Mr. Wu Bin (吳濱), aged 50, is our executive Director and duty general manager. He was appointed as our Director on 18 October 2018 and re-designated as an executive Director on 16 January 2019. Mr. Wu joined our Group on 1 December 2006 as a joint chief executive officer. Mr. Wu is responsible for the sales and customers service functions of our Group. Mr. Wu is also a director of our Company's subsidiaries, namely Feiyang Travel Agency, Shengda Feiyang and Feiyang International.

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

Mr. Wu completed his middle school's study at Ningbo No. 13 Middle School (寧波市第13中學) in July 1985. Mr. Wu obtained his qualification as a tour guide and travel service manager of international travel agencies in June 1989 and November 2003, respectively.

Since September 2018, Mr. Wu has been enrolled in a long distance learning course at the Beijing Technology University (北京理工大學) studying public administrative management.

Mr. Li Da (李達)

Mr. Li Da (李達), aged 34, is our executive Director and deputy general manager. He was appointed as our Director on 18 October 2018 and re-designated as an executive Director on 16 January 2019. Mr. Li joined our Group on 1 November 2010 as a deputy general manager of Feiyang International. Mr. Li is responsible for the business development and market analysis functions of our Group. Mr. Li is also the director of our Company's subsidiaries, namely Feiyang International and Feiyang Lianchuang.

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

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

Mr. Chen Xiaodong (陳曉冬)

Mr. Chen Xiaodong (陳曉冬), aged 51, is our executive Director and deputy general manager. He was appointed as our Director on 18 October 2018 and re-designated as an executive Director on 16 January 2019. Mr. Chen joined our Group on 6 March 2012 as a deputy general manager. Mr. Chen is responsible for the product development and procurement functions of our Group. Mr. Chen is also a director of our subsidiaries namely, Feiyang International and Ningbo Qihang.

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

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

Independent non-executive Directors

Mr. Li Huamin (李華敏)

Mr. Li Huamin (李華敏), aged 41, was appointed as an independent non-executive Director on 29 April 2019 and will be the chairman of our remuneration committee and a member of our audit committee and nomination committee.

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

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

Mr. Yi Ling (易凌)

Mr. Yi Ling (易凌), aged 58, was appointed as an independent non-executive Director on 29 April 2019 and will be a member of our audit committee and nomination committee.

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

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

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

Ms. Li Chengai (李成艾)

Ms. Li Chengai (李成艾), aged 39, was appointed as an independent non-executive Director on 29 April 2019 and will be a chairlady of our audit committee and a member of our remuneration committee.

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

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

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

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention to our Shareholders and there was no information relation to our Directors that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules as at the Latest Practicable Date.

CODE OF CORPORATE GOVERNANCE

Our Company's corporate governance practices are based on principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Listing Rules. Except for the deviation from provision A.2.1 of the CG Code, our Company's corporate governance practices have complied with the CG Code.

Provision A.2.1 of the CG Code stipulates that the role of chairman and chief executive officer should be separated and should not be performed by the same individual. Mr. He is the chairman and the chief executive officer of our Company. Since Mr. He has been operating and managing Feiyang International, the main operating subsidiary of our Company since its

establishment and due to his familiarity with the operations of our Group, our Board is of the view that it is in the best interest of our Group to have Mr. He taking up both roles for effective management and business development of our Group following the Listing and Mr. He will provide a strong and consistent leadership to our Group. This arrangement ensures a more effective and efficient overall strategic planning of our Group as this structure enables our Company to make and implement decisions promptly and effectively. Further, our Company has put in place an appropriate check-and-balance mechanism through our 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, our Board also consists of five other executive Directors who are familiar with the day-to-day business of our Company. Our Company will consult our Board for any major decisions. Therefore, our Board considers that the balance of power and authority of the present arrangement with our Board and the independent non-executive Directors will not be impaired because such arrangement would not result in excessive concentration of power in one individual which could adversely affect the interest of minority Shareholders. As such, the deviation from provision A.2.1 of the CG Code is appropriate in such circumstance. Our Board will continue to review and consider splitting the roles of the chairman of our Board and the chief executive officer of our Company at a time when it is appropriate and suitable by taking into account the circumstances of our Group as a whole.

SENIOR MANAGEMENT

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

COMPANY SECRETARY

Mr. Tam Chun Wai Edwin (談俊緯)

Mr. Tam Chun Wai Edwin (談俊緯), aged 37, our company secretary, was appointed on 16 January 2019. He has over 15 years of experience in accounting, auditing, corporate and treasury management. From September 2003 to May 2010, Mr. Tam worked at Ernst and Young Hong Kong with his last position as an audit manager. In May 2010, he joined Greenheart Group Limited (stock code: 94), a company listed on the Stock Exchange, as financial controller, and was further appointed as vice president – financial controller in April 2013, where he was mainly responsible for financial and accounting management, operational finance, capital market transactions, merger and acquisition matters, corporate governance as well as compliance affairs. He left Greenheart Group Limited in July 2018 and currently practises at Noble Partners CPA Company, a certified public accountants firm in Hong Kong.

Mr. Tam graduated from The Manchester Metropolitan University in the United Kingdom with a bachelor's degree in accounting and finance in 2003. He is a practising fellow member of the Hong Kong Institute of Certified Public Accountants and fellow of the Association of Chartered Certified Accountants in England. Mr. Tam has been serving as the company secretary of Shenglong Splendecor International Limited (stock code: 8481) and Vision International Holdings Limited (stock code: 8107), companies listed on GEM of the Stock Exchange, since July 2018 and May 2019, respectively. He has been serving as a joint company

secretary of TL Natural Gas Holdings Limited (stock code: 8536), a company listed on GEM of the Stock Exchange, since May 2019.

BOARD COMMITTEES

Audit Committee

We will establish an audit committee pursuant to a Board resolution in compliance with Rule 3.21 of the Listing Rules and the CG Code. The duties of the audit committee include reviewing, in draft form, our annual report and accounts, half-year report and providing advice and comments to our Board. In this regard, members of the audit committee will liaise with our Board, our senior management, our reporting accountants and auditors. The audit committee will also consider any significant or usual items that are, or may need to be, reflected in such reports and accounts and give consideration to any matters that have been raised by our accounting staff or auditors. Members of the audit committee are also responsible for reviewing our Company's financial reporting process and internal control system.

The audit committee will comprise three independent non-executive Directors, namely Ms. Li Chengai (李成艾), Mr. Li Huamin (李華敏), and Mr. Yi Ling (易凌) and is chaired by Ms. Li Chengai (李成艾).

Remuneration Committee

We will establish a remuneration committee pursuant to a Board resolution in compliance with Rule 3.25 of the Listing Rules and the CG Code. The primary duties of the remuneration committee are to determine the specific remuneration packages of all executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to our Board of the remuneration of independent non-executive Directors.

The remuneration committee will comprise one executive Director and two independent non-executive Directors, namely Mr. He, Mr. Li Huamin (李華敏) and Ms. Li Chengai (李成艾) and is chaired by Mr. Li Huamin (李華敏).

Nomination Committee

We will establish a nomination committee pursuant to a Board resolution in compliance with the CG Code. The nomination committee is mainly responsible for making recommendations to our Board on appointment of Directors and succession planning for our Directors.

The nomination committee will comprise one executive Director and two independent non-executive Directors, namely Mr. He, Mr. Yi Ling (易凌) and Mr. Li Huamin (李華敏) and is chaired by Mr. He.

BOARD DIVERSITY POLICY

In order to enhance the effectiveness of our Board and to maintain the high standard of corporate governance, we have adopted the board diversity policy which sets out the objective and approach to achieve and maintain diversity of our Board. Pursuant to the board diversity policy, we seek to achieve Board diversity through the consideration of a number of factors when selecting the candidates to our Board, including but not limited to gender, skills, age, professional experience, knowledge, cultural, education background, ethnicity and length of service. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to our Board.

Our Directors have a balanced mix of knowledge and skills, including overall management and strategies and planning, human resources, administration and training, business development, sales, material development, procurement, accounting and corporate finance, administrative and legal compliance. We have three independent non-executive Directors with different industry backgrounds, representing one third of the members of our Board. Taking into account our existing business model and specific needs as well as the different background of our directors, the composition of our Board satisfies our board diversity policy. We have also taken, and will continue to take, steps to promote gender diversity at all levels of our Company, including but not limited to our Board and the senior management levels. Currently, one of our independent non-executive Director is female. While we recognise that the gender diversity at our Board level can be improved given the majority of our Directors are male, we will continue to apply the principle of appointments based on merits with reference to our diversity policy as a whole. Our Board would also ensure that appropriate balance of gender diversity is achieved with reference to investors' expectation, and international and local recommended best practices.

Our nomination committee is responsible for ensuring the diversity of our Board members. After the Listing, our nomination committee will review the board diversity policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of the board diversity policy on an annual basis.

COMPLIANCE ADVISER

In accordance with Rule 3A.19 of the Listing Rules, our Company has appointed Giraffe Capital Limited as our compliance adviser. Pursuant to Rule 3A.23 of the Listing Rules, our Company will consult with and seek advice from the compliance adviser on a timely basis in the following circumstances:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction under Chapter 14 or 14A of the Listing Rules, is contemplated including share issues and share repurchases;

(c) where our Company proposes to use the proceeds of the Listing in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Group deviate from any forecast, estimate, or other information in the listing document; and

(d) where the Stock Exchange makes an inquiry of our Company under Rule 13.10 of the Listing Rules.

The term of appointment of the compliance adviser of our Company shall commence on the Listing Date and end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of the financial results for the first full financial year commencing after the Listing Date and such appointment shall be subject to extension by mutual agreement.

REMUNERATION AND COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The aggregate remuneration (including salaries, bonuses, allowances and benefits in kind, and pension scheme contributions) paid to our Directors for the year ended 31 December 2016, 2017 and 2018 were approximately RMB2.8 million, RMB1.5 million and RMB1.7 million, respectively.

The aggregate remuneration (including salaries, bonuses, allowances and benefits in kind, and pension scheme contributions) paid to our senior management for the year ended 31 December 2016, 2017 and 2018 were approximately RMB2.8 million, RMB1.5 million and RMB1.7 million, respectively. The aggregate remuneration (including fees, salaries, allowances and benefits in kind, and pension scheme contributions) paid to our Company's five highest paid individuals for the year ended 31 December 2016, 2017 and 2018 were approximately RMB3.6 million, RMB1.9 million and RMB3.1 million, respectively.

During the Track Record Period, no remuneration was paid by us to, or receivable by, our Directors or the five highest-paid individuals as an inducement to join or upon joining our Company. No compensation was paid by us to, or receivable by, our Directors, former Directors, or the five highest-paid individuals for each of the Track Record Period for the loss of any office in connection with the management of the affairs of any subsidiary of our Company. Save as disclosed above, no other payments have been made or are payable in respect of the year ended 31 December 2016, 2017 and 2018 by any member of our Group to any of our Directors. Under the arrangements currently in force, we estimate the aggregate remuneration, excluding discretionary bonus, of our Directors for the year ending 31 December 2019 to be approximately RMB2.0 million, respectively.

For additional information on Directors' remunerations during the Track Record Period as well as information on the highest paid individuals, see notes 8 and 9 in Appendix I to this prospectus, respectively.

CORPORATE GOVERNANCE

Our Company will comply with the CG Code. Our Directors will review our corporate governance policies and compliance with the CG Code each financial year and comply with "comply or explain" principle in our corporate governance report, which will be included in our annual reports subsequent to the Listing.

SHARE OPTION SCHEME

We conditionally adopted the Share Option Scheme. Salient terms of the Share Option Scheme are summarised under the section headed "Statutory and General Information – G. Share Option Scheme" in Appendix V to this prospectus.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, the following persons will, immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account the Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme) have interests or short positions in the Shares or underlying Shares which fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

		Shares held immediately following the completion of the Global Offering and the Capitalisation Issue	
Name of Substantial Shareholder	**Nature of interest and capacity**	**Number of Shares held/ interested** *(Note 1)*	**Approximate percentage of shareholding**
Mr. He *(Note 2)*	Interest in controlled corporation; interest held jointly with another person	350,162,000 (L)	70.0324%
Ms. Qian *(Note 3)*	Interest in controlled corporation; interest held jointly with another person	350,162,000 (L)	70.0324%
HHR Group *(Note 2)*	Beneficial owner, interest held jointly with another person	350,162,000 (L)	70.0324%
Michael Group *(Note 2)*	Beneficial owner, interest held jointly with another person	350,162,000 (L)	70.0324%
KVN Holdings *(Note 2)*	Beneficial owner, interest held jointly with another person	350,162,000 (L)	70.0324%
DY Holdings *(Note 2)*	Beneficial owner, interest held jointly with another person	350,162,000 (L)	70.0324%
QJ Holdings *(Note 3)*	Beneficial owner, interest held jointly with another person	350,162,000 (L)	70.0324%

Notes:

(1) The letter "L" denotes the person's long position in our Shares.

(2) Immediately following the completion of the Capitalisation Issue and Global Offering (without taking into account the Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme), Mr. He (i) directly owns 100% of each of HHR Group, Michael Group, KVN Holdings and DY Holdings, which will in turn in aggregate hold 320,298,000 Shares or approximately 64.0596% of the issued share capital of our Company; and (ii) deemed to own 29,864,000 Shares or approximately 5.9728% of the issued share capital of our Company in which Mr. He and Ms. Qian are parties acting in concert.

(3) Immediately following the completion of the Capitalisation Issue and Global Offering (without taking into account the Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme), Ms. Qian (i) directly owns 100% of QJ Holdings, which will in turn hold 29,864,000 Shares or approximately 5.9728% of the issued share capital of our Company; and (ii) deemed to own 320,298,000 Shares or approximately 64.0596% of the issued share capital of our Company in which Ms. Qian and Mr. He are parties acting in concert.

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account the Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme) have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group.

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements (each a "**Cornerstone Investment Agreement**", and together the "**Cornerstone Investment Agreements**") with, Ning Shing (Holdings) Company Limited (寧興(集團)有限公司) ("**Ning Shing**"), Junan Resources (Hong Kong) Co., Limited (君安物產(香港)有限公司) ("**Junan Resources**") and WWPKG Holdings Company Limited (縱橫遊控股有限公司) ("**WWPKG**"), being the cornerstone investors set out below (each a "**Cornerstone Investor**", and together, the "**Cornerstone Investors**"), pursuant to which the Cornerstone Investors have agreed to subscribe, subject to certain conditions, an aggregate amount of HK$40.0 million (the "**Cornerstone Placing**") at the Offer Price, assuming the mid-point of the indicative Offer Price range, for the aggregate number of 38,090,000 Offer Shares.

The Cornerstone Placing will form part of the International Offering. The Offer Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with other fully paid Shares then in issue upon completion of the Global Offering and to be listed on the Stock Exchange and will be counted towards the public float of our Company under Rule 8.24 of the Listing Rules. The Cornerstone Investors will not subscribe for any Offer Shares under the Global Offering (other than pursuant to the Cornerstone Investment Agreements).

Pursuant to the Cornerstone Investment Agreements, the Cornerstone Investors will not be entitled to have any representation on our Board. Immediately following the completion of the Global Offering, none of the Cornerstone Investors will become a substantial shareholder (as defined under the Listing Rules) of our Company. The Cornerstone Investors do not have any preferential rights as compared with other public Shareholders in the Cornerstone Investment Agreements. To the best knowledge of our Company, each Cornerstone Investor and its respective ultimate beneficial owner(s) is an independent third party, is not a connected person (as defined under the Listing Rules) of our Company, is not an existing Shareholder or close associate of our Company and has no other relationship with our Company.

Details of the actual number of the Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by our Company on or around Thursday, 27 June 2019.

In the event that the requirement pursuant to Rule 8.08(3) of the Listing Rules (in which no more than 50% of the Shares in public hands on the Listing Date can be beneficially owned by the three largest public shareholders of our Company) cannot be satisfied, the allocation of the number of Offer Shares to be subscribed by the Cornerstone Investors will be adjusted to ensure the compliance with Rule 8.08(3) of the Listing Rules.

OUR CORNERSTONE INVESTORS

We have entered into the Cornerstone Investment Agreements with the Cornerstone Investors in respect of the Cornerstone Placing:

Cornerstone Investor	Investment Amount	Number of Offer Shares (rounded down to the nearest whole board lot of 2,000 Shares)	Approximate % of total number of Offer Shares		Approximate % of total Shares in issue immediately following completion of the Global Offering	
			Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full
	(HK$ in million)					
Based on the Offer Price of HK$1.00 (being the low-end of the indicative Offer Price range)						
Ning Shing	25.0	25,000,000	20.0	17.4	5.0	4.8
Junan Resources	10.0	10,000,000	8.0	7.0	2.0	1.9
WWPKG	5.0	5,000,000	4.0	3.5	1.0	1.0
Total	40.0	40,000,000	32.0	27.9	8.0	7.7
Based on the Offer Price of HK$1.05 (being the mid-point of the indicative Offer Price range)						
Ning Shing	25.0	23,808,000	19.0	16.6	4.8	4.6
Junan Resources	10.0	9,522,000	7.6	6.6	1.9	1.8
WWPKG	5.0	4,760,000	3.8	3.3	1.0	0.9
Total	40.0	38,090,000	30.4	26.5	7.7	7.3
Based on the Offer Price of HK$1.10 (being the high-end of the indicative Offer Price range)						
Ning Shing	25.0	22,726,000	18.2	15.8	4.5	4.4
Junan Resources	10.0	9,090,000	7.3	6.3	1.8	1.8
WWPKG	5.0	4,544,000	3.6	3.2	0.9	0.9
Total	40.0	36,360,000	29.1	25.3	7.2	7.1

Ning Shing

Pursuant to the Cornerstone Investment Agreement entered into between our Company, the Sole Global Coordinator and Ning Shing dated 10 June 2019, Ning Shing agreed to subscribe for such number of Shares, which shall be 23,808,000 Shares (assuming the mid-point of the indicative Offer Price range), representing 4.8% of our Company's enlarged issued share capital (assuming the Over-allotment Option is not exercised), at the Offer Price (exclusive of brokerage of 1.00%, SFC transaction levy of 0.0027% and the Stock Exchange trading of 0.005%).

Ning Shing was established in Hong Kong in 1985. Ning Shing is a state-owned company and wholly owned by the Ningbo People's Government. Since its establishment, Ning Shing has played an important role in various domains to connect (i) Ningbo businessmen who are located offshore; (ii) investment opportunities; and (iii) talents. With the continuous business development, Ning Shing has become an integrated enterprise encompassing the industries of investment management, conferencing service, property development and highway operation, currently with nearly 30 overseas and domestic holding companies. Ning Shing is an independent third party, and is not a connected person (as defined under the Listing Rules) of our Company.

WWPKG

Pursuant to the Cornerstone Investment Agreement entered into between our Company, the Sole Global Coordinator and WWPKG dated 10 June 2019, WWPKG has agreed to subscribe for such number of Shares, which shall be 4,760,000 Shares (assuming the mid-point of the indicative Offer Price range), representing 1.0% of our Company's enlarged issued share capital (assuming the Over-allotment Option is not exercised), at the Offer Price (exclusive of brokerage of 1.00%, SFC transaction levy of 0.0027% and the Stock Exchange trading of 0.005%).

The WWPKG Group was founded in 1979 and has been one of the long-established and well-known travel agents in Hong Kong. WWPKG is a company listed on GEM of the Stock Exchange under the stock code 8069. The businesses of WWPKG include the design, development and sales of outbound package tours, the sales of air tickets and/or hotel accommodations and the sales of ancillary travel related products and services (collectively, the "**Travel Related Products and Services**") and investments in tourism and travel technology related businesses. The Group markets its Travel Related Products and Services under the brand "縱橫遊 WWPKG". Its major Travel Related Products and Services is the provision of outbound package tours to various destinations with particular focus on Japan-bound tours. WWPKG is an independent third party, and is not a connected person (as defined under the Listing Rules) of our Company.

Junan Resources

Pursuant to the Cornerstone Investment Agreement entered into between our Company, the Sole Global Coordinator and Junan Resources dated 11 June 2019, Junan Resources agreed to subscribe for such number of Shares, which shall be 9,522,000 Shares (assuming the mid-point of the indicative Offer Price range), representing 1.9% of our Company's enlarged issued share capital (assuming the Over-allotment Option is not exercised), at the Offer Price (exclusive of brokerage of 1.00%, SFC transaction levy of 0.0027% and the Stock Exchange trading of 0.005%).

Junan Resources is a wholly-owned subsidiary of Ningbo Junan Holdings Limited (寧波君安控股有限公司) and is principally engaged in import trade, export trade and domestic trade of fine ore. Junan Resources is an independent third party, and is not a connected person (as defined under the Listing Rules) of our Company.

CLOSING CONDITIONS

The subscription obligations of the Cornerstone Investors are subject to, among other things, the following closing conditions:

(a) the Underwriting Agreements being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the respective Underwriting Agreements, and neither of the Underwriting Agreements having been terminated;

(b) the Offer Price having been agreed upon between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters);

(c) the Listing Committee having granted the listing of, and permission to deal in, the Shares (including the Shares to be subscribed by the Cornerstone Investors) as well as other applicable waivers and approvals and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

(d) no laws shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or in the Cornerstone Investment Agreements and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting the consummation of such transactions; and

(e) the respective representations, warranties, undertakings, acknowledgements and confirmations of the Cornerstone Investors under the respective Cornerstone Investment Agreement are (as of the date of the respective Cornerstone Investment Agreements) and will be (as of the Listing Date or the delayed delivery date as notified by the Sole Global Coordinator, as applicable) accurate and true in all respects and not misleading and that there is no material breach of the Cornerstone Investment Agreements on the part of the Cornerstone Investors.

RESTRICTIONS ON THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that it will not, whether directly or indirectly, at any time during the period of six months starting from and inclusive of the Listing Date (the "**Lock-up Period**") (i) dispose of, in any way, any Shares subscribed by the Cornerstone Investors pursuant to the respective Cornerstone Investment Agreements, and any Shares or other securities or interest in our Company which are derived therefrom pursuant to any rights issue, capitalisation issue or other form of capital reorganisation (whether such transactions are to be settled in cash or otherwise) and any interest therefrom (the "**Relevant Shares**") or any interest in any company or entity holding any Relevant Shares; (ii) allow itself to undergo a change of control (as defined in the Takeovers Code) at the level of its ultimate

beneficial owner(s); or (iii) enter into any transactions directly or indirectly with the same economic effect as any aforesaid transaction, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries provided that prior to such transfer, such wholly-owned subsidiary undertakes in writing to, and such Cornerstone Investor undertakes to procure that such wholly-owned subsidiary will be bound by the same obligations of such Cornerstone Investor, including the Lock-up Period restriction.

SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately prior to and following the completion of the Capitalisation Issue and the Global Offering.

Authorised share capital:

		HK$
10,000,000,000	Shares of HK$0.01 each	100,000,000.00

Issued and to be issued, fully paid or credited as fully paid:

10,204,082	Shares in issue as at the date of this prospectus	102,040.82
364,795,918	Shares to be issued pursuant to the Capitalisation Issue	3,647,959.18
125,000,000	Shares to be issued pursuant to the Global Offering	1,250,000.00
500,000,000	Shares in total	5,000,000.00

MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08 of the Listing Rules, at the time of Listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of 25% of the total number of issued shares of our Company in the hands of the public (as defined in the Listing Rules).

RANKING

The Offer Shares will rank equally with all Shares now in issue or to be allotted and issued and will qualify for all dividend or other distributions declared, made or paid after the date of this prospectus save for the entitlements under the Capitalisation Issue.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme on 11 June 2019 and the principal terms of the Share Option Scheme are summarised in "Statutory and General Information – G. Share Option Scheme" in Appendix V to this prospectus.

Our Group did not have any outstanding share options, warrants, convertible instruments, or similar rights convertible into our Shares as at the Latest Practicable Date.

GENERAL MANDATES GRANTED TO OUR DIRECTORS

Subject to the Global Offering becoming unconditional, general mandates have been granted to our Directors to allot and issue Shares and to repurchase Shares.

For details of such general mandates, see "Statutory and General Information – A. Further Information about our Company – 3. Written Resolutions of our Shareholders passed on 11 June 2019" in Appendix V to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Our Company has one class of shares, namely ordinary shares, each of which shall carry the same rights as the other Shares.

As a matter of the Cayman Islands company law, a Cayman Islands exempted company is not required by law to convene an annual general meeting unless the articles of association otherwise provide. The holding of general meeting or class meeting is prescribed for under the articles of association of a Cayman Islands company and the Cayman Companies Law. Accordingly, our Company will hold general meetings as prescribed for under the Articles of Association and the Cayman Companies Law.

You should read this section in conjunction with our combined financial information as set out in Appendix I to this prospectus. The combined financial information has been prepared in accordance with HKFRSs.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include those discussed in "Risk Factors".

OVERVIEW

We are a well-established travel service provider based in Ningbo, Zhejiang Province of the PRC. We offer diversified products that cater for different travellers' needs, including the provision of outbound and domestic travel, and other ancillary travel-related products and services. Our "iFlying" iFlying爱飞 brand is a well-established brand in the industry and we believe that our customers associate our brand with quality travel products and outstanding customer service. According to the F&S Report, we ranked fifth among all travel agencies in Zhejiang Province, representing a market share of 0.9% in terms of revenue in 2017.

Due to the accumulative effects of rising disposable income and increasing per capita consumption expenditure on tourism of Chinese tourists, our sales of package tours and margin income from sales of FIT Products experienced steady growth, resulting in the increase in our overall revenue during the Track Record Period. Our total revenue increased by RMB54.7 million or 13.3% from RMB410.1 million for the year ended 31 December 2016 to RMB464.8 million for the year ended 31 December 2017, and further increased by RMB28.1 million or 6.0% to RMB492.9 million for the year ended 31 December 2018.

BASIS OF PRESENTATION

Pursuant to the Reorganisation, as more fully explained in "History, Reorganisation and Corporate Structure", our Company became the holding company of the companies now comprising our Group on 18 January 2019. As the Reorganisation only involved inserting new holding companies at the top of an existing company that has not resulted in a change of respective voting and beneficial interests, our combined financial information as set out in Appendix I to this prospectus has been presented as a continuation of the then holding company by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Track Record Period.

Due to regulatory prohibitions on foreign ownership in the outbound travel business and the domestic passenger air ticketing services from air ticketing business and restrictions on foreign ownership in the international passenger air ticketing services from air ticketing business in the PRC, the principal business carried out by the Operating Entities was prohibited or restricted from foreign ownership. The wholly-owned subsidiary of our Company, WFOE, has entered into the Contractual Arrangements. The Contractual Arrangements enable WFOE to exercise effective control over the Operating Entities and obtain substantially all economic benefits of the Operating Entities. Accordingly, our Company regards the Operating Entities as indirect subsidiaries for the purpose of our combined financial information and the results of the Operating Entities are combined in our combined financial information for the Track Record Period. See "Contractual Arrangements" for details. Our Group does not have any equity interests in the Operating Entities.

The combined statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of our Group for the Track Record Period include the results and cash flows of all companies now comprising our Group from the earliest date presented or since the date when the subsidiaries and/or businesses were established, where this is a shorter period. The combined statements of financial position of our Group as at 31 December 2016, 2017 and 2018 have been prepared to present the assets and liabilities of the subsidiaries now comprising our Group using the existing book values. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

All intra-group transactions and balances have been eliminated on combination.

Impact of adoption of certain accounting policies and amendments

HKFRS 9 and HKFRS 15

HKFRS 9 "Financial Instruments" replaces the provisions of HKAS 39 "Financial Instruments: Recognition and Measurement". HKFRS 15 "Revenue from Contracts with Customers" replaces the previous revenue standard HKAS 18 "Revenue" and related interpretations. The standards are effective for annual periods beginning on or after 1 January 2018 and early adoption is permitted.

Our Group has adopted HKFRSs 9 and 15 on a consistent basis throughout the Track Record Period.

The adoption of HKFRS 9 has no material impact on our Group's financial position and performance during the Track Record Period.

The adoption of HKFRS 15 does not affect the timing and amount of revenue recognition during the Track Record Period. Upon adoption of HKFRS 15, contract liabilities which represented the obligation to transfer goods or services to a customer for which our Group has received a consideration (or an amount of consideration that is due) from the customer were

included in "Advance from customers, other payables and accruals" as at 31 December 2016, 2017 and 2018, and amounted to approximately RMB31.0 million, RMB26.6 million and RMB29.3 million, respectively. Accordingly, we consider that the adoption of HKFRS 15 has no significant impact on our financial position and performance during the Track Record Period.

Based on the above assessment, our Directors consider that the adoption of HKFRS 9 and HKFRS 15 did not have significant impact on our Group's financial position and performance during the Track Record Period.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been and will continue to be affected by a number of factors, including those set out below:

Changes in economic, political and social conditions in the PRC

Our customers primarily comprise retail customers, and corporate and institutional customers such as local enterprise, corporation and government organisations. Retail customers' demand for both domestic and outbound travel products and services in the PRC is significantly dependent on their level of disposable income, which, in turn, is affected by changes in economic, political and social conditions in the PRC to a great extent. Future changes in economic conditions in the PRC may adversely affect the level of disposable income available and the portion of disposable income spent on retailing travel products for population in the PRC, which will in turn affect demand for retailing travel products and services offered by our Group. Corporate and institutional customers' demand for outbound travel products and services in the PRC is significantly affected by the diplomatic policy or the relationship between PRC and the destination countries such as tax and economic policies, political stability and foreign trade regulations, which will in turn affect demand for corporate and institutional travel products and services offered by our Group. Hence, any changes in economic, political and social conditions in the PRC will affect our business operations and financial conditions.

Pricing of our travel products and services

We generally determine the price of our travel products and services on a cost-plus basis. We take into consideration, among others, (i) the market comparable; (ii) the prevailing exchange rate; (iii) cost of travel elements including air tickets, hotel accommodation, local transportation, meals and sight-seeing, costs of travel escorts and/or tour guides and land operations; and (iv) market demands. We review the prices of our travel products and services from time to time. Our cost of sales amounted to RMB341.0 million, RMB375.1 million and RMB386.2 million for the year ended 31 December 2016, 2017 and 2018, respectively. Any changes in pricing of our travel products and services would materially or adversely affect our results of operations.

Land and cruise operator costs and air ticket and local transportation costs together accounted for an aggregate of 89.3%, 84.2% and 87.2% of our total cost of sales for the year ended 31 December 2016, 2017 and 2018, respectively. Any changes in our cost structure would also materially or adversely affect our results of operations.

The following tables set out the sensitivity analysis illustrating the changes in our profit before tax of the year ended 31 December 2016, 2017 and 2018 for hypothetical increase or decrease in our land and cruise operator costs and air ticket and local transportation costs, respectively, while all other factors remain unchanged:

	Decrease/increase in our profit before tax Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Hypothetical fluctuation of land and cruise operator costs:			
Hypothetical increase/decrease of 1.0%	+/-2,296	+/-2,221	+/-2,309
Hypothetical increase/decrease of 3.0%	+/-6,887	+/-6,663	+/-6,926
Hypothetical increase/decrease of 5.0%	+/-11,478	+/-11,105	+/-11,543

	Decrease/increase in our profit before tax Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Hypothetical fluctuation of air ticket and local transportation costs:			
Hypothetical increase/decrease of 1.0%	+/-748	+/-938	+/-1,060
Hypothetical increase/decrease of 3.0%	+/-2,243	+/-2,815	+/-3,181
Hypothetical increase/decrease of 5.0%	+/-3,738	+/-4,692	+/-5,302

Product and service mix

During the Track Record Period, the fluctuation in our gross profit margin was attributable to the changes in our product and service mix. As revenue for FIT Products are recognised on a net basis, higher proportion of overall revenue generated from FIT Products will lead to a higher overall gross profit margin. Our margin income from sales of FIT Products as a percentage of our overall revenue experienced an increasing trend during the Track Record Period which accounted for 5.1%, 9.0% and 12.1% for the year ended 31 December 2016, 2017 and 2018, respectively. Therefore, our overall gross profit margin also experienced an increasing trend during the Track Record Period which were 16.9%, 19.3% and 21.6% for the year ended 31 December 2016, 2017 and 2018, respectively. Any changes in consumer preference of travel products will affect our product and service mix, which will in turn affect our financial performance.

Competition from competing agents and online travel companies

The travel industry in the PRC is highly competitive. With increased popularity of Internet use, apart from facing competition from other travel agents which provide online sale platforms, we also face fierce competition from international and local online travel agencies and online booking platforms operated by airlines and hotels which have aggressive marketing campaigns and promotion programmes from time to time. According to the F&S Report, by the end of 2017, there were approximately 2,200 licensed travel agents in Zhejiang Province. Some of our competitors may possess stronger brand recognition, higher sales volume, larger consumer bases, or greater financial, marketing and/or other resources than us. There is no assurance that we will be able to remain competitive and to compete successfully against current and future competitors. Failure to continually offer quality products and services to meet our customers' demands and changing needs, or to develop and introduce new products or enhance existing products in a timely manner in response to changing market conditions or consumer preferences and tastes may materially and adversely affect our market share, which in turn will adversely affect our business, financial conditions and operating results.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

We have identified certain accounting policies that are significant to the preparation of our Group's financial information. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgements relating to accounting items. In each case, the determination of these items requires management judgements based on information and financial data that may change in future periods. When reviewing our financial information, you should consider: (i) our selection of accounting policies; and (ii) the results to changes in conditions and assumptions. We set forth below those accounting policies that we believe are of critical importance to us or involve the most significant estimates and judgements used in the preparation of our Group's financial information. Our significant accounting policies, estimates and judgements, which are important for an understanding of our financial condition and results of operations, are set forth in detail in notes 2.4 and 3 of the Accountants' Report set out in Appendix I to this prospectus, respectively.

Significant accounting policies

Revenue recognition

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

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in note 3 of the Accountants' Report set out in Appendix I to this prospectus.

Sales of travel-related products and services

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

(ii) Margin income from sales of FIT Products is recognised when the services have been rendered.

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

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

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

Interest income

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

Property, plant and equipment and depreciation

Property, plant and equipment, including leasehold land and buildings, computer and office equipment, motor vehicles, and leasehold improvements of point of sales, retail branches and offices, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment (including leasehold land and buildings, computer and office equipment, motor vehicles, and leasehold improvements of point of sales, retail branches and offices) comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment (including leasehold land and buildings, computer and office equipment, motor vehicles, and leasehold improvements of point of sales, retail branches and offices) to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment (including leasehold land and buildings, computer and office equipment, motor vehicles, and leasehold improvements of point of sales, retail branches and offices) are as follows:

Leasehold land and buildings	Over the shorter of the term of the land use rights or 30 years
Computer and office equipment	3-5 years
Motor vehicles	5-8 years
Leasehold improvements (including point of sales, retail branches and offices)	Over the shorter of the improvements' useful life or the lease term

The rate of residual values of property, plant and equipment (including leasehold land and buildings, computer and office equipment, motor vehicles, and leasehold improvements of point of sales, retail branches and offices) are as follows:

Leasehold land and buildings	5%
Computer and office equipment	5%
Motor vehicles	5%
Leasehold improvements (including point of sales, retail branches and offices)	0%

Where parts of an item of property, plant and equipment (including leasehold land and buildings, computer and office equipment, motor vehicles, and leasehold improvements of point of sales, retail branches and offices) have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment (including leasehold land and buildings, computer and office equipment, motor vehicles, and leasehold improvements of point of sales, retail branches and offices) including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents leasehold improvements under construction and certain office equipment under installation, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use. During the year ended 31 December 2016, 2017 and 2018, we had additions of leasehold improvements amounted to RMB1.1 million, RMB0.4 million and RMB0.1 million, respectively, and transfers of RMB49,000, nil and RMB14.5 million from construction in progress to leasehold improvements, respectively, mainly in relation to the renovation costs of our point of sales, retail branches and offices. Renovation costs were first recorded as construction in progress and subsequently transferred to leasehold improvements upon completion. The transfer of construction in progress to leasehold improvements of RMB14.5 million during the year ended 31 December 2018 represented the renovation costs of our tourism square.

Investment properties

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

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

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

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

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

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

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

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

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

Critical accounting estimates and judgements

Principal versus agent

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

We perform the assessment based on the above mentioned factors and reach the conclusion that our Group acts as a principal in the provision of package tour services, conferencing services and tourist attraction service since our Group controls the services before they are transferred to the customers and acts as an agent in the sales of FIT Products since our Group does not obtain control over the services performed by the airline operators, hotels, tourist attractions and the relevant government authorities for visa application processing services. Accordingly, our Group recognises revenue from the provision of package tour services on a gross basis and the revenue of the air tickets and hotel accommodation booking and agency service on a net basis.

Classification between investment properties and owner-occupied properties

Our Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, our Group considers whether a property generates cash flows largely independently of the other assets held by our Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, our Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation of fair value of investment properties

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

The principal assumptions for our Group's estimation of the fair value include those related to estimated rental values with reference to the current market rents for similar properties in the same location and condition and appropriate capitalisation rates. Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 14 of the Accountants' Report set out in Appendix I to this prospectus.

RESULTS OF OPERATIONS

The following table summarises the combined statements of profit or loss during the Track Record Period, details of which are set out in Appendix I to this prospectus.

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	410,115	464,844	492,851
Cost of sales	(340,951)	(375,141)	(386,191)
Gross profit	69,164	89,703	106,660
Other income and gains	3,367	2,901	7,070
Selling and distribution expenses	(25,592)	(27,880)	(30,504)
Administrative expenses	(16,519)	(22,231)	(43,065)
Other expenses	(4,861)	(168)	(2,509)
Interest expenses	(118)	(1,796)	(4,034)
Profit before tax	25,441	40,529	33,618
Income tax expense	(7,426)	(10,582)	(10,122)
Profit for the year	18,015	29,947	23,496

DESCRIPTION AND ANALYSIS OF PRINCIPAL ITEMS IN THE COMBINED STATEMENTS OF PROFIT OR LOSS

Revenue

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

	Year ended 31 December					
	2016		**2017**		**2018**	
	Revenue	**Percentage of revenue**	**Revenue**	**Percentage of revenue**	**Revenue**	**Percentage of revenue**
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Sales of package tours	372,456	90.8	407,362	87.6	420,376	85.3
Margin income from sales of FIT Products	21,022	5.1	41,712	9.0	59,764	12.1
Sales of ancillary travel-related products and services	16,637	4.1	15,770	3.4	12,711	2.6
Total	410,115	100.0	464,844	100.0	492,851	100.0

During the Track Record Period, we generated revenue from three segments: (i) package tours; (ii) FIT Products; and (iii) ancillary travel-related products and services. Our customers primarily comprised retail customers, and corporate and institutional customers.

During the Track Record Period, sales of package tours and margin income from sales of FIT Products experienced steady growth, resulting in the increase in our overall revenue. Our total revenue increased by RMB54.7 million or 13.3% from RMB410.1 million for the year ended 31 December 2016 to RMB464.8 million for the year ended 31 December 2017, and further increased by RMB28.1 million or 6.0% to RMB492.9 million for the year ended 31 December 2018. The overall increasing trend was mainly due to the increase in demand of travel-related products as a result of increasing disposable income of Chinese residents and increasing per capita consumption expenditure on tourism of Chinese tourists.

Sales of package tours

Our sales of package tours mainly represented the fees received from customers for our package tours. Our 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.

Our sales of package tours, which is a major travel product we offered, accounted for 90.8%, 87.6% and 85.3% of our total revenue for the year ended 31 December 2016, 2017 and 2018, respectively. Our sales of package tours increased by RMB34.9 million from RMB372.5 million for the year ended 31 December 2016 to RMB407.4 million for the year ended 31 December 2017, and further increased by RMB13.0 million to RMB420.4 million for the year ended 31 December 2018. The increasing trend of sales of package tours was mainly due to the increase in our customers' demand of package tours as a result of the stable growth of China's economy and the increase in disposable income of Chinese residents.

Package tours by type

The following table sets forth the breakdown of our revenue, number of tours and average revenue per tour from sales of package tours by type for the years indicated:

	Year ended 31 December											
	2016				2017				2018			
	Revenue	Percentage of revenue	Number of tours	Average revenue per tour	Revenue	Percentage of revenue	Number of tours	Average revenue per tour	Revenue	Percentage of revenue	Number of tours	Average revenue per tour
	RMB'000	*%*		*RMB'000*	*RMB'000*	*%*		*RMB'000*	*RMB'000*	*%*		*RMB'000*
Traditional package tours	304,967	81.9	7,452	41	316,326	77.7	9,341	34	307,930	73.3	7,698	40
Tailor-made tours	67,489	18.1	1,995	34	91,036	22.3	3,161	29	112,446	26.7	3,088	36
Total	372,456	100.0	9,447	39	407,362	100.0	12,502	33	420,376	100.0	10,786	39

Our sales of package tours increased by RMB34.9 million from RMB372.5 million for the year ended 31 December 2016 to RMB407.4 million for the year ended 31 December 2017 mainly due to the increase in number of tours. Our sales of tailor-made tours increased from RMB67.5 million for the year ended 31 December 2016 to RMB91.0 million for the year ended 31 December 2017 and contributed 22.3% of our total sales of package tours for the year ended 31 December 2017 as a result of the increase in customers' demand for tailor-made tours due to change in customers' preference.

The average revenue per tour decreased from approximately RMB39,000 for the year ended 31 December 2016 to approximately RMB33,000 for the year ended 31 December 2017 mainly due to (i) reduced size for package tours in light of the market trend for smaller group tours to enhance service quality, which led to the decrease in average revenue per tour; and (ii) increase in number of short term domestic tours within Zhejiang Province with relatively lower tour price. During the year ended 31 December 2017, we launched over 3,000 short term tours within Zhejiang Province such as the Mount Putuo Day Tour with revenue of approximately RMB300 per tourist, as compared to approximately 1,000 tours during the year ended 31 December 2016. As a result, the number of tours increased while the average revenue per tour decreased during the year ended 31 December 2017.

Our sales of package tours increased by RMB13.0 million from RMB407.4 million for the year ended 31 December 2017 to RMB420.4 million for the year ended 31 December 2018 mainly due to the increase in demand for our tailor-made tours. Our sales of tailor-made tours increased from RMB91.0 million for the year ended 31 December 2017 to RMB112.4 million for the year ended 31 December 2018 and contributed 26.7% of our total sales of package tours for the year ended 31 December 2018. Our sales of traditional package tours decreased from RMB316.3 million for the year ended 31 December 2017 to RMB307.9 million for the year ended 31 December 2018 mainly due to our business strategy to provide less short term domestic tours within Zhejiang Province which had relatively lower tour prices and focus on other tours with relatively higher tour prices. During the year ended 31 December 2018, the number of short term tours within Zhejiang Province arranged decreased by approximately 1,000 tours to 2,000 tours which led to the decrease in number of traditional package tours. As a result, the average revenue per tour increased while the total number of tours decreased during the year ended 31 December 2018.

Package tours by destination

The following table sets forth a breakdown of our revenue, number of tours and average revenue per tour from sales of package tours by destination for the years indicated:

	Year ended 31 December											
	2016				2017				2018			
	Revenue	Percentage of revenue	Number of tours	Average revenue per tour	Revenue	Percentage of revenue	Number of tours	Average revenue per tour	Revenue	Percentage of revenue	Number of tours	Average revenue per tour
	RMB'000	*%*		*RMB'000*	*RMB'000*	*%*		*RMB'000*	*RMB'000*	*%*		*RMB'000*
Domestic												
PRC	118,257	31.8	6,401	18	149,536	36.7	9,437	16	156,205	37.2	7,391	21
Outbound												
United States, Europe and Canada	66,013	17.7	456	145	77,890	19.1	443	176	83,518	19.9	504	166
Southeast Asia	55,665	14.9	935	60	67,989	16.7	1,347	50	77,842	18.5	1,467	53
Japan and South Korea	82,474	22.1	1,042	79	66,057	16.2	742	89	61,551	14.6	1,023	60
Other destinations	50,047	13.5	613	82	45,890	11.3	533	86	41,260	9.8	401	103
	254,199	68.2	3,046	83	257,826	63.3	3,065	84	264,171	62.8	3,395	78
Total	372,456	100.0	9,447	39	407,362	100.0	12,502	33	420,376	100.0	10,786	39

During the Track Record Period, we provided both domestic and outbound package tours to our customers. Our sales of outbound package tours accounted for 68.2%, 63.3% and 62.8% of our revenue from package tours, and our sales of domestic package tours accounted for 31.8%, 36.7% and 37.2% of our revenue from package tours for the year ended 31 December 2016, 2017 and 2018, respectively.

Our sales from package tours by destination were mainly determined by (i) customer base and customers' preference on destinations; and (ii) the availability and cost of air tickets and related resources from our suppliers. During the Track Record Period, our sales of domestic package tours and number of tours recorded a continuous growth in general. However, the number of domestic tours decreased from 9,437 for the year ended 31 December 2017 to 7,391 for the year ended 31 December 2018 mainly due to our business strategy to decrease in arranging short term domestic tours within Zhejiang Province.

During the Track Record Period, outbound package tours bounded for (i) United States, Europe and Canada; (ii) Southeast Asia; and (iii) Japan and South Korea were the top three popular destinations of our customers. Our sales from package tours generally exhibited growth for all destinations during the year ended 31 December 2017 and 2018, except for tours bound for Japan and South Korea because of the deterioration of the diplomatic relationships between the PRC and South Korea since early 2017.

Margin income from sales of FIT Products

Our FIT Products mainly include air tickets, hotel accommodation and a combination of both. Our 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 we render services as an agent, whereby we are only responsible for arranging the booking of FIT Products with no control obtained over the services performed by airline operators, hotel operators and other travel agencies.

FIT Products by type

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

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Air tickets			
Gross sales proceeds	448,134	1,692,604	2,817,995
Cost of air tickets	429,058	1,660,987	2,792,519
Revenue from sales of air tickets	19,076	31,617	25,476
Incentive commission	243	7,734	31,624
Margin income from sales of air tickets	19,319	39,351	57,100
Others			
Margin income from sales of other FIT Products	1,703	2,361	2,664
Total	21,022	41,712	59,764

Margin income from sales of air tickets represented (i) revenue from sales of air tickets; and (ii) incentive commission from airline operators, GDS service providers and ticketing agents if we achieved the performance targets. The calculation basis of the incentive commissions varies between different airline operators, GDS service providers and ticketing agents. The incentive commission is normally calculated as (i) a fixed amount if our monthly

average sales volume exceeded a certain percentage comparing to the corresponding period in the previous year; (ii) a certain percentage of our annual total transaction value if we achieved a certain growth compared to the previous year and/or if we satisfied the targeted annual transaction value; or (iii) a stipulated percentage of our transaction value for a specific period if we meet the corresponding transaction value threshold. Margin income from sales of other FIT Products mainly included hotel accommodation and a combination of air tickets and hotel accommodation.

Our total margin income from sales of FIT Products increased by approximately RMB20.7 million from RMB21.0 million for the year ended 31 December 2016 to RMB41.7 million for the year ended 31 December 2017, and further increased by approximately RMB18.3 million to RMB60.0 million for the year ended 31 December 2018, mainly due to the increase in number of air tickets sold and the incentive commission received.

Our margin income from sales of air tickets is recognised on a net basis as we render services as an agent. We generate margin income from sales of air tickets upon the receipt of sales orders from our customers, for services including the booking, re-booking, cancellation and refund of air tickets. We will then issue an air ticket to each individual passenger which may consist of round trip, one-way or open-jaw air tickets, or air tickets for multiple destinations and our sales volume represents the number of air tickets issued to individual passengers.

Set forth below the gross sales proceeds, sales volume, average sales value, margin income, average margin income and margin from sales of air tickets for the years indicated:

	Year ended 31 December		
	2016	**2017**	**2018**
Gross sales proceeds (RMB'000)	448,134	1,692,604	2,817,995
Sales volume*(Note)* ('000)	94	464	1,029
Average sales value (RMB)	4,767	3,648	2,739
Margin income from sales of air tickets (RMB'000)	19,319	39,351	57,100
Average margin income from sales of air tickets (RMB)	206	85	55
Margin from sales of air tickets	4.3%	2.3%	2.0%

Note: Sales volume represents the number of air tickets issued to individual passengers. Round trip and multiple transitions which involved multi-journeys issued under an air ticket to an individual would be counted as one.

Gross sales proceeds from sales of air tickets included (i) sales amount of air tickets sold; (ii) booking, re-booking, cancellation and handling fee, netting off with sales amount of air tickets cancelled.

Our gross sales proceeds from sales of air tickets increased by RMB1,244.5 million from RMB448.1 million for the year ended 31 December 2016 to RMB1,692.6 million for the year ended 31 December 2017 because of the increase in sales volume of air tickets by approximately 370,000 counts from 94,000 counts for the year ended 31 December 2016 to 464,000 counts for the year ended 31 December 2017, after we obtained the Air Transportation Sales Agency Business Qualification Certificate (Class 1) and (Class 2), which was the then qualification of international and domestic air ticketing business, through the acquisition of Ningbo Qihang in July 2016. Our air ticketing business was relatively small-scale prior to the acquisition of Ningbo Qihang. By pooling Ningbo Qihang's and our Group's resources through the acquisition of Ningbo Qihang, our Group was capable to further explore and develop business opportunities through our established brand image, leading to the increase in sales volume, hence the increase in sales of air tickets. The average sales value decreased from approximately RMB4,767 for the year ended 31 December 2016 to approximately RMB3,648 for the year ended 31 December 2017 mainly due to the change in mixture of air tickets procured by our customers of which more short-haul air tickets with lower unit price were sold during the year ended 31 December 2017. Our average margin income from sales of air tickets decreased from approximately RMB206 for the year ended 31 December 2016 to approximately RMB85 for the year ended 31 December 2017, and our margin from sales of air tickets decreased from 4.3% for the year ended 31 December 2016 to 2.3% for the year ended 31 December 2017. Such decreases were due to our business strategy to lower our margins in order to achieve the rapid growth in our gross sales proceeds and sales volume from sales of air tickets.

Our gross sales proceeds from sales of air tickets increased by RMB1,125.4 million from RMB1,692.6 million for the year ended 31 December 2017 to RMB2,818.0 million for the year ended 31 December 2018 because of the further increase in sales volume of air tickets by approximately 565,000 counts from 464,000 counts for the year ended 31 December 2017 to 1,029,000 counts for the year ended 31 December 2018. During the year ended 31 December 2018, the average sales value decreased from approximately RMB3,648 for the year ended 31 December 2017 to approximately RMB2,739 for the year ended 31 December 2018 as we increased the sales of air tickets of budget airlines, of which the sales value per ticket was lower. Our average margin income from sales of air tickets decreased from approximately RMB85 for the year ended 31 December 2017 to approximately RMB55 for the year ended 31 December 2018, and our margin from sales of air tickets slightly decreased from 2.3% for the year ended 31 December 2017 to 2.0% for the year ended 31 December 2018. During the year ended 31 December 2018, we subscribed to new GDS service provider which allowed us to procure air tickets provided by international airline operators. We recognised lower incentive commission arising from such sales during the first year of cooperation. In addition, the lower average margin income was also due to the increase in sales of air tickets of budget airlines, of which the sales value per ticket was lower.

During the Track Record Period, our gross sales proceeds increased significantly from RMB448.1 million for the year ended 31 December 2016 to RMB1,692.6 million for the year ended 31 December 2017, and further increased significantly to RMB2,818.0 million for the year ended 31 December 2018. It led to the increase in our gross sales value of air tickets and

achieved the performance targets regarding the incentive commission. Accordingly, the incentive commission increased significantly from RMB0.2 million for the year ended 31 December 2016 to RMB7.7 million for the year ended 31 December 2017, and further increased to RMB31.6 million for the year ended 31 December 2018.

Our margin income from sales of other FIT Products remained stable during the Track Record Period.

Sales of ancillary travel-related products and services

We also offered other ancillary travel-related products and services to our customers. Our sales of ancillary travel-related products and services remained relatively stable at RMB16.6 million and RMB15.8 million or 4.1% and 3.4% of our total revenue for the year ended 31 December 2016 and 2017, respectively.

Our sales of ancillary travel-related products and services slightly decreased by RMB3.1 million from RMB15.8 million for year ended 31 December 2017 to RMB12.7 million for the year ended 31 December 2018, mainly due to the decrease in entrance fee from the tourist attraction as the operating right of a tourist attraction was terminated during 2017.

Cost of sales

The following table sets forth the breakdown of our cost of sales by nature for the years indicated:

	Year ended 31 December					
	2016		2017		2018	
	Cost of sales *RMB'000*	Percentage of cost of sales %	Cost of sales *RMB'000*	Percentage of cost of sales %	Cost of sales *RMB'000*	Percentage of cost of sales %
Land and cruise operation	229,569	67.3	222,091	59.2	230,852	59.8
Air ticket and local transportation	74,763	21.9	93,833	25.0	106,045	27.5
Hotel accommodation	14,976	4.4	24,786	6.6	19,949	5.2
Others	21,643	6.4	34,431	9.2	29,345	7.5
Total	340,951	100.0	375,141	100.0	386,191	100.0

Our cost of sales mainly represented the direct costs incurred for our sales of package tours including land and cruise operation, air ticket and local transportation, hotel accommodation and others. Land and cruise operation represented costs charged by (i) land operators for arranging package tours at travel destinations including accommodations and transportation at a bundle; and (ii) cruise operators for cruise holiday packages. Air ticket and local transportation mainly represented costs charged by airline operators, ticketing agents and

tour bus companies for airfare and land transportation of package tours. Hotel accommodation mainly represented costs charged by hotels for hotel rooms and services of package tours. Others mainly represented scenic spots admission and entry tickets, gifts to customers and insurance.

Cost of sales increased by RMB34.1 million from RMB341.0 million for the year ended 31 December 2016 to RMB375.1 million for the year ended 31 December 2017, and further increased by RMB11.1 million to RMB386.2 million for the year ended 31 December 2018. The increase was generally in line with the increase in our revenue.

Gross profit and gross profit margin

The following table sets forth the breakdown of our gross profit and gross profit margin by business segment for the years indicated:

	Year ended 31 December					
	2016		2017		2018	
	Gross profit *RMB'000*	Gross profit margin *%*	Gross profit *RMB'000*	Gross profit margin *%*	Gross profit *RMB'000*	Gross profit margin *%*
Package tours						
– Traditional	29,287	9.6	32,876	10.4	37,232	12.1
– Tailor-made	7,200	10.7	11,177	12.3	12,413	11.0
	36,487	9.8	44,053	10.8	49,645	11.8
FIT Products	19,247	91.6	34,747	83.3	49,058	82.1
Ancillary travel-related products and services	13,430	80.7	10,903	69.1	7,957	62.6
Total	69,164	16.9	89,703	19.3	106,660	21.6

We recorded gross profit of RMB69.2 million, RMB89.7 million and RMB106.7 million, representing gross profit margin of 16.9%, 19.3% and 21.6% for the year ended 31 December 2016, 2017 and 2018, respectively. The increasing trend of our overall gross profit was generally in line with the increase in our revenue.

During the Track Record Period, the fluctuation in our gross profit margin was attributable to the changes in our product and service mix. As revenue for FIT Products are recognised on a net basis, higher proportion of overall revenue generated from sales of FIT Products will lead to a higher overall gross profit margin.

Our overall gross profit margin increased by 2.4 percentage points from 16.9% for the year ended 31 December 2016 to 19.3% for the year ended 31 December 2017, and increased further by 2.3 percentage points to 21.6% for the year ended 31 December 2018 due to higher proportion of overall revenue generated from sales of FIT Products.

Package tours

The gross profit of both traditional and tailor-made package tours increased in line with the increase in revenue during the Track Record Period. The gross profit margin of both traditional and tailor-made package tours also slightly increased in general during the Track Record Period, while the gross profit margin of tailor-made package tours slightly decreased by 1.3 percentage points from 12.3% for the year ended 31 December 2017 to 11.0% for the year ended 31 December 2018 as part of our initiatives to slightly lower our margins to capture and enhance our business opportunities with corporate and institutional customers for tailor-made tours.

FIT Products

The gross profit of FIT Products increased during the Track Record Period mainly due to the increase in sales of air tickets. The gross profit margin of FIT Products slightly decreased by 8.3 percentage points from 91.6% for the year ended 31 December 2016 to 83.3% for the year ended 31 December 2017 mainly resulting from the fixed overhead cost of Ningbo Qihang which we acquired in July 2016. The gross profit margin of FIT Products was relatively stable at 83.3% and 82.1% for the year ended 31 December 2017 and 2018, respectively.

Ancillary travel-related products and services

The gross profit of ancillary travel-related products and services decreased by RMB2.5 million from RMB13.4 million for the year ended 31 December 2016 to RMB10.9 million for the year ended 31 December 2017 mainly due to the decrease in referral commission. The gross profit margin of ancillary travel-related products and services decreased by 11.6 percentage points from 80.7% for the year ended 31 December 2016 to 69.1% for the year ended 31 December 2017 mainly due to (i) the changes in our product and service mix; and (ii) the varying costs of our conferencing services rendered as each conferencing service was exclusive and determined on a case-by-case basis.

The gross profit of ancillary travel-related products and services decreased by RMB2.9 million from RMB10.9 million for year ended 31 December 2017 to RMB8.0 million for the year ended 31 December 2018 mainly due to the decrease in entrance fee from the tourist attraction as the operating right of a tourist attraction was terminated during 2017. The gross profit margin of ancillary travel-related products and services decreased by 6.5 percentage points from 69.1% for the year ended 31 December 2017 to 62.6% for the year ended 31 December 2018 mainly due to (i) the changes in our product and service mix; and (ii) the varying costs of our conferencing services rendered as each conferencing service was exclusive and determined on a case-by-case basis.

Other income and gains

Other income and gains mainly represented government grants of RMB2.9 million, RMB2.0 million and RMB5.5 million for the year ended 31 December 2016, 2017 and 2018, respectively. The government grants are non-recurring, with no unfulfilled conditions of contingencies.

Selling and distribution expenses

The following table sets forth the breakdown of our selling and distribution expenses for the years indicated:

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Staff costs	15,860	17,374	18,039
Advertising and marketing expenses	6,664	5,921	5,933
Office, rental and utility expenses	2,118	2,642	3,563
Others	950	1,943	2,969
Total	25,592	27,880	30,504

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

Our selling and distribution expenses increased by RMB2.3 million from RMB25.6 million for the year ended 31 December 2016 to RMB27.9 million for the year ended 31 December 2017 mainly due to (i) the increase in staff costs of RMB1.5 million as a result of the increase in headcount for our business growth and increase in average salary per head as a result of salary increment; (ii) the increase in office, rental and utility expenses of RMB0.5 million mainly due to the rental expense incurred for our tourism square which was effective near to the end of 2017; and (iii) the increase in travelling expenses of RMB0.5 million for site visits for potential new travel destinations, which was partly offset by the decrease in advertising and marketing expenses of RMB0.7 million as we decreased the use of print media.

Our selling and distribution expenses further increased by RMB2.6 million to RMB30.5 million for the year ended 31 December 2018 mainly due to (i) the increase in office, rental and utility expenses of RMB1.0 million mainly due to the rental expense incurred for our tourism square which was effective near to the end of 2017; (ii) the increase in depreciation and amortisation of RMB0.9 million mainly due to the leasehold improvements of our tourism square; and (iii) the increase in staff costs of RMB0.7 million as a result of the increase in headcount for our business growth and increase in average salary per head as a result of salary increment. Our advertising and marketing expenses remained stable at RMB5.9 million, and we changed our marketing strategy to place more television commercials and digital advertisement, on popular social media and online sales platforms, and organising more promotional events.

Administrative expenses

The following table sets forth the breakdown of our administrative expenses for the years indicated:

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Staff costs	9,624	11,821	19,881
Listing expenses	–	–	9,337
Office, rental and utility expenses	2,203	3,132	6,020
Depreciation	583	829	1,313
Transaction fee	815	1,098	1,228
Legal and professional fee	552	2,062	335
Others	2,742	3,289	4,951
Total	16,519	22,231	43,065

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

Our administrative expenses increased by RMB5.7 million from RMB16.5 million for the year ended 31 December 2016 to RMB22.2 million for the year ended 31 December 2017 mainly due to (i) the increase in staff costs of RMB2.2 million as a result of the increase in headcount for our business growth, increase in average salary per head as a result of salary increment and contribution to social insurance and housing provident fund; (ii) the increase in legal and professional fee of RMB1.5 million which were paid to auditor, lawyers and other professional parties for the preparation of listing of Feiyang International on ChiNext; and (iii) the increase in office, rental and utility expenses of RMB0.9 million due to the rental expenses incurred for new offices. See "History, Reorganisation and Corporate Structure – The Proposed Listing on ChiNext" for details on our proposed listing on ChiNext.

Our administrative expenses further increased by RMB20.9 million to RMB43.1 million for the year ended 31 December 2018 mainly due to (i) Listing expenses of RMB9.3 million; (ii) the increase in staff costs of RMB8.1 million as a result of the increase in headcount for our business growth, increase in average salary per head as a result of salary increment, contribution to social insurance and housing provident fund, and increase in equity-settled share award expenses; and (iii) the increase in office, rental and utility expenses of RMB2.9 million due to the rental and office expenses incurred for new offices.

Other expenses

Our other expenses amounted to RMB4.9 million, RMB0.2 million and RMB2.5 million for the year ended 31 December 2016, 2017 and 2018, respectively. For the year ended 31 December 2016, our other expenses mainly included (i) an one-off fair value loss from an investment product amounted to RMB1.6 million, which was terminated as at 31 December 2016; and (ii) impairment loss on our then building amounted to RMB2.2 million, which was subsequently reclassified to investment properties.

Our other expenses also included provision for impairment of trade receivables of RMB0.3 million, RMB0.2 million and RMB1.5 million for the year ended 31 December 2016, 2017 and 2018, respectively.

Interest expenses

Our interest expenses represented interest expenses on bank borrowings. Increase in interest expenses was mainly due to the increase in bank borrowings during the year ended 31 December 2017 and 2018.

Income tax expense

Our Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdiction in which members of our Group are domiciled and operate.

(i) Cayman Islands and BVI

Our Group is not subject to any income tax in the Cayman Islands or BVI during the Track Record Period.

(ii) Hong Kong profits tax

No provision for Hong Kong profits tax has been made as our Group did not generate any assessable profit in Hong Kong during the Track Record Period.

(iii) PRC corporate income tax

During the Track Record Period, except for Ben Niao Travel which was entitled to a preferential income tax rate of 10% for small and micro enterprises, the provision for income tax is based on the statutory rate of 25.0% of the assessable profits of the PRC subsidiaries of our Group as determined in accordance with the Law of the PRC on Enterprise Income Tax.

Our income tax expense amounted to RMB7.4 million, RMB10.6 million and RMB10.1 million for the year ended 31 December 2016, 2017 and 2018, respectively. Our effective tax rate was 29.2%, 26.1% and 30.1% for the year ended 31 December 2016, 2017 and 2018, respectively. The effective tax rate during the Track Record Period was higher than the applicable statutory tax rate of Ben Niao Travel of 10% and other group companies of 25.0% mainly due to the non-deductible expenses for tax purposes in relation to fair value loss from an investment product, Listing expenses and tax losses not recognised.

During the Track Record Period and up to the Latest Practicable Date, we had fulfilled all our income tax obligations and have not had any unresolved tax issues or disputes with the relevant tax authorities.

REVIEW OF HISTORICAL RESULTS OF OPERATIONS

Year ended 31 December 2018 compared to year ended 31 December 2017

Revenue

Our total revenue increased by RMB28.1 million from RMB464.8 million for the year ended 31 December 2017 to RMB492.9 million for the year ended 31 December 2018 mainly due to the increase in demand of travel-related products as a result of increasing disposable income of Chinese residents and increasing per capita consumption expenditure on tourism of Chinese tourists.

Our sales of package tours increased by RMB13.0 million from RMB407.4 million for the year ended 31 December 2017 to RMB420.4 million for the year ended 31 December 2018. The increase in sales of package tours was mainly due to the continuous increase in demand for tailor-made tours from our customers.

Our margin income from sales of FIT Products increased by RMB18.1 million from RMB41.7 million for the year ended 31 December 2017 to RMB59.8 million for the year ended 31 December 2018 mainly due to (i) the increase in revenue from sales of air tickets as the number of the air tickets sold increased; and (ii) the increase in incentive commission received.

Our sales of ancillary travel-related products and services slightly decreased by RMB3.1 million from RMB15.8 million for the year ended 31 December 2017 to RMB12.7 million for the year ended 31 December 2018, mainly due to the decrease in entrance fee from the tourist attraction as the operating right of a tourist attraction was terminated during 2017.

Cost of sales

Our cost of sales increased by RMB11.1 million from RMB375.1 million for the year ended 31 December 2017 to RMB386.2 million for the year ended 31 December 2018. The increase was generally in line with the increase in our revenue.

Gross profit and gross profit margin

Our gross profit increased by RMB17.0 million from RMB89.7 million for the year ended 31 December 2017 to RMB106.7 million for the year ended 31 December 2018 mainly contributed by sales of package tours and margin income from sales of FIT Products due to our business growth.

Our overall gross profit margin increased slightly by 2.3 percentage points from 19.3% for the year ended 31 December 2017 to 21.6% for the year ended 31 December 2018 due to the higher proportion of overall revenue generated from FIT Products.

Other income and gains

Our other income and gains increased by RMB4.2 million from RMB2.9 million for the year ended 31 December 2017 to RMB7.1 million for the year ended 31 December 2018 mainly due to the increase in government grants. The government grants are non-recurring, with no unfulfilled conditions of contingencies.

Selling and distribution expenses

Our selling and distribution expenses increased by RMB2.6 million from RMB27.9 million for the year ended 31 December 2017 to RMB30.5 million for the year ended 31 December 2018 mainly due to the (i) the increase in office, rental and utility expenses mainly due to the rental expense incurred for our tourism square which was effective near to the end of 2017; (ii) the increase in depreciation and amortisation mainly due to the leasehold improvements of our tourism square; and (iii) the increase in staff costs as a result of the increase in headcount for our business growth and increase in average salary per head as a result of salary increment.

Administrative expenses

Our administrative expenses increased by RMB20.9 million from RMB22.2 million for the year ended 31 December 2017 to RMB43.1 million for the year ended 31 December 2018 mainly due to (i) Listing expenses of RMB9.3 million; (ii) the increase in staff costs; and (iii) the increase in office, rental and utility expenses incurred for new offices.

Other expenses

Our other expenses increased by RMB2.3 million from RMB0.2 million for the year ended 31 December 2017 to RMB2.5 million for the year ended 31 December 2018 mainly due to the increase in provision for impairment of trade receivables.

Interest expenses

Our interest expenses increased by RMB2.2 million from RMB1.8 million for the year ended 31 December 2017 to RMB4.0 million for the year ended 31 December 2018 mainly due to the increase in bank borrowings during 2018.

Income tax expense

Our income tax expense was relatively stable at approximately RMB10.0 million for the year ended 31 December 2017 and 2018. Our effective tax rate increased by 4.0 percentage points from 26.1% for the year ended 31 December 2017 to 30.1% for the year ended 31 December 2018 mainly because of the non-deductible Listing expenses.

Profit for the year

As a result of the foregoing, our profit for the year decreased by RMB6.4 million from RMB29.9 million for the year ended 31 December 2017 to RMB23.5 million for the year ended 31 December 2018 because of the Listing expenses. Excluding the Listing expenses of RMB9.3 million, our profit for the year increased by RMB2.9 million to RMB32.8 million for the year ended 31 December 2018 due to the increase in revenue.

Our net profit margin decreased by 1.6 percentage points from 6.4% for the year ended 31 December 2017 to 4.8% for the year ended 31 December 2018 mainly due to the Listing expenses. Excluding the Listing expenses, our net profit margin was 6.7% and remained relatively stable between the year ended 31 December 2017 and 2018.

Year ended 31 December 2017 compared to year ended 31 December 2016

Revenue

Our total revenue increased by RMB54.7 million or 13.3% from RMB410.1 million for the year ended 31 December 2016 to RMB464.8 million for the year ended 31 December 2017, which was resulted from the increase in sales of package tours and margin income from sales of FIT Products.

Our sales of package tours increased by RMB34.9 million from RMB372.5 million for the year ended 31 December 2016 to RMB407.4 million for the year ended 31 December 2017. The increase in sales of package tours was mainly due to the increase in number of tours.

Our margin income from sales of FIT Products increased by RMB20.7 million from RMB21.0 million for the year ended 31 December 2016 to RMB41.7 million for the year ended 31 December 2017 mainly due to (i) the increase in revenue from sales of air tickets as the number of air tickets sold increased as we obtained the Certificates for Approval of Aviation Service Sales Agency Business (Category 1) and (Category 2) through the acquisition of Ningbo Qihang in July 2016; and (ii) the increase in incentive commission as we met the different performance targets regarding different incentive commission arrangements.

Our sales of ancillary travel-related products and services remained stable for the year ended 31 December 2016 and 2017.

Cost of sales

Our cost of sales increased by RMB34.1 million from RMB341.0 million for the year ended 31 December 2016 to RMB375.1 million for the year ended 31 December 2017. The increase was generally in line with the increase in our revenue.

Gross profit and gross profit margin

Our gross profit increased by RMB20.5 million from RMB69.2 million for the year ended 31 December 2016 to RMB89.7 million for the year ended 31 December 2017 mainly contributed by margin income from sales of FIT Products because of the increase in number of air tickets sold.

Our overall gross profit margin increased by 2.4 percentage points from 16.9% for the year ended 31 December 2016 to 19.3% for the year ended 31 December 2017 primarily due to higher proportion of overall revenue generated from FIT Products.

Other income and gains

Our other income and gains remained relatively stable at RMB3.4 million and RMB2.9 million for the year ended 31 December 2016 and 2017, respectively. Our income and gains mainly included government grants which are non-recurring, with no unfulfilled conditions of contingencies.

Selling and distribution expenses

Our selling and distribution expenses increased by RMB2.3 million from RMB25.6 million for the year ended 31 December 2016 to RMB27.9 million for the year ended 31 December 2017 mainly due to (i) the increase in staff costs; (ii) the increase in rental expense for our tourism square; and (iii) the increase in travelling expenses, which was partly offset by the decrease in advertising and marketing expenses.

Administrative expenses

Our administrative expenses increased by RMB5.7 million from RMB16.5 million for the year ended 31 December 2016 to RMB22.2 million for the year ended 31 December 2017 mainly due (i) the increase in staff costs; (ii) the increase in legal and professional fee which were paid to auditor, lawyers and other professional parties for the preparation of listing of Feiyang International on ChiNext; and (iii) the increase in office, rental and utility expenses incurred for new offices. See "History, Reorganisation and Corporate Structure – The Proposed Listing on ChiNext" for details on our proposed listing on ChiNext.

Other expenses

Our other expenses for the year ended 31 December 2016 mainly included (i) an one-off fair value loss from an investment product of RMB1.6 million; and (ii) impairment loss on our then building of RMB2.2 million, whereas for the year ended 31 December 2017 mainly included provision for impairment of trade receivables.

Interest expenses

Our interest expenses increased by RMB1.7 million from RMB0.1 million for the year ended 31 December 2016 to RMB1.8 million for the for the year ended 31 December 2017 mainly due to the increase in bank borrowings during 2017.

Income tax expense

Our income tax expense increased by RMB3.2 million from RMB7.4 million for the year ended 31 December 2016 to RMB10.6 million for the year ended 31 December 2017. The increase was mainly due to the increase in our profit before tax. Our effective tax rate decreased by 3.1 percentage points from 29.2% for the year ended 31 December 2016 to 26.1% for the year ended 31 December 2017 mainly due to the inclusion of a non-deductible investment loss from an investment product in 2016.

Profit for the year

Our profit for the year increased by RMB11.9 million from RMB18.0 million for the year ended 31 December 2016 to RMB29.9 million for the year ended 31 December 2017 mainly due to the increase in revenue. Our net profit margin increased by 2.0 percentage points from 4.4% for the year ended 31 December 2016 to 6.4% for the year ended 31 December 2017 mainly due to the increase in our gross profit margin.

LIQUIDITY AND CAPITAL RESOURCES

Net Current Assets

The following table sets forth our current assets and current liabilities as at the dates indicated, respectively:

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
CURRENT ASSETS				
Trade receivables	36,562	47,974	99,112	95,338
Prepayments, deposits and other receivables	30,468	43,486	87,646	140,642
Due from a related party	4,020	7,020	–	–
Due from a director	1,404	1,404	–	–
Financial assets at fair value through profit or loss	6,000	–	–	–
Pledged short-term deposits	13,394	24,853	23,388	17,153
Cash and cash equivalents	22,281	55,628	39,353	34,928
Total	114,129	180,365	249,499	288,061
CURRENT LIABILITIES				
Trade payables	25,189	35,101	40,012	49,508
Advance from customers, other payables and accruals	44,111	48,682	54,200	54,670
Interest-bearing bank borrowings	9,900	50,000	110,000	135,000
Lease liabilities	–	–	–	3,385
Tax payable	5,191	5,651	3,380	1,660
Total	84,391	139,434	207,592	244,223
NET CURRENT ASSETS	29,738	40,931	41,907	43,838

Our current assets mainly represented cash and cash equivalents, pledged short-term deposits, trade receivables, and prepayments, deposits and other receivables. Our current liabilities mainly represented interest-bearing bank borrowings, trade payables, and advance from customers, other payables and accruals.

Our net current assets increased from RMB29.7 million as at 31 December 2016 to RMB40.9 million as at 31 December 2017 primarily due to our business growth. Our net current assets remained relatively stable at RMB41.9 million and RMB43.8 million as at 31 December 2018 and 30 April 2019, respectively.

DESCRIPTION OF CERTAIN ITEMS OF COMBINED STATEMENTS OF FINANCIAL POSITION

Trade receivables

The following table sets forth the breakdown of our trade receivables as at the dates indicated:

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables from corporate and institutional customers	21,573	42,921	69,526
Performance guarantee receivables	15,391	5,666	19,751
Incentive commission receivables	–	–	11,901
	36,964	48,587	101,178
Impairment	(402)	(613)	(2,066)
	36,562	47,974	99,112

Our trade receivables were mainly arising from (i) our sales of air tickets to our corporate and institutional customers which mainly included (a) gross sales proceeds receivables that represented approximately 70% to 90% of the purchase price to be settled on the next business day after issuance of air tickets or depending on the credit terms granted of up to two months; and (b) performance guarantee receivables which represented the remaining balance of the purchase price that were usually settled the day after departure; and (ii) incentive commission receivables from airline operators, GDS service providers and ticketing agents.

Our trade receivables increased by RMB11.4 million from RMB36.6 million as at 31 December 2016 to RMB48.0 million as at 31 December 2017 mainly due to (i) the increase in sales to corporate and institutional customers; and (ii) the increase in sales of air tickets; partially offset by the decrease in performance guarantee receivables of RMB9.7 million of

which the percentage of performance guarantee required decreased in 2017 following the significant increase in gross sales proceeds of air tickets in 2017 and to a lesser extent, more short-haul air tickets were sold in 2017 of which the time gap between departure and the purchase of air ticket were shorter compared to long-haul air tickets. Our trade receivables further increased by RMB51.1 million to RMB99.1 million as at 31 December 2018 mainly due to (i) the significant increase in sales of air tickets in particular to corporate and institutional customers; and (ii) the increase in performance guarantee of RMB14.1 million as a result of the increase in sales of air tickets that were not yet departed as at 31 December 2018.

The credit terms granted by our Group generally ranged up to two months. Our Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. Our Group does not hold any collateral or other credit enhancement over our trade receivable balances. Trade receivables are non-interest-bearing.

Certain of our trade receivables amounted to nil, nil and RMB25.5 million as at 31 December 2016, 2017 and 2018, respectively, were pledged to secure banking facilities granted to our Group. See notes 16 and 21 to the Accountants' Report set out in Appendix I to this prospectus for details.

The following table sets forth the ageing analysis of the trade receivables based on the transaction date as at the dates indicated:

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
1 to 60 days	32,901	44,525	89,227
61 to 180 days	2,420	2,703	8,617
181 to 360 days	837	446	2,212
1 to 2 years	806	873	396
Over 2 years	–	40	726
	36,964	48,587	101,178

Since 1 January 2016, our Group has applied the simplified approach to provide for expected credit losses under HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. Our Group considers the overall credit risk characteristics and the days past due of each type of trade receivables to measure the expected credit losses. Our Group considers the historical loss rate and adjusts for forward looking macroeconomic data in calculating the expected credit loss rate. As at 31 December 2016, 2017 and 2018, the general provision made for impairment loss of trade receivables according to our Group's policy were RMB0.4 million, RMB0.6 million and RMB2.1 million, respectively.

The following table sets forth a summary of average turnover days of trade receivables for the years indicated:

	Year ended 31 December		
	2016	**2017**	**2018**
Average turnover days of trade receivables*(Note)*	19.1	33.2	54.5

Note: Average turnover days of trade receivables is derived from dividing the arithmetic mean of the opening and closing balances of the trade receivables (after impairment) by our total revenue in the respective year and multiplying by 366 days or 365 days, where appropriate.

Our average turnover days of trade receivables was 19.1 days, 33.2 days and 54.5 days for the year ended 31 December 2016, 2017 and 2018, respectively, which was within our normally granted credit terms. The increase in our average turnover days of trade receivables during the Track Record Period was mainly due to (i) the increase in proportion of sales to corporate and institutional customers, who usually had a longer credit period and settlement term than retail customers, from 31.0% for the year ended 31 December 2016 to 34.5% for the year ended 31 December 2017, and further to 40.8% for the year ended 31 December 2018; and (ii) the increase in performance guarantee. We recognised our revenue of FIT Products on a net basis as our Group acts as an agent, while the trade receivables from these corporate and institutional customers were recognised on a gross basis. As a result, with an increase in revenue from our FIT Products, our balance of trade receivables (gross basis) will increase at a faster rate than the increase in revenue (net basis) which drove up the average turnover days of trade receivables during the Track Record Period.

During the Track Record Period, most of our sales of air tickets were conducted through Ningbo Qihang. For illustrative purpose, the average trade receivables turnover days (calculated as average trade receivables balance (gross basis) divided by gross sales proceeds of air tickets) of Ningbo Qihang were 6.5 days, 6.9 days and 7.5 days for the period from our acquisition date to 31 December 2016, year ended 31 December 2017 and 2018, respectively, which remained stable.

As at the Latest Practicable Date, RMB90.2 million or 91.0% of our trade receivables outstanding as at 31 December 2018 were settled.

Prepayments, deposits and other receivables

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

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Prepayments	19,270	22,282	37,315
Deposits and other receivables	10,533	20,608	46,902
Deferred Listing expenses	–	–	2,991
Others	665	596	438
	30,468	43,486	87,646

Prepayments

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

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Air ticket	8,832	13,281	24,352
Land and cruise operators	9,176	7,015	10,581
Hotel accommodation	188	244	235
Others	1,074	1,742	2,147
	19,270	22,282	37,315

Our prepayments mainly represented prepayments for (i) our procurement of air tickets for both of our package tours and FIT Products which were required by our air ticket suppliers; and (ii) our package tours to land operators and cruise holiday packages to cruise operators which had not departed as at the end of each reporting period.

Our prepayments increased by RMB3.0 million from RMB19.3 million as at 31 December 2016 to RMB22.3 million as at 31 December 2017 mainly due to the increase in prepayments for our procurement of air tickets. It further increased by RMB15.0 million to RMB37.3 million as at 31 December 2018 primarily due to (i) the increase in prepayments for our procurement of air tickets; and (ii) the increase in prepayments to cruise operators for cruise holiday packages and land operators for our package tours to be departed in Chinese Lunar New Year.

Deposits and other receivables

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

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Deposits			
– procurement of air tickets	7,363	18,056	41,496
– others	2,137	1,267	2,631
	9,500	19,323	44,127
Other receivables	1,033	1,285	2,775
	10,533	20,608	46,902

Our deposits mainly represented deposits for procurement of air tickets for our FIT Products which were paid to airline operators, GDS service providers and ticketing agents. Our other receivables mainly represented petty cash for our tour escorts and staff.

Our deposits increased by RMB9.8 million from RMB9.5 million as at 31 December 2016 to RMB19.3 million as at 31 December 2017, and further increased by RMB24.8 million to RMB44.1 million as at 31 December 2018 primarily due to our business growth of FIT Products in particular sales of air tickets, leading to an increase in deposit for procurement of air tickets.

Financial asset at fair value through profit or loss

Our financial asset at fair value through profit or loss represented investment product issued by a commercial bank in the PRC, which amounted to RMB6.0 million as at 31 December 2016, to enhance our return on working capital. The investment product was fully redeemed as at 31 December 2017. See note 33 to the Accountants' Report set out in Appendix I to this prospectus for details.

Pledged short-term deposits

The following table sets forth the breakdown of our pledged short-term deposits as at the dates indicated:

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Pledged deposits for letters of guarantee	9,394	21,000	18,088
Quality assurance fund	4,000	3,853	5,300
	13,394	24,853	23,388

Our pledged short-term deposits represented (i) deposits held by banks as securities for letters of guarantee which were mainly issued to GDS service provider; and (ii) quality assurance fund for our Group's domestic and outbound tourism business as required by PRC government. The amount of quality assurance fund depends on the number of branches established and whether the branch operates domestic or outbound tourism business. The amount of quality assurance fund can reduce by 50% in case a travel agency has not been subject to the punishment more serious than fine by the administrative body due to any infringement upon the legitimate rights and interests of tourists within three years from the day when it pays the quality assurance fund. See "Regulatory Overview – Regulations on Outbound Travel Business – Regulations on Travel Agencies" for details.

Our total pledged short-term deposits increased from RMB13.4 million as at 31 December 2016 to RMB24.9 million as at 31 December 2017 mainly due to the increase in pledged deposits for letters of guarantee as a result of the increase in procurement of air tickets arising from the growth in sales of our FIT Products. Our pledged deposits remained relatively stable at RMB23.4 million as at 31 December 2018. See note 18 of the Accountants' Report as set out in Appendix I to this prospectus for details.

Trade payables

The following table sets forth the ageing analysis of our trade payables based on the invoice date as at the dates indicated:

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
1 to 60 days	20,354	29,587	34,724
61 to 180 days	4,387	4,948	4,422
181 to 360 days	448	542	602
Over 1 year	–	24	264
	25,189	35,101	40,012

Our trade payables mainly represented payables to ticketing agents, GDS service provider and land operators. Our trade payables increased by RMB9.9 million from RMB25.2 million as at 31 December 2016 to RMB35.1 million as at 31 December 2017, and further increased by RMB4.9 million to RMB40.0 million as at 31 December 2018. The increase was mainly due to the increase in sales of our package tours and FIT Products in particular sales of air tickets.

The following table sets forth a summary of average turnover days of trade payables for the years indicated:

	Year ended 31 December		
	2016	**2017**	**2018**
Average turnover days of trade payables*(Note)*	7.2	29.3	35.5

Note: Average turnover days of trade payables is derived from dividing the arithmetic mean of the opening and closing balances of trade payables for the Track Record Period by cost of sales in the year and multiplying by 366 days or 365 days, where appropriate.

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

Our average turnover days of trade payables increased from 7.2 days for the year ended 31 December 2016 to 29.3 days for the year ended 31 December 2017 mainly due to our delayed settlement because we utilise the credit period granted by suppliers to enhance our working capital. Our average turnover days further increased to 35.5 days for the year ended 31 December 2018 mainly due to the increase in trade payables as a result of the increase in sales of our package tours and procurement of air tickets for both package tours and FIT Products. During the Track Record Period, our average turnover days of trade payables was within our normal credit terms.

As at the Latest Practicable Date, RMB39.3 million or 98.3% of our trade payables outstanding as at 31 December 2018 were settled.

Other payables and accruals

The following table sets forth the breakdown of our other payables and accruals as at the dates indicated:

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Advance from customers	30,960	26,624	29,284
Payroll payables	7,126	11,607	13,825
Other tax payable	2,348	2,072	3,059
Others	3,677	8,379	8,032
	44,111	48,682	54,200

Advance from customers

Our advance from customers represented the fee paid by customers for tours which had not departed as at each balance sheet date. Our advance from customers decreased by RMB4.4 million from RMB31.0 million as at 31 December 2016 to RMB26.6 million as at 31 December 2017. The decrease in balance, despite the increase in our revenue, was mainly due to the Chinese Lunar New Year, one of the peak seasons for tourism industry, was in January for the year 2017 but in February for the year 2018. Our advance from customers increased by RMB2.7 million to RMB29.3 million as at 31 December 2018, mainly due to the increase in sales of our package tours.

Payroll payables

Our payroll payables mainly represented salaries, bonus and social insurance for staff. Our payroll payables increased by RMB4.5 million from RMB7.1 million as at 31 December 2016 to RMB11.6 million as at 31 December 2017, and further increased by RMB2.2 million to RMB13.8 million as at 31 December 2018, mainly due to (i) the increase in headcount; (ii) the increase in average salary per head as a result of salary increment; and (iii) provision for social insurance and housing provident fund contributions of RMB2.3 million, RMB5.6 million and RMB7.8 million as at 31 December 2016, 2017 and 2018, respectively. See "Business – Legal Compliance and Proceedings – Compliance" for details.

Others

Other payables and accruals mainly represented (i) renovation payable primarily for our tourism square of RMB0.5 million, RMB5.1 million and RMB1.2 million; and (ii) accrued Listing expenses of nil, nil and RMB4.3 million as at 31 December 2016, 2017 and 2018, respectively. Other payables and accruals also included staff reimbursement and marketing expenses payable. The fluctuation during the Track Record Period was mainly due to the renovation payable for our tourism square and accrued Listing expenses.

Balances with directors and related parties

Balances with directors and related parties were non-trade in nature, unsecured, interest-free and repayable on demand. All balances with directors and related parties were fully settled as at the Latest Practicable Date. See note 31 of the Accountants' Report set out in Appendix I for details.

CASH FLOW

Our use of cash primarily related to operating activities and capital expenditure. We have historically financed our operations primarily through a combination of cash flow generated from our operations and bank borrowings. The following table sets forth a summary of our cash flows information for the years indicated:

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Net cash flow from operating activities before changes in working capital	34,118	44,226	42,544
Net cash flow generated from/(used in) operating activities	14,382	17,026	(52,989)
Net cash flow used in investing activities	(18,992)	(14,380)	(4,067)
Net cash flow generated from financing activities	15,523	30,701	40,785
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	10,913	33,347	(16,271)
Cash and cash equivalents at beginning of year	11,368	22,281	55,628
Effect of foreign exchange rate changes, net	–	–	(4)
CASH AND CASH EQUIVALENTS AT END OF YEAR	22,281	55,628	39,353

Operating activities

During the Track Record Period, our cash inflow from operating activities was principally from the receipt of sales. Our cash outflow used in operating activities was principally for procurement and payment of operating expenses.

For the year ended 31 December 2016, our Group had net cash flow from operating activities of RMB14.4 million and cash flow from operating activities before changes in working capital of RMB34.1 million. The difference of RMB19.7 million mainly represented (i) increase in trade receivables of RMB30.4 million mainly as a result of the increase in our sales of air tickets to corporate and institutional customers; (ii) income tax paid of RMB6.0 million; and (iii) increase in prepayments, deposits and other receivables of RMB5.0 million mainly as a result of the increase in prepayments for our procurement of air tickets, which were partly offset by (i) increase in trade payables of RMB13.4 million mainly due to the increase in procurement for our package tours; and (ii) increase in advance from customers, other payables and accruals of RMB8.2 million arising from advance from our customers.

For the year ended 31 December 2017, our Group had net cash flow from operating activities of RMB17.0 million and cash flow from operating activities before changes in working capital of RMB44.2 million. The difference of RMB27.2 million mainly represented (i) increase in prepayments, deposits and other receivables of RMB13.2 million mainly as a result of the increase in prepayments and deposits for our procurement of air tickets; (ii) increase in trade receivables of RMB11.4 million mainly as a result of the increase in our sales to corporate and institutional customers and sales of air tickets; (iii) income tax paid of RMB11.0 million, which were partly offset by increase in trade payables of RMB9.9 million mainly due to the increase in procurement for our package tours.

For the year ended 31 December 2018, our Group had net cash flow used in operating activities of RMB53.0 million and cash flow from operating activities before changes in working capital of RMB42.5 million. The difference of RMB95.5 million mainly represented (i) increase in trade receivables mainly as a result of the significant increase in sales of air tickets in particular to corporate and institutional customers and the increase in performance guarantee as a result of the increase in sales of air tickets that were not yet departed as at 31 December 2018 both of which were at gross basis; (ii) increase in prepayments, deposits and other receivables mainly as a result of the increase in prepayments and deposits for our procurement of air tickets; (iii) income tax paid of RMB14.0 million, which were partly offset by (i) increase in trade payables of RMB4.9 million mainly due to the increase in procurement for our package tours; and (ii) increase in advance from customers, other payables and accruals of RMB8.8 million mainly due to the increase in advance from customers for package tours.

For the year ended 31 December 2018, our Group recorded a negative cash flow from operating activities of RMB53.0 million despite the net cash flow from operating activities before changes in working capital of RMB42.5 million, primarily due to the increase in trade receivables, and prepayments, deposits and other receivables. Such increase was a result of our continued business expansion in particular our FIT Products.

With a view of our continued business expansion in particular our FIT Products, we expect our trade receivables, and prepayments, deposits and other receivables will continue to increase in line with our business expansion. Taking into consideration the financial resources available to us, including cash and cash equivalents, bank borrowings and the estimated net proceeds from the Global Offering, our Directors are of the view that our Group has sufficient working capital to support its operation.

Investing activities

During the Track Record Period, our cash inflow from investing activities was principally from proceeds from disposal of property, plant and equipment and financial assets at fair value through profit or loss, and the decrease in pledged short-term deposits. Our cash outflow used in investing activities was principally for purchases of property, plant and equipment and financial assets at fair value through profit or loss, and the increase in pledged short-term deposits.

For the year ended 31 December 2016, our Group had net cash used in investing activities of RMB19.0 million primarily attributable to the increase in pledged short-term deposits of RMB11.5 million as a result of the increase in our procurement of air tickets and the purchase of financial assets at fair value of RMB6.0 million.

For the year ended 31 December 2017, our Group had net cash used in investing activities of RMB14.4 million primarily attributable to (i) the renovation costs in relation to our tourism square of RMB13.8 million; and (ii) increase in pledged short-term deposits of RMB11.5 million as a result of the increase in our procurement of air tickets, which were partly offset by proceeds from (i) the disposal of financial assets at fair value of RMB6.0 million; and (ii) disposal of property, plant and equipment of RMB4.5 million.

For the year ended 31 December 2018, our Group had net cash used in investing activities of RMB4.1 million primarily attributable to the renovation costs in relation to our tourism square of RMB5.9 million.

Financing activities

During the Track Record Period, our cash inflows from financing activities were principally from proceeds from bank borrowings, and contribution from the then shareholders. Our cash outflows used in financing activities were principally for repayment of bank borrowings, dividend payment and payment of interests.

For the year ended 31 December 2016, our Group had net cash from financing activities of RMB15.5 million primarily attributable to (i) the proceeds from bank borrowings of RMB9.9 million; and (ii) contribution from the then shareholders of RMB3.4 million.

For the year ended 31 December 2017, our Group had net cash from financing activities of RMB30.7 million primarily attributable to the proceeds from bank borrowings of RMB90.0 million, which was partly offset by (i) repayment of bank borrowings of RMB49.9 million; and (ii) dividend payment of RMB4.7 million.

For the year ended 31 December 2018, our Group had net cash from financing activities of RMB40.8 million primarily attributable to the proceeds from bank borrowings of RMB170.0 million, which was partly offset by (i) repayment of bank borrowings of RMB110.0 million; (ii) dividend payment of RMB16.7 million; and (iii) interest payment of bank borrowings of RMB4.0 million.

WORKING CAPITAL SUFFICIENCY

Our Directors confirm that, taking into consideration the financial resources presently available to us, which is primarily our internal resources, and the estimated net proceeds from the Global Offering, we have sufficient working capital for our present requirements and for at least the next 12 months commencing from the date of this prospectus. Our Directors are not aware of any other factors that would have a material impact on our Group's liquidity. Details of the funds necessary to meet our existing operations and to fund our future plans are set out in "Future Plans and Use of Proceeds" in this prospectus.

CAPITAL EXPENDITURES

During the Track Record Period, our Group incurred capital expenditures of RMB2.6 million, RMB19.7 million and RMB2.2 million for the year ended 31 December 2016, 2017 and 2018, respectively, majority of which related to the renovation costs and office equipment of our tourism square and offices.

CONTRACTUAL AND CAPITAL COMMITMENTS

Operating lease arrangements

As lessee

At the end of each reporting period during the Track Record Period, our Group had total future minimum lease payments in relation to our office premises under non-cancellable operating leases falling due as follows:

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	2,407	5,046	5,013
In the second to fifth years, inclusive	1,589	14,900	15,930
Over five years	–	16,848	13,676
	3,996	36,794	34,619

As lessor

At the end of each reporting period during the Track Record Period, our Group had total future minimum lease receivables in relation to our investment property under non-cancellable operating lease with our tenant falling due as follows:

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	–	–	600
In the second to fifth years, inclusive	–	–	2,042
	–	–	2,642

Capital commitments

As at 31 December 2016, 2017 and 2018, our Group had capital commitments as follows:

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Contracted, but not provided for:			
Leasehold improvements	–	606	–

Details of our Group's operating lease arrangements and capital commitments are disclosed in notes 29 and 30 of the Accountants' Report in Appendix I to this prospectus.

INDEBTEDNESS

As at the latest practicable date for the purpose of this indebtedness statement, being 30 April 2019, our Group had outstanding indebtedness representing lease liabilities of RMB27.3 million, bank borrowings of RMB135.0 million and letters of guarantees (which were not secured by pledged deposits) of RMB10.5 million. As at 30 April 2019, we had available banking facilities of RMB190.0 million, of which RMB44.5 million was unutilised.

During the Track Record Period and up to the Latest Practicable Date, our Group had not experienced any difficulty in obtaining bank facilities. Our banking facilities were secured by mortgages over our investment property, certain of our trade receivables, and guarantees given by Feiyang Management and personal guarantees given by Mr. He and Ms. Qian. All guarantees provided by Feiyang Management, Mr. He and Ms. Qian for our Group's indebtedness will be released prior to Listing. As at 30 April 2019, the carrying amounts of investment property and trade receivables which were pledged to secure our banking facilities were RMB9.7 million and RMB17.0 million, respectively.

Save as disclosed above, as at the Latest Practicable Date, our Group did not have bank overdrafts or other similar indebtedness, hire purchase commitments, guarantees or other material contingent liabilities, or outstanding debentures.

Lease liabilities

Our Group has adopted HKFRS 16 for the accounting period beginning on 1 January 2019 as stated in note 2.3 of the Accountants' Report set out in Appendix I to this Prospectus. As such, leases have been recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation) in our Group's combined statement of financial position for accounting period beginning on 1 January 2019. As at 30 April 2019, our total lease liabilities were RMB27.3 million.

Bank borrowings

Our bank borrowings amounted to RMB9.9 million, RMB50.0 million, RMB110.0 million and RMB135.0 million as at 31 December 2016, 2017 and 2018, and 30 April 2019, respectively. We increased our bank borrowings during the Track Record Period to support our business growth.

The following table sets forth the breakdown, effective interest rate and maturity of our bank borrowings as at the dates indicated:

	Effective interest rate	Maturity	As at 31 December			As at 30 April
			2016	2017	2018	2019
	(%)		*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Secured, repayable within 1 year or on demand	5.44	2017	9,900	–	–	–
Secured, repayable within 1 year or on demand	5.00-5.44	2018	–	50,000	–	–
Secured, repayable within 1 year or on demand	4.80-6.09	2019	–	–	110,000	117,000
Unsecured, repayable within 1 year or on demand	6.09	2019	–	–	–	18,000
			9,900	50,000	110,000	135,000

Contingent liabilities

As at 30 April 2019, being the latest practicable date for the purpose of the indebtedness statement, we did not have any material contingent liabilities.

OFF-BALANCE SHEET ARRANGEMENT

Our Directors confirm that there has been no material off-balance sheet arrangement since 31 December 2018 to the date of this prospectus.

TRANSACTIONS WITH RELATED PARTIES

With respect to the related party transactions set forth in note 31 of the Accountants' Report in Appendix I to this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms or such terms that were no less favourable to our Group than those available to independent third parties and were fair and reasonable and in the interest of our Shareholders as a whole.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios for the year/as at the dates indicated:

	Year ended 31 December		
	2016	**2017**	**2018**
Gross profit margin[(1)]	16.9%	19.3%	21.6%
Net profit margin[(2)]	4.4%	6.4%	4.8%
Return on equity[(3)]	49.3%	48.4%	31.0%
Return on total assets[(4)]	17.4%	17.2%	9.4%
Interest coverage[(5)]	216.6 times	23.6 times	9.3 times

	As at 31 December		
	2016	**2017**	**2018**
Current ratio[(6)]	1.4 times	1.3 times	1.2 times
Gearing ratio[(7)]	20.3%	66.8%	143.2%
Net debt to equity ratio[(8)]	N/A	N/A	92.0%

Notes:

(1) Gross profit margin for each of the year ended 31 December 2016, 2017 and 2018 was calculated based on gross profit divided by revenue for the respective year.

(2) Net profit margin for each of the year ended 31 December 2016, 2017 and 2018 was calculated based on profit for the year divided by revenue for the respective year.

(3) Return on equity for each of the year ended 31 December 2016, 2017 and 2018 was calculated based on net profit of the respective year, divided by the arithmetic mean of the opening and closing balances of total equity and multiplied by 100%.

(4) Return on total assets for each of the year ended 31 December 2016, 2017 and 2018 was calculated based on net profit of the respective year, divided by the arithmetic mean of the opening and closing balances of total assets and multiplied by 100%.

(5) Interest coverage for each of the year ended 31 December 2016, 2017 and 2018 was calculated based on profit before interest and tax divided by interest expenses of the respective year.

(6) Current ratio as at 31 December 2016, 2017 and 2018 was calculated based on the total current assets divided by the total current liabilities.

(7) Gearing ratio as at 31 December 2016, 2017 and 2018 was calculated based on total debts (being interest-bearing bank borrowings) divided by total equity as at the end of the respective year and multiplied by 100%.

(8) Net debt to equity ratio as at 31 December 2016, 2017 and 2018 was calculated based on net debts (being interest-bearing bank borrowings net of cash and cash equivalents) divided by total equity as at the end of the respective year and multiplied by 100%.

Return on equity

Our return on equity decreased from 49.3% for the year ended 31 December 2016 to 48.4% for the year ended 31 December 2017 mainly due to the increase in our equity as a result of the profit generated from our operations. Our return on equity further decreased to 31.0% for the year ended 31 December 2018 mainly due to the decrease in net profit arising from Listing expenses recognised during 2018.

Return on total assets

Our return on total assets decreased from 17.4% for the year ended 31 December 2016 to 17.2% for the year ended 31 December 2017 mainly due to the increase in total assets, which was primarily attributable to the increase in trade receivables, prepayments, deposits and other receivables, and pledged short-term deposits mainly as a result of the increase in our sales of air tickets. Our return on total assets further decreased to 9.4% for the year ended 31 December 2018 mainly due to the Listing expenses incurred in 2018.

Interest coverage

Our interest coverage decreased from 216.6 times for the year ended 31 December 2016 to 23.6 times for the year ended 31 December 2017 mainly due to the increase in interest expenses as a result of our increased bank borrowings to support our business growth. Our interest coverage decreased to 9.3 times for the year ended 31 December 2018 mainly due to the decrease in profit before interest and tax arising from (i) the increase in interest expenses as a result of our further increase in bank borrowings to support our business growth; and (ii) Listing expenses recognised.

Current ratio

Our current ratio remained stable at 1.4 times, 1.3 times and 1.2 times as at 31 December 2016, 2017 and 2018, respectively.

Gearing ratio

Our gearing ratio was 20.3%, 66.8% and 143.2% as at 31 December 2016, 2017 and 2018, respectively. The increasing trend in our gearing ratio mainly due to our significant increase in bank borrowings, to support our business growth, in particular our FIT Products which required significant prepayment and deposit to our air ticket suppliers. Our bank borrowings increased from RMB9.9 million as at 31 December 2016 to RMB50.0 million as at 31 December 2017, and further increased to RMB110.0 million as at 31 December 2018.

Net debt to equity ratio

We had net cash positions as at 31 December 2016 and 2017, and our net debt to equity ratio was 92.0% as at 31 December 2018, primarily due to the increase in our bank borrowings.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT FINANCIAL RISKS

We are exposed to market risks from changes in market, such as interest rate risk, credit risk and liquidity risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Our Group's exposure to the risk of changes in market interest rates relates primarily to our Group's interest-bearing bank borrowings with floating interest rates. Our Group's policy is to manage interest cost using a mix of fixed and floating rate debts.

Details of the sensitivity to a reasonable possible change in the RMB interest rate of our Group's profit before tax (through the impact on floating rate borrowings and deposits) are set out in note 34 of the Accountants' Report in Appendix I to this prospectus.

Credit risk

Our Group is exposed to credit risk in relation to its cash and cash equivalents, pledged short-term deposits, amount due from a director and a related party, trade receivables and other receivables. The carrying amounts of each class of the above financial assets represent our Group's maximum exposure to credit risk in relation to financial assets.

To manage the risk arising from cash and cash equivalents and pledged short-term deposits, our Group only transacts with state-owned or reputable financial institutions in mainland China and reputable international financial institutions outside of mainland China. There has been no recent history of default in relation to these financial institutions.

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

For amount due from a director and a related party and other receivables, we make periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experiences. Our Group assessed that the expected credit losses for these receivables are not material under the 12 months

expected losses method. In view of the history of cooperation with debtors and the collection history of these receivables, we believe that the credit risk inherent in our Group's outstanding other receivable balances and amount due from a director and a related party is not significant.

Liquidity risk

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

Our Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings.

Details of the maturity profile of our financial liabilities are set out in note 34 of the Accountants' Report in Appendix I to this prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that as at the Latest Practicable Date, there were no circumstances that would give rise to the disclosure requirements under Rules 13.13 to 13.19 of the Listing Rules.

LISTING EXPENSES

Assuming an Offer Price of HK$1.05 per Share, being the mid-point of the indicative Offer Price range of HK$1.00 to HK$1.10 per Offer Share, the total estimated Listing expenses in connection with the Global Offering (including underwriting commission) was HK$43.6 million.

For the year ended 31 December 2016, 2017 and 2018, Listing expenses of nil, nil and RMB9.3 million (equivalent to approximately nil, nil and HK$10.6 million), respectively, were charged to our profit or loss, while nil, nil and RMB3.0 million (equivalent to approximately nil, nil and HK$3.4 million), respectively, were recognised as a prepayment of Listing expenses which is expected to be charged against equity upon completion of the Listing. For the year ending 31 December 2019, we expect to incur additional Listing expenses of HK$29.6 million, of which an estimated amount of HK$17.2 million will be charged to profit or loss and HK$12.4 million will be accounted for as a deduction from equity upon successful Listing under relevant accounting standards. The Listing expenses above are the best estimate as at the Latest Practicable Date and for reference only and the actual amount may differ from this estimate.

DIVIDENDS

During the Track Record Period, no dividend has been paid or declared by our Company since its date of incorporation. The dividend declared by Feiyang International, which is deemed to be an indirect wholly-owned subsidiary of our Company pursuant to the Contractual Arrangements, to its then shareholders was nil, RMB4.7 million and RMB25.7 million for the year ended 31 December 2016, 2017 and 2018, respectively. All dividends declared have been fully settled by cash and the offset with balances with a director and a related party as at the Latest Practicable Date.

We do not have any pre-determined dividend payout ratio. The declaration of dividends is subject to the discretion of our Board. Any declaration of final dividend by our Company shall also be subject to the approval of our Shareholders in a Shareholders' meeting. Our Directors may recommend a payment of dividends in the future after taking into account our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders' interests and other factors which they may deem relevant at such time. Any declaration and payment as well as the amount of the dividends will be subject to constitutional documents, any applicable laws and regulations, including the Cayman Companies Law. Historical dividend distributions are not indicative of our future dividend distribution.

Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 18 October 2018 and is an investment holding company. There were no reserves available for distribution to our Shareholders as at the Latest Practicable Date.

PROPERTY INTERESTS AND PROPERTY VALUATION

AVISTA Valuation Advisory Limited, an independent property valuer, has valued the investment property held by our Group in the PRC as at 30 April 2019 and is of the opinion that the fair value as at such date was RMB9.7 million. The texts of its letter, summary of value and valuation certificate are set out in Appendix III to this prospectus.

The statement below shows the reconciliation of the fair value of investment property as selected from our audited combined financial information as at 31 December 2018 as sets forth in Appendix I to this prospectus with the valuation of property as at 30 April 2019 as sets forth in the Property Valuation in Appendix III to this prospectus:

	RMB'000
Carrying amount of our investment property as at 31 December 2018 as sets out in Appendix I to this prospectus	9,746
Add: Change in fair value during the four months ended 30 April 2019	–
Carrying amount of our investment property as at 30 April 2019	9,746
Less: Net valuation deficit	(86)
Market value as at 30 April 2019 as sets out in the property valuation report in Appendix III to this prospectus	9,660

As at 31 December 2018, the property interest forming part of our Group's property activities had a carrying amount of 1% or more of our total assets. This prospectus is in compliance with the requirements of Rule 5.01B of the Listing Rules and the requirements of section 342(1) of the Companies (WUMP) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (WUMP) Ordinance, with respect to the inclusion of a property valuation report in this prospectus. See Appendix III of this prospectus for the Property Valuation.

UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted combined net tangible assets of our Group have been prepared in accordance with paragraph 4.29 of the Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for inclusion in Investment Circulars" issued by the HKICPA for illustration purposes only, and is set out here to illustrate the effect of the Global Offering on the combined net tangible assets of our Group attributable to owners of our Company as at 31 December 2018 as if Global Offering had taken place on 31 December 2018.

The unaudited pro forma adjusted combined net tangible assets of our Group attributable to owners of our Company has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of our Group had the Global Offering been completed as at 31 December 2018 or any future date. It is prepared based on the combined net tangible assets as at 31 December 2018 as set out in Appendix I to this prospectus, and adjusted as described below.

	Combined net tangible assets attributable to owners of our Company as at 31 December 2018	**Estimated net proceeds from the Global Offering**	**Unaudited pro forma adjusted combined net tangible assets**	**Unaudited pro forma adjusted combined net tangible assets per Share**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$ equivalent*
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
Based on an Offer Price of HK$1.00 per Share	76,747	81,105	157,852	0.32	0.36
Based on an Offer Price of HK$1.10 per Share	76,747	91,530	168,277	0.34	0.38

Notes:

(1) The combined net tangible assets attributable to owners of our Company as at 31 December 2018 is arrived at after deducting intangible asset of RMB47,000 from the combined equity attributable to owners of our Company of RMB76.8 million as at 31 December 2018, as shown in Appendix I to this prospectus.

(2) The estimated net proceeds from the Global Offering are calculated based on the Offer Price of HK$1.00 per Share or HK$1.10 per Share, being the low-end price and high-end price, after deduction of the underwriting fees and related expenses payable by our Company and do not take into account any Shares which may be issued upon exercise of the Over-allotment Option.

(3) The unaudited pro forma adjusted combined net tangible assets per Share are calculated based on 500,000,000 Shares in issue immediately following the completion of the Global Offering without taking into account any Shares which may be issued upon exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased under the general mandates for the allotment and issue or repurchase of the Shares as described in "Appendix V – Statutory and General Information".

(4) The unaudited pro forma adjusted combined net tangible assets per Share are converted into Hong Kong dollars at an exchange rate of RMB0.8779 to HK$1.00.

(5) No adjustment has been made to reflect any trading result or open transaction of our Group entered into subsequent to 31 December 2018.

RECENT DEVELOPMENTS

There has been continuing trade tension between the United States and the PRC. Since 2018, the United States government has imposed additional tariffs on top of the normal tariff duties on certain products imported from the PRC into the United States. The demand for travel products bound for the United States may decrease as a result of the continuation or any escalation of the trade war between the United States and the PRC and our operating performance may be adversely affected. For details, see "Risk Factors – Any material adverse change in the economic, political or social conditions relating to our destination countries or any deterioration of diplomatic relationships between the PRC and those countries may adversely affect our business and operating results". According to the F&S Report, the overall influence of trade war on the PRC tourism industry and integrated travel service providers is insignificant, and the number of outbound tourist visits from China continued to grow from 2017 to 2018. Our Directors believe that (i) the customers who had travel plan would opt for other destinations such as Europe and Canada; and (ii) the fact that our package tours bound for the United States and Canada only accounted for approximately 5.7%, 3.8% and 4.5% of our total revenue for the year ended 31 December 2016, 2017 and 2018, respectively, the US-China trade tension will not have any material adverse impact on our financial conditions, results of operations and growth prospects. Despite our sales of package tours bound for the United States and Canada decreased slightly for the four months ended 30 April 2019 compared to the corresponding period in 2018, our total revenue derived from our sales of package tours increased for the four months ended 30 April 2019 compared to the corresponding period in 2018.

For the four months ended 30 April 2019, our Group recorded an increase in sales of our package tours, and our FIT Products compared to the corresponding period in 2018. Save as disclosed above, to the best information and knowledge of our Directors, up to the date of this prospectus, there are no material changes to the market condition which would materially affect the operation or performance of our principal business. On 12 June 2019, we entered into a framework cooperation agreement with a subsidiary of WWPKG, pursuant to which the parties will collaborate to create and promote travel related products and services for the tourism market in Hong Kong and the PRC.

For the year ending 31 December 2019, our Group expects to incur additional Listing expenses of HK$17.2 million which will be charged to profit or loss and our Directors expect that our Company's financial results for the year ending 31 December 2019 is likely to be materially affected by the Listing expenses.

Save as disclosed above, our Directors confirmed that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospect of our Company or its subsidiaries since 31 December 2018, being the end of the reporting period in the Appendix I to this prospectus, and there has been no event since 31 December 2018 which would materially affect the information shown in the Appendix I to this prospectus.

BUSINESS STRATEGIES

See "Business – Our Business Strategies" for detailed description of our business strategies.

USE OF PROCEEDS

We estimate that the aggregate net proceeds to us from the Global Offering (after deducting underwriting fees and estimated expenses payable by us in connection with the Global Offering, and assuming an Offer Price of HK$1.05 per Offer Share, being the mid-point of the indicative Offer Price range) will be approximately HK$87.7 million, assuming that Over-allotment Option is not exercised. We currently intend to apply such net proceeds in the following manner:

(i) approximately 20.0% of the net proceeds of the Global Offering (approximately HK$17.5 million) will be used to increase our market share and strengthen our sales by expanding and improving our sales channel, including (i) setting up of new retail branches and points of sales in coastal cities in Eastern China, such as Hangzhou and Shanghai; and (ii) recruitment of the relevant experienced and quality personnel for the operation of our new retail branches and points of sales; (iii) refurbishment of our existing retail branches;

(ii) approximately 35.0% of the net proceeds of the Global Offering (approximately HK$30.7 million) will be used to increase our deposits and prepayments to our air ticket suppliers in exchange for sufficient ticketing authority, the assignment of electronic ticket numbers and/or better terms and policies for air ticket;

(iii) approximately 10.0% of the net proceeds of the Global Offering (approximately HK$8.8 million) will be used to upgrade our information technology system including (i) upgrade of our information technology infrastructure; (ii) development of our own system that enables us to integrate and connect with budget airline operators; and (iii) explore and develop our own automation software tool to handle customers' inquiries;

(iv) approximately 10.0% of the net proceeds of the Global Offering (approximately HK$8.8 million) will be used to enhance our brand recognition and awareness by increasing our marketing effort in traditional media, including placing of advertisements on newspaper and television and new media, such as enhancing our digital marketing efforts on Internet, social network and mobile applications;

(v) approximately 15.0% of the net proceeds of the Global Offering (approximately HK$13.1 million) will be used to optimise our Group's capital structure and improve our Group's liquidity profile by repaying part of our bank borrowings. As at 30 April 2019, we had cash and cash equivalents of approximately RMB34.9 million and bank borrowings of approximately RMB135.0 million. We intend to use such net proceeds to repay, one year term loan of approximately RMB20.0 million in total from China Merchant Bank with an effective interest rate of 5.4% per annum due in September 2019, which was used for our working capital requirements; and

(vi) approximately 10.0% of the net proceeds of the Global Offering (approximately HK$8.8 million) will be used for general working capital.

Although our operating costs, including but not limited to staff costs and rental costs, will increase in light of our expansion plans, we expect that our revenue will also increase as a result of our expansion of business operation, thereby increasing the overall profitability of the Group. Therefore, we do not expect that our expansion plans will cause any material effect on our financial results for the years ending 31 December 2020 and 2021.

If the final Offer Price (assuming the Over-allotment Option is not exercised) is set at (i) the lowest; or (ii) the highest of the indicative Offer Price, the net proceeds from the Global Offering are estimated to be (i) approximately HK$81.8 million or (ii) approximately HK$93.6 million respectively. In such event, the estimated net proceeds will decrease or increase by approximately HK$5.9 million respectively and are intended to be used in the same proportions as disclosed above.

If the Over-allotment Option is exercised in full, the estimated net proceeds from the Global Offering will increase to (i) approximately HK$99.6 million (assuming that the final Offer Price is set at the lowest of the indicative Offer Price), (ii) approximately HK$106.4 million (assuming that the final Offer Price is set at the mid-point of the indicative Offer Price), and (iii) approximately HK$113.2 million (assuming that the final Offer Price is set at the highest of the indicative Offer Price) respectively, Our Group intends to apply the additional net proceeds from the exercise of the Over-allotment Option in the same proportions as disclosed above.

Should our Directors decide to re-allocate the intended use of proceeds to other business plans and/or new projects of our Group to a material extent and/or there is to be any material modification to the use of proceeds as described above, we will make appropriate announcement(s) in due course.

To the extent that the net proceeds from the Global Offering are not immediately required for the above purposes or if we are unable to effect any part of our future development plans as intended, we may hold such funds in short-term deposits with licensed banks and authorised financial institutions for so long as it is in our best interests.

REASONS FOR THE LISTING

The followings are our main purposes for seeking the Listing:

- Listing provides our Group with additional access of equity funding by means of the issuance of new Shares. Our Directors believe that a combination of equity financing, debt financing and internal resources will provide a suitable capital structure to support the long term growth of our Group. Our operating cash flow mainly comprised (i) cost of sales (excluding the procurement costs for our sales of FIT Products as we render services as an agent); (ii) selling and distribution expenses; (iii) administrative expenses; (iv) other operating expenses; and (v) taxation. During the year ended 31 December 2018, our Group's operating cash flow commitment to support our daily operations amounted to approximately RMB476.4 million. As at 30 April 2019, our cash and cash equivalent was RMB34.9 million. As such, we believe that our cash and cash equivalent is not sufficient to support our future expansion plans as detailed in "Our Business Strategies". Despite the cost of equity funding by way of the Global Offering after taking into account the Listing expenses might not be lower than debt financing, our Directors considered that:

  (i) the Global Offering will broaden our Group capital base and provide a platform for our Group to raise fund, on a recurring basis which is not limited to the amount of net proceeds to be raised in the Global Offering, to finance our future business expansion and long-term development;

  (ii) equity financing is a more feasible fund raising method than debt financing to finance the long term future plans of our Group because financial institutions might request a significant amount of deposits, securities and properties to be pledged as a condition for obtaining debt financing. We may be subject to various covenants contained in relevant debt instruments that may restrict us from obtaining additional financing, conducting our business activities and distributing dividends;

  (iii) interest expenses will be incurred when our Group pursues debt financing exercise which will affect our financial performance. During the Track Record Period, our interest expenses increased from RMB0.1 million to RMB1.8 million and to RMB4.0 million mainly due to the increase in bank borrowings to support our business growth; and

  (iv) the use of equity financing to finance our long term expansion plan would be a better alternative than debt financing to optimise our long term capital structure. During the Track Record Period, our gearing ratio increased from 20.3% to 66.8% and to 143.2% as our bank borrowings increased. As our debt level increases, the cash outflow to repay principal and interest, and in turns the risk of bankruptcy will increase, leading to increasing implicit cost of financing from debt financing. As such, financial institutions will require higher interest rate for any new debt sought by our Group. As a result, the overall cost of debt, and in turns the average cost of capital of our Group will

increase. Accordingly, despite none of our currently available cash on hand and unutilised banking facilities are restricted in their usage or have been earmarked for designated purpose, we do not intend to use our unutilised banking facilities to finance our expansion plans in light of our existing gearing ratio;

- providing a platform for our Group to access the capital markets for future secondary fund-raising through either (i) the issuance of shares or (ii) for debt securities, depending on the prevailing market condition at the time of capital needs. It can also provide additional funding sources to cater for our Group's further expansion plans (other than those future plans stated in this prospectus) and when opportunities arise. Furthermore, the ability to obtain bank financing is generally easier with a listed entity as compared to a private entity and our Directors believe that a Listing status will allow us to gain leverage in obtaining bank financing with relatively more favourable terms in the PRC and Hong Kong, in which the latter in general has a lower interest rate than in the PRC;

- broadening our shareholder base and enhance the liquidity of the Shares, as compared to the limited liquidity of the Shares that are privately held before the Listing;

- since the travel industry in the PRC is highly fragmented and competitive, enhancing our corporate profile, visibility and our market presence to generate reassurance among our clients and suppliers. By way of the Listing, we can elevate our corporate image and status and provide reassurance and confidence to our clients and suppliers, which in turn provides a stronger bargaining position when exploring new business opportunities with our clients and suppliers. Furthermore, with a more established corporate image, it can further assist our cooperation and collaboration with other travel service providers to strengthen our ability to collectively procure upstream resources, as disclosed in "Business – Business Strategies"; and

- enhancing employee incentive and commitment. As a travel service provider, experienced and quality staff are vital to our business operations and future development, being a listed company can help to attract, recruit and retain our valued management personnel, employees and skilled professionals to provide additional incentive. To this end, we have also put in place the Share Option Scheme for our employees in order to attract and retain talents. See "Statutory and General Information – G. Share Option Scheme" in Appendix V to this prospectus for a summary of principal terms of the scheme.

JOINT BOOKRUNNERS AND JOINT LEAD MANAGERS

Crosby Securities Limited
Giraffe Capital Limited
Mason Securities Limited

HONG KONG UNDERWRITERS

Crosby Securities Limited
Mason Securities Limited
Lego Securities Limited
Pacific Foundation Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offer

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering 12,500,000 Hong Kong Offer Shares for subscription by the public in Hong Kong on, and subject to, the terms and conditions set out in this prospectus and the Application Forms.

Subject to:

(a) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus and such listing and permission not subsequently being revoked; and

(b) certain other conditions set out in the Hong Kong Underwriting Agreement (including but not limited to the Offer Price being agreed upon between us and the Sole Global Coordinator (for itself and on behalf of the other Underwriters)),

the Hong Kong Underwriters have agreed severally, and not jointly, to subscribe for, or procure subscribers for, the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offer, on the terms and conditions set out in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement. If, for any reason, the Offer Price is not agreed between us and the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters), the Global Offering will not proceed and will lapse.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated.

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares will be subject to termination by notice in writing to our Company from the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters) with immediate effect if any of the following events occur at or prior to 8:00 a.m. on the Listing Date:

(a) there has come to the notice of the Sole Global Coordinator:

(i) that any statement contained in any of this prospectus and the Application Forms and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Global Offering (including any supplement or amendments thereto) (collectively, the "**Relevant Documents**"), was, when it was issued, or has become, untrue, incorrect, misleading or deceptive in any respect or that any forecast, expression of opinion, intention or expectation expressed in any of the Relevant Documents is not, in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters), fair and honest and based on reasonable assumptions, when taken as a whole; or

(ii) that any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the respective dates of the publication of the Relevant Documents, constitute an omission therefrom; or

(iii) any breach of any of the obligations imposed or to be imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (in each case, other than on the part of any of the Underwriters); or

(iv) any event, act or omission which gives or is likely to give rise to any liability of any of our Company, our executive Directors and the Controlling Shareholders (the "**Warrantors**") pursuant to the indemnities given by them under the Hong Kong Underwriting Agreement or under the International Underwriting Agreement; or

(v) any change or development involving a prospective adverse change in the assets, liabilities, general affairs, management, business prospects, shareholders' equity, profits, losses, results of operations, position or conditions (financial, trading or otherwise) or performance of any member of our Group ("**Group Company**"); or

(vi) any breach of, or any event or circumstance rendering untrue or incorrect in any respect, any of the representations, warranties, agreements and undertakings to be given by the Warrantors respectively in terms set out in the Hong Kong Underwriting Agreement; or

(vii) the approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares (including any additional Shares that may be issued upon the exercise of the Over-allotment Option) is refused or not granted, or is qualified (other than subject to customary conditions), on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(viii) our Company withdraws any of the Relevant Documents or the Global Offering; or

(ix) any person (other than the Hong Kong Underwriters) has withdrawn or sought to withdraw its consent to being named in any of this prospectus, the Application Forms, the formal notice published in connection with the Hong Kong Public Offer and any documents or materials published or issued by and on behalf of our Company or the International Underwriters for the purposes of or in connection with the International Placing (collectively, the "**Offer Documents**") or to the issue of any of the Offer Documents; or

(x) that a petition or an order is presented for the winding-up or liquidation of any Group Company or any Group Company makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any Group Company or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any Group Company or anything analogous thereto occurs in respect of any Group Company; or

(xi) an authority or a political body or organisation in any relevant jurisdiction has commenced any investigation or other action, or announced an intention to investigate or take other action, against any of the Directors and senior management member of the Group as set out in the "Directors and Senior Management" section of this prospectus; or

(xii) a portion of the orders in the book-building process, which is considered by the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters) in its absolute opinion to be material, at the time the International Underwriting Agreement is entered into, or the investment commitments by any cornerstone investors after signing of agreements with such cornerstone investors, have been withdrawn, terminated or cancelled, and the Sole Global Coordinator (for itself and on behalf of the other International Underwriters), in its sole and absolute discretion, conclude that it is therefore inadvisable or inexpedient or impracticable to proceed with the Global Offering; or

(xiii) any loss or damage has been sustained by any Group Company (howsoever caused and whether or not the subject of any insurance or claim against any person) which is considered by the Sole Global Coordinator (for itself and on behalf of the other Underwriters) in its sole absolute opinion to be material; or

(b) there shall develop, occur, exist or come into effect:

(i) any local, national, regional, international event or circumstance, or series of events or circumstances, beyond the reasonable control of the Underwriters (including, without limitation, any acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism, declaration of a local, regional, national or international emergency, riot, public disorder, economic sanctions, outbreaks of diseases, pandemics or epidemics (including, without limitation, Severe Acute Respiratory Syndrome, avian influenza A (H5N1), Swine Flu (H1N1), Middle East Respiratory Syndrome or such related or mutated forms) or interruption or delay in transportation; or

(ii) any change or development involving a prospective change, or any event or circumstance or series of events or circumstances likely to result in any change or development involving a prospective change, in any local, regional, national, international, financial, economic, political, military, industrial, fiscal, legal regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets); or

(iii) any moratorium, suspension or restriction on trading in securities generally (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) on the Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the NASDAQ Global Market, the Shanghai Stock Exchange, the Shenzhen Stock Exchange and the Tokyo Stock Exchange; or

(iv) any new law(s), rule(s), statute(s), ordinance(s), regulation(s), guideline(s), opinion(s), notice(s), circular(s), order(s), judgment(s), decree(s) or ruling(s) of any governmental authority ("**Law(s)**"), or any change or development involving a prospective change in existing Laws, or any event or circumstance or series of events or circumstances likely to result in any change or development involving a prospective change in the interpretation or application of existing Laws by any court or other competent authority, in each case, in or affecting any of Hong Kong, the PRC, the United States, the Cayman Islands, the European Union (or any member thereof) or any other jurisdictions relevant to any Group Company or the Global Offering (the "**Specific Jurisdictions**"); or

(v) any general moratorium on commercial banking activities, or any disruption in commercial banking activities, foreign exchange trading or securities settlement or clearance services or procedures or matters, in or affecting any of the Specific Jurisdictions; or

(vi) the imposition of economic sanctions, in whatever form, directly or indirectly, by or for any of the Specific Jurisdictions; or

(vii) a change or development involving a prospective change in or affecting taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment Laws (including, without limitation, any change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a material fluctuation in the exchange rate of the Hong Kong dollar or the Renminbi against any foreign currency) in or affecting any of the Specific Jurisdictions or affecting an investment in the Shares; or

(viii) any change or development involving a prospective change, or a materialisation of, any of the risks set out in the section headed "Risk Factors" in this prospectus; or

(ix) any litigation or claim of any third party being threatened or instigated against any Group Company or any of the Warrantors; or

(x) any of the Directors and senior management member of our Company as set out in the "Directors and Senior Management" section of this prospectus being charged with an indictable offence or prohibited by operation of Law or otherwise disqualified from taking part in the management of a company; or

(xi) the chairman or chief executive officer of our Company vacating his or her office; or

(xii) the commencement by any governmental, regulatory or political body or organisation of any action against a Director in his or her capacity as such or an announcement by any governmental, regulatory or political body or organisation that it intends to take any such action; or

(xiii) a contravention by any Group Company or any Director of the Listing Rules, the Companies Ordinance or any other Laws applicable to the Global Offering; or

(xiv) a prohibition on our Company for whatever reason from allotting, issuing or selling the Offer Shares and/or the Over-allotment Shares pursuant to the terms of the Global Offering; or

(xv) non-compliance of this prospectus and the other Relevant Documents or any aspect of the Global Offering with the Listing Rules or any other Laws applicable to the Global Offering; or

(xvi) the issue or requirement to issue by our Company of a supplement or amendment to this prospectus and/or any other documents in connection with the Global Offering pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or

(xvii) a valid demand by any creditor for repayment or payment of any indebtedness of any Group Company or in respect of which any Group Company is liable prior to its stated maturity,

which in each case individually or in aggregate in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters):

(a) has or is or will or may or could be expected to have an adverse effect on the assets, liabilities, business, general affairs, management, shareholders' equity, profits, losses, results of operation, financial, trading or other condition or prospects or risks of our Company or our Group or any Group Company or on any present or prospective shareholder of our Company in his, her or its capacity as such; or

(b) has or will or may have or could be expected to have an adverse effect on the success, marketability or pricing of the Global Offering or the level of applications under the Hong Kong Public Offer or the level of interest under the International Placing; or

(c) makes or will make or may make it inadvisable, inexpedient or impracticable for any part of the Hong Kong Underwriting Agreement or the Global Offering to be performed or implemented or proceeded with as envisaged or to market the Global Offering or shall otherwise result in an interruption to or delay thereof; or

(d) has or will or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof.

Undertakings given to the Stock Exchange pursuant to the Listing Rules

By our Company

We have undertaken to the Stock Exchange that we shall not issue any further Shares or securities convertible into our equity securities (whether or not of a class already listed) or enter into any agreement to issue any such Shares or securities within six months from the Listing Date (whether or not such issue of Shares will be completed within six months from the Listing Date), except in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

By our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to us and to the Stock Exchange that except pursuant to the Global Offering, the Over-allotment Option or the Stock Borrowing Agreement, it shall not:

(a) in the period commencing on the date by reference to which disclosure of its shareholdings in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our securities that it is shown to beneficially own in this prospectus (the "**Relevant Shares**"); or

(b) in the period of a further six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Relevant Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it will cease to be a controlling shareholder (as defined in the Listing Rules) of our Company.

Each of our Controlling Shareholders has further undertaken to us and the Stock Exchange that, within the period commencing on the date by reference to which disclosure of its shareholdings in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it will:

(a) when it pledges or charges any securities in our Company beneficially owned by it in favour of an authorised institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform us in writing of such pledge or charge together with the number of our securities so pledged or charged; and

(b) when it receives indications, either verbal or written, from the pledgee or chargee that any of our pledged or charged securities beneficially owned by it will be disposed of, immediately inform us in writing of such indications.

We will also inform the Stock Exchange as soon as we have been informed of the matters mentioned in the paragraphs (a) and (b) above by any of our Controlling Shareholders and subject to the then requirements of the Listing Rules disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

Undertakings given to the Hong Kong Underwriters

Undertakings by our Company

Our Company has undertaken to each of the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters that except pursuant to the Global Offering (including pursuant to the Over-allotment Option) and the exercise of any options granted or to be granted under the Share Option Scheme, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the "**First Six-Month Period**"), we will not, and will procure each other Group Company not to, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an pledge, charge, lien, mortgage, option, restriction, right of first refusal, security interest, claim, pre-emption rights, equity interest, third party rights or interests or rights of the same nature as that of the foregoing or other encumbrances or security interest of any kind or another type of preferential arrangement (including without limitation, retention arrangement) having similar effect ("**Encumbrance**") over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any shares or other securities of such other Group Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any other warrants or other rights to purchase, any Shares or any shares of such other Group Company, as applicable), or deposit any Shares or other securities of our Company or any shares or other securities of such other Group Company, as applicable, with a depositary in connection with the issue of depositary receipts; or repurchase any Shares or other securities of our Company or any shares or other securities of such other Group Company, as applicable; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any shares or other securities of such other Group Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company or any shares or other securities of such other Group Company, as applicable); or

(c) enter into any transaction with the same economic effect as any transactions specified in (a) or (b) above; or

(d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above,

in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or other securities of our Company or shares or other securities of such other Group Company, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-Month Period).

Our Company has also undertaken that it will not, and will procure each other Group Company not to, enter into any of the transactions specified in (a), (b) or (c) above or offer to or agree to or announce any intention to effect any such transaction, such that any of our Controlling Shareholders would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company during the period of six months immediately following the expiry of the First Six-Month Period (the "**Second Six-Month Period**").

In the event that, during the Second Six-Month Period, our Company enters into any of the transactions specified in (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in any Shares or other securities of our Company.

By our Controlling Shareholders

Each of our Controlling Shareholders has undertaken jointly and severally to each of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the other Hong Kong Underwriters that, except pursuant to the Stock Borrowing Agreement and in compliance with the requirements under Rule 10.07(3) of the Listing Rules, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters):

(i) at any time during the First Six-Month Period, it/he/she shall not, and shall procure that the relevant registered holder(s), any nominee or trustee holding on trust for it/him/her and the companies controlled by it/he/she (together, the "**Controlled Entities**") shall not,

(a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent

the right to receive, or any warrants or other rights to purchase, any Shares) beneficially owned by it/him/her directly or indirectly through its Controlled Entities (the "**Relevant Securities**"), or deposit any Relevant Securities with a depositary in connection with the issue of depositary receipts; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities; or

(c) enter into or effect any transaction with the same economic effect as any of the transactions referred to in sub-paragraphs (a) or (b) above; or

(d) offer to or agree to or announce any intention to enter into or effect any of the transactions referred to in sub-paragraphs (a), (b) or (c) above, which any of the foregoing transactions referred to in sub-paragraphs (a), (b), (c) or (d) is to be settled by delivery of Shares or such other securities of our Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period);

(ii) at any time during the Second Six-Month Period, it/he/she shall not, and shall procure that the Controlled Entities shall not, enter into any of the transactions referred to in (i)(a), (b) or (c) above or offer to or agree to or announce any intention to enter into any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or Encumbrance pursuant to such transaction, it/he/she would cease to be a "controlling shareholder" (as defined in the Listing Rules) of our Company or would together with the other Controlling Shareholders cease to be "Controlling Shareholders" (as defined in the Listing Rules) of our Company;

(iii) in the event that it/he/she enters into any of the transactions specified in (i)(a), (b) or (c) above or offer to or agrees to or announce any intention to effect any such transaction within the Second Six-Month Period, it/he/she shall take all reasonable steps to ensure that it/he/she will not create a disorderly or false market for any Shares or other securities of our Company; and

(iv) it/he/she shall, and shall procure that the relevant registered holder(s) and other Controlled Entities shall, comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by it/he/she or by the registered holder(s) and/or other Controlled Entities of any Shares or other securities of our Company.

Each of the Controlling Shareholders has further undertaken to each of our Company, the Stock Exchange, the Sole Sponsors, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the other Hong Kong Underwriters that, within the period from the date by reference to which disclosure of their shareholding in our Company is made in this prospectus and ending on the date which is twelve months from the Listing Date, it/he/she will:

(i) when it/he/she pledges or charges any securities or interests in the Relevant Securities in favour of an authorised institution pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company and the Sole Sponsor in writing of such pledges or charges together with the number of securities and nature of interest so pledged or charged; and

(ii) when it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company and the Sole Sponsor in writing of such indications.

Underwriters' interests in our Group

Save for their respective obligations under the Hong Kong Underwriting Agreement and the International Underwriting Agreement or as otherwise disclosed in this prospectus, as at the Latest Practicable Date, none of the Underwriters was interested directly or indirectly in any of our Shares or securities or any shares or securities of any other member of our Group or had any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any of our Shares or securities or any shares or securities of any other member of our Group.

Following the completion of the Global Offering, the Underwriters and their affiliated companies may hold a certain portion of our Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement and International Underwriting Agreement.

The Sole Sponsor's Independence

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The International Placing

International Placing

In connection with the International Placing, we expect to enter into the International Underwriting Agreement on the Price Determination Date with, among others, the International Underwriters. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions, severally and not jointly, agree to purchase the International Placing Shares or procure purchasers for the International Placing Shares initially being offered pursuant to the International Placing. See "Structure of the Global Offering – The International Placing" in this prospectus.

Under the International Underwriting Agreement, we intend to grant to the International Underwriters the Over-allotment Option, exercisable in whole or in part at one or more times, at the sole and absolute discretion of the Sole Global Coordinator on behalf of the International Underwriters from the date of the International Underwriting Agreement until 30 days from the last day for the lodging of applications under the Hong Kong Public Offer to require us to issue and allot up to an aggregate of 18,750,000 additional Offer Shares, representing 15% of the Offer Shares initially available under the Global Offering and at the Offer Price, to cover any over-allocations in the International Placing, if any.

Total Commission and Expenses

We will pay the Sole Global Coordinator (for itself and on behalf of the other Underwriters) an underwriting commission of 5.0% of the aggregate Offer Price of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offer (excluding any International Placing Shares reallocated to the Hong Kong Public Offer and any Hong Kong Offer Shares reallocated to the International Placing), out of which the Underwriters will pay all sub-underwriting commission, if any. For unsubscribed Hong Kong Offer Shares reallocated to the International Placing, we will pay an underwriting commission at the rate applicable to the International Placing and such commission will be paid to the Sole Global Coordinator and the relevant International Underwriters, but not the Hong Kong Underwriters. In addition, we may, at our discretion, pay to the Sole Global Coordinator an additional incentive fee of up to 1.0% of the aggregate Offer Price of the Offer Shares from the Global Offering, including proceeds from the exercise of the Over-allotment Option.

Assuming the Over-allotment Option is not exercised and based on an Offer Price of HK$1.05 (being the mid-point of the stated range of the Offer Price between HK$1.00 and HK$1.10), the aggregate commissions and estimated expenses, together with the Stock Exchange listing fee, SFC transaction levy, Stock Exchange trading fee, legal and other professional fees, printing and other fees and expenses relating to the Global Offering, are estimated to amount in aggregate to HK$43.6 million in total and are payable by us.

Indemnity

We have undertaken to indemnify and keep indemnified on demand (on an after-tax basis) and hold harmless each of the Sole Global Coordinator, the Sole Sponsor and the Hong Kong Underwriters (for itself and on trust for its directors, officers, employees, agents, assignees and affiliates) from and against certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

Restrictions on the Offer Shares

No action has been taken to permit a public offering of the Offer Shares, other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offer as part of the Global Offering. The Global Offering comprises (assuming the Over-allotment Option is not exercised):

(i) the Hong Kong Public Offer of an initial 12,500,000 Hong Kong Offer Shares (subject to adjustment as mentioned below) in Hong Kong as described below in the paragraph headed "The Hong Kong Public Offer"; and

(ii) the International Placing of an initial 112,500,000 International Placing Shares, subject to adjustment and the Over-allotment Option as mentioned below, outside the U.S. (including to professional investors within Hong Kong) in offshore transactions in reliance on Regulation S or pursuant to another exemption from the registration requirements under the U.S. Securities Act.

Investors may apply for Hong Kong Offer Shares under the Hong Kong Public Offer or apply for or indicate an interest for Offer Shares under the International Placing, but cannot do both. Our Directors and the Sole Global Coordinator will take all reasonable steps to identify any multiple applications under the Hong Kong Public Offer and the International Placing which are not allowed and are bound to be rejected. The Hong Kong Public Offer is open to members of the public in Hong Kong as well as to professional investors in Hong Kong. The International Placing will involve selective marketing of Offer Shares to professional and institutional investors expected to have a sizeable demand for Shares in Hong Kong and other jurisdictions outside the U.S. in reliance on Regulation S. The International Underwriters are soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Placing. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or before Friday, 21 June 2019.

The number of Shares to be offered under the Hong Kong Public Offer and the International Placing may be subject to reallocation as described in the paragraph headed "Pricing and Allocation" below.

References in this prospectus to applications, Application Forms, application monies or the procedure for application refer solely to the Hong Kong Public Offer.

PRICING AND ALLOCATION

Pricing

The Offer Price is expected to be fixed by an agreement between us and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date

is expected to be on or around Friday, 21 June 2019 and in any event no later than Thursday, 27 June 2019 and the Offer Shares are expected to be allocated shortly thereafter. If for any reason, we and the Sole Global Coordinator (for itself and on behalf of the Underwriters) are unable to reach agreement on the Offer Price, the Global Offering will not proceed and will lapse.

The Offer Price will be not more than HK$1.10 per Offer Share and is expected to be not less than HK$1.00 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Hong Kong Public Offer, as explained below.

Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative offer price range stated in this prospectus.

Reduction in offer price range and/or number of Offer Shares

If, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, the Sole Global Coordinator (for itself and on behalf of the Underwriters), with our consent, considers it appropriate, the number of Offer Shares being offered under the Global Offering and/or the indicative offer price range may be reduced below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offer.

In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offer, expected to be on Friday, 21 June 2019, cause to be published in English in South China Morning Post and in Chinese in Hong Kong Economic Times notice(s) of the reduction in the number of Offer Shares and/or the indicative offer price range. Such notice(s) will also be available at the websites of the Hong Kong Stock Exchange at **www.hkexnews.hk** and our Company at **www.iflying.com**. Such notice(s) will also include confirmation or revision, as appropriate, of the working capital sufficiency statement, the offering statistics as currently set out in "Summary", and any other financial information which may change as a result of such reduction(s). Before submitting applications for Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the indicative offer price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offer. **If applications for the Hong Kong Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offer, applicants under the Hong Kong Public Offer will not be allowed to subsequently withdraw your application. However, if the number of Offer Shares and/or the offer price range is reduced, applicants will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.**

Upon the issuance of such notice, the revised number of Offer Shares and/or the revised offer price range will be final and conclusive. The Offer Price, if agreed upon, will be fixed within such revised offer price range. In the absence of any notice of a reduction in the indicative offer price range and/or the number of Offer Shares stated in this prospectus being published on or before the last day for lodging applications under the Hong Kong Public Offer, the Offer Price, if agreed upon, will under no circumstances be set outside the offer price range stated in this prospectus, and the number of Offer Shares will under no circumstances be fewer than the number stated in this prospectus.

Allocation

The Offer Shares to be offered in the Hong Kong Public Offer and the International Placing may, in certain circumstances (including but not limited to at the request(s) of the Stock Exchange and/or the SFC), be reallocated as between these offerings at the discretion of the Sole Global Coordinator.

Allocation of our Offer Shares pursuant to the International Placing will be determined by the Sole Global Coordinator and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation may be made to professional and institutional investors and is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and our Shareholders as a whole.

Allocation of Offer Shares to investors under the Hong Kong Public Offer will be based solely on the level of valid applications received under the Hong Kong Public Offer. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants, although the allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number or Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The net proceeds from the Global Offering accruing to us are estimated to be approximately HK$87.7 million. The estimated net proceeds are calculated assuming an Offer Price of HK$1.05 per Offer Share (being the mid-point of the stated offer price range of HK$1.00 to HK$1.10 per Offer Share) and after deduction of underwriting fees and estimated expenses payable by us in relation to the Global Offering, assuming that the Over-allotment Option is not exercised.

Announcement of Offer Price and Basis of Allocations

The Offer Price under the Global Offering, the level of indications of interest in the International Placing, and the level of applications and the results of and basis of allocations under the Hong Kong Public Offer are expected to be announced on Thursday, 27 June 2019 in English in the South China Morning Post and in Chinese in the Hong Kong Economic Times, on our website (**www.iflying.com**) (in English and Chinese) and on the Stock Exchange's website (**www.hkexnews.hk**) and in a variety of channels in the manner described in "How to Apply for Hong Kong Offer Shares – Publication of Results". You should note that our website, and all information contained in our website, does not form part of this prospectus.

CONDITIONS OF THE HONG KONG PUBLIC OFFER

Acceptance of all applications for the Hong Kong Offer Shares pursuant to the Hong Kong Public Offer will be conditional on:

(i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including an additional 18,750,000 Offer Shares which may be made available pursuant to the exercise of the Over-allotment Option), and such listing and permission not subsequently having been revoked prior to commencement of dealing in the Shares on the Stock Exchange;

(ii) the Offer Price having been duly determined between us and the Sole Global Coordinator (for itself and on behalf of the Underwriters), and the execution and delivery of the Price Determination Agreement on or around the Price Determination Date;

(iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

(iv) the obligations of the Underwriters under each of the Hong Kong Underwriting Agreement and the International Underwriting Agreement having become unconditional (including, if relevant, as a result of the waiver of any conditions by the Sole Global Coordinator (for itself and on behalf of the Underwriters)) and not having been terminated in accordance with the terms of the respective Underwriting Agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

If for any reason the Offer Price is not agreed by Thursday, 27 June 2019 between us and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Global Offering will not proceed and will lapse. If the above conditions are not fulfilled or waived prior to the

times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offer to be published by us in English in the South China Morning Post and in Chinese in the Hong Kong Economic Times on the next day following such lapse. In such eventuality, all application monies will be returned to the applicants, without interest, on the terms set out in "How to Apply for Hong Kong Offer Shares". In the meantime, the application monies will be held in separate bank account(s) with the receiving banks or other bank(s) in Hong Kong licensed under the Banking Ordinance.

The consummation of each of the Hong Kong Public Offer and the International Placing is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

Share certificates for the Hong Kong Offer Shares are expected to be issued on Thursday, 27 June 2019 but will only become valid certificates of title at 8:00 a.m. on Friday, 28 June 2019, the date of commencement of dealings in the Shares, provided that (i) the Global Offering has become unconditional in all respects, and (ii) the right of termination as described in "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offer – Grounds for Termination" in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

THE HONG KONG PUBLIC OFFER

We are initially offering 12,500,000 Hong Kong Offer Shares at the Offer Price, representing 10% of the 125,000,000 Offer Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to adjustment as mentioned below, the number of Shares offered under the Hong Kong Public Offer will represent 2.5% of our total issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

In Hong Kong, individual retail investors are expected to apply for the Hong Kong Offer Shares through the Hong Kong Public Offer and individual retail investors, including individual investors in Hong Kong applying through banks and other institutions, seeking Offer Shares in the International Placing will not be allotted Offer Shares in the International Placing.

Applications

Each applicant under the Hong Kong Public Offer will be required to give an undertaking and confirmation in the Application Form or applying online through the **HK eIPO White Form** service or the **electronic application instructions** to HKSCC submitted by him or her, that he or she, and any person(s) for whose benefit he or she is making the application (if any), have not indicated an interest for or taken up and will not indicate an interest for or take up any International Placing Shares, and such applicant's application will be rejected if this undertaking and/or confirmation is breached and/or untrue.

Our Company, our Directors, the Sole Sponsor and the Sole Global Coordinator will take reasonable steps to identify and reject applicants under the Hong Kong Public Offer from investors who have received Offer Shares in the International Placing, and to identify and reject indications of interest in the International Placing from investors who have received Offer Shares in the Hong Kong Public Offer.

The Sole Global Coordinator, for itself and on behalf of the Underwriters, may require any investor who has been offered Shares under the International Placing, and who has made an application under the Hong Kong Public Offer, to provide sufficient information to the Sole Global Coordinator so as to allow them to identify the relevant applications under the Hong Kong Public Offer and to ensure that he or she is excluded from any application for Shares under the Hong Kong Public Offer.

The Offer Price will be not more than HK$1.10 per Offer Share and is expected to be not less than HK$1.00 per Offer Share. Applicants under the Hong Kong Public Offer are required to pay, on application, the maximum Offer Price of HK$1.10 on each Hong Kong Offer Share plus 1% brokerage fee, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee on each Hong Kong Offer Share, amounting to a total of HK$2,222.17 per board lot of 2,000 Offer Shares. If the Offer Price, as finally determined on the Price Determination Date, is lower than HK$1.10 per Offer Share, being the maximum Offer Price, we will refund the respective difference (including the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) to successful applicants, without interest. Further details are set out in "How to Apply for Hong Kong Offer Shares".

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Hong Kong Public Offer.

Allocation

The total number of Offer Shares available for subscription under the Hong Kong Public Offer (after taking into account any reallocation and clawback referred to below) is to be divided equally into two pools for allocation purposes: pool A and pool B (subject to adjustment of odd lot size). The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of HK$5.0 million (excluding brokerage, SFC transaction levy and Stock Exchange trading fee) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of more than HK$5.0 million (excluding brokerage, SFC transaction levy and Stock Exchange trading fee) and up to the value of pool B. For this purpose, the "subscription price" for the Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined).

Applicants should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly.

Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools. When there is over-subscription, allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offer, in relation to both pool A and pool B, will be based solely on the level of valid applications received under the Hong Kong Public Offer. The basis of allocation in each pool may vary, depending on the number of Hong Kong Offer Shares validly applied for by each applicant. The allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares. Multiple or suspected multiple applications within either pool or between pools and any application for more than 6,250,000 Hong Kong Offer Shares, being 50% of the Hong Kong Offer Shares initially being offered for subscription under the Hong Kong Public Offer will be rejected.

Reallocation and Clawback

The allocation of the Offer Shares between the Hong Kong Public Offer and the International Placing is subject to reallocation at the discretion of the Sole Global Coordinator, subject to the following:

(a) where the International Placing Shares are fully subscribed or oversubscribed:

(i) if the Hong Kong Offer Shares are undersubscribed, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Placing, in such proportions as the Sole Global Coordinator deems appropriate;

(ii) if the number of Offer Shares validly applied for under the Hong Kong Public Offer represents less than 15 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offer, then up to 12,500,000 Offer Shares may be reallocated to the Hong Kong Public Offer from the International Placing, so that the total number of the Offer Shares available under the Hong Kong Public Offer will be increased to 25,000,000 Offer Shares, representing 20% of the total number of the Offer Shares initially available under the Global Offering;

(iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offer represents (1) 15 times or more but less than 50 times, (2) 50 times or more but less than 100 times, and (3) 100 times or more of the number of Offer Shares initially available under the Hong Kong Public Offer, the Offer Shares will be reallocated to the Hong Kong Public Offer from the International Placing in accordance with the clawback requirements set forth in paragraph 4.2 of Practice Note 18 of the Listing Rules, so that the total number of Hong Kong Offer Shares will be increased to 37,500,000 Offer Shares (in the case of (1)), 50,000,000 Offer Shares (in the case of (2)) and 62,500,000 Offer Shares (in the case of (3)), representing approximately 30%, 40% and 50% of the Offer Shares initially available under the Global Offering, respectively;

(b) where the International Placing Shares are undersubscribed:

(i) if the Hong Kong Offer Shares are also undersubscribed, the Global Offering will not proceed unless the Underwriters would subscribe for or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this prospectus, the Application Forms and the Underwriting Agreements; and

(ii) if the Hong Kong Offer Shares are fully subscribed or oversubscribed (irrespective of the extent of over-subscription), then up to 12,500,000 Offer Shares may be reallocated to the Hong Kong Public Offer from the International Placing, so that the total number of the Offer Shares available under the Hong Kong Public Offer will be increased to 25,000,000 Offer Shares, representing 20% of the total number of the Offer Shares initially available under the Global Offering.

In the event of reallocation of Offer Shares from the International Placing to the Hong Kong Public Offer in the circumstances described in paragraph (a)(ii) or (b)(ii) above, the final Offer Price shall be fixed at the bottom end of the Offer Price Range (i.e. HK$1.00 per Offer Share) according to HKEX Guidance Letter HKEX-GL91-18 issued by the Stock Exchange.

In all cases of reallocation of Offer Shares from the International Placing to the Hong Kong Public Offer, the additional Offer Shares reallocated to the Hong Kong Public Offer will be allocated between pool A and pool B in equal proportion and the number of Offer Shares allocated to the International Placing will be correspondingly reduced.

THE INTERNATIONAL PLACING

The International Placing will consist of initially 112,500,000 Shares and is subject to adjustment and the Over-allotment Option, to be offered outside the United States (within the meaning of Regulation S under the U.S. Securities Act) in reliance on Regulation S under the U.S. Securities Act, including to professional investors in Hong Kong. The International Placing will be subject to, among other matters, the Hong Kong Public Offer becoming unconditional.

Pursuant to the International Placing, the International Underwriters will conditionally place our Shares with institutional and professional investors expected to have a sizeable demand for our Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Allocation of Offer Shares pursuant to the International Placing will be effected in accordance with the "book-building" process described in the paragraph headed "Pricing and Allocation" above and based on a number of factors, including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares, after the listing of the Shares on the Stock

Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional Shareholder base to the benefit of our Company and our Shareholders as a whole.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, we expect to grant the Over-allotment Option to the International Underwriters, exercisable by the Sole Global Coordinator on behalf of the International Underwriters.

Pursuant to the Over-Allotment Option, the Sole Global Coordinator has the right, exercisable at any time from the date of the International Underwriting Agreement until 30 days after the last date for the lodging of applications under the Hong Kong Public Offer, to require us to issue and allot up to an aggregate of 18,750,000 additional Offer Shares (representing 15% of the Offer Shares initially available under the Global Offering) at the same price per Offer Share under the International Placing to cover over-allocations in the International Placing, if any. If the Over-Allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.61% of our enlarged share capital immediately following the completion of the Global Offering and the exercise of the Over-Allotment Option. In the event that the Over-Allotment Option is exercised, an announcement will be made.

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilising Manager may choose to borrow, whether on its own or through any person acting for it, up to 18,750,000 Shares (being the maximum number of Shares which may be issued or sold upon exercise of the Over-allotment Option) from controlling shareholder pursuant to the Stock Borrowing Agreement, and/or acquire Shares from other sources, including the exercise of the Over-allotment Option.

If such stock borrowing arrangement with Michael Group is entered into, it will only be effected by the Stabilising Manager or any person acting for it for settlement of over-allocation in the International Placing and such arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are complied with. The same number of Shares so borrowed must be returned to controlling shareholder or its nominees, as the case may be, on or before the third Business Day following the earlier of (i) the last day on which the Over-allotment Option may be exercised, (ii) the day on which the Over-allotment Option is exercised in full, or (iii) such earlier time as may be agreed in writing between the Stabilising Manager and controlling shareholder. The stock borrowing arrangement will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to controlling shareholder by the Stabilising Manager or any person acting for it in relation to such stock borrowing arrangement.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to minimise, and, if possible, prevent any decline in the market price of the securities below the Offer Price. In Hong Kong and certain other jurisdictions, the price at which stabilisation is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilising Manager or any person acting for it, on behalf of the International Underwriters, may, to the extent permitted by applicable laws in Hong Kong, over-allocate and/or effect any other transactions with a view to stabilising or maintaining the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period commencing on the Listing Date and ending on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offer. The stabilising action which may be taken by the Stabilising Manager or any person acting for it may include primary and ancillary stabilising actions such as purchasing or agreeing to purchase any of the Offer Shares, exercising the Over-allotment Option, stock borrowing, establishing a short position in the Shares, liquidating long positions in the Shares or offering or attempting to do any such actions. However, there is no obligation on the Stabilising Manager or any person acting for it to conduct any such stabilising activity. Any such stabilising activities will be effected in compliance with all applicable laws and regulatory requirements, including the Securities and Futures (Price Stabilizing) Rules. Such stabilisation, if commenced, will be conducted at the sole and absolute discretion of the Stabilising Manager or any person acting for it, and may be discontinued at any time, and is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offer. The number of Shares that may be over-allocated will not exceed the number of Shares which may be issued or sold upon exercise of the Over-allotment Option, being 18,750,000 Shares, which is 15% of our Offer Shares initially available under the Global Offering and before the exercise of the Over-allotment Option.

The Stabilising Manager or any person acting for it, may take all or any of the following stabilising actions in Hong Kong during the stabilisation period:

(a) purchase, or agree to purchase, any of our Shares or offer or attempt to do so for the sole purpose of preventing or minimising any reduction in the market price of our Shares; and/or

(b) in connection with any action described in paragraph (a) above:

    (i) (A) over-allocate our Shares; or

    (B) sell or agree to sell our Shares so as to establish a short position in them,

    for the sole purpose of preventing or minimising any reduction in the market price of our Shares;

(ii) exercise the Over-allotment Option so as to purchase or subscribe for or agree to purchase or subscribe for our Shares in order to close out any position established under paragraph (i) above;

(iii) sell or agree to sell any of our Shares acquired by it in the course of the stabilising action referred to in paragraph (a) above in order to liquidate any position that has been established by such action; and/or

(iv) offer or attempt to do anything as described in paragraph (b)(i)(B), (b)(ii) or (b)(iii) above.

The Stabilising Manager or any person acting for it, may, in connection with the stabilising action, maintain a long position in our Shares, and there is no certainty as to the extent to which or the time period for which it or any person acting for it will maintain such a position. Investors should be warned of the possible impact of any liquidation of the long position by the Stabilising Manager or any person acting for it, which may have an adverse impact on the market price of our Shares.

Stabilisation cannot be used to support the price of our Shares for longer than the stabilisation period, which begins on the day on which dealings in our Shares commence on the Stock Exchange and ends on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offer which will be Sunday, 21 July 2019. After this date, when no further stabilising action may be taken, demand for our Shares, and therefore their market price, could fall. Our Company will ensure or procure that a public announcement will be made within seven days after the end of the stabilising period in compliance with the Securities and Futures (Price Stabilizing) Rules.

Any stabilising action taken by the Stabilising Manager or any person acting for it, may not necessarily result in the market price of our Shares staying at or above the Offer Price either during or after the stabilisation period. Stabilisation bids or market purchases effected in the course of the stabilising action may be made at any price at or below the Offer Price and can therefore be done at a price below the price investors have paid in acquiring our Shares.

In connection with the Global Offering, the Sole Global Coordinator may over-allocate up to an aggregate of 18,750,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option, which will be exercisable by the Sole Global Coordinator on behalf of the International Underwriters, or by making purchases in the secondary market at prices that do not exceed the Offer Price or a combination of these means.

In particular, for the purpose of settlement of over-allocations in connection with the International Placing, the Stabilising Manager may borrow up to 18,750,000 Shares, under the stock borrowing arrangement. The stock borrowing arrangement will be effected in compliance with all applicable laws, rules and regulatory requirements. No payments or other benefit will be made to Michael Group by the Sole Global Coordinator in relation to the stock borrowing arrangement.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 28 June 2019, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, 28 June 2019. Our Shares will be traded in board lots of 2,000 Shares each.

UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us on the Price Determination Date.

We expect that we will, on or around the Price Determination Date, shortly after determination of the Offer Price, enter into the International Underwriting Agreement relating to the International Placing.

The underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarised in "Underwriting".

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at **www.hkeipo.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Placing Shares or otherwise participate in the International Placing.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.hkeipo.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 18 June 2019 to 12:00 noon on Friday, 21 June 2019 from:

(i) the office of the Joint Bookrunners:

Crosby Securities Limited	5/F, Capital Centre 151 Gloucester Road Wan Chai, Hong Kong
Giraffe Capital Limited	3/F, 8 Wyndham Street Central Hong Kong
Mason Securities Limited	Portion 1, 12/F The Center 99 Queen's Road Central, Hong Kong

(ii) any of the following branches of the receiving banks:

Bank of China (Hong Kong) Limited

	Branch Name	Address
Hong Kong Island	United Centre Branch	Shop 1021, United Centre 95 Queensway, Hong Kong
	North Point (King's Centre) Branch	193-209 King's Road North Point, Hong Kong
Kowloon	Castle Peak Road (Cheung Sha Wan) Branch	365-371 Castle Peak Road Cheung Sha Wan, Kowloon
New Territories	Tai Wai Branch	74-76 Tai Wai Road Sha Tin, New Territories
	Castle Peak Road (Tsuen Wan) Branch	G/F-1/F, Sin Ching Building 201-207 Castle Peak Road (Tsuen Wan) Tsuen Wan, New Territories

Standard Chartered Bank (Hong Kong) Limited

	Branch Name	Address
Hong Kong Island	Des Voeux Road Branch	Standard Chartered Bank Building 4-4A, Des Voeux Road Central Central, Hong Kong
	Causeway Bay Branch	G/F to 2/F, Yee Wah Mansion 38-40A Yee Wo Street Causeway Bay, Hong Kong
Kowloon	Kwun Tong Branch	G/F & 1/F One Pacific Centre 414 Kwun Tong Road Kwun Tong, Kowloon
	Lok Fu Shopping Centre Branch	Shop G201, G/F., Lok Fu Shopping Centre Kowloon
New Territories	Maritime Square Branch	Shop 308E, Level 3, Maritime Square Tsing Yi, New Territories

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 18 June 2019 until 12:00 noon on Friday, 21 June 2019 from the Depository Counter of HKSCC at at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "BANK OF CHINA (HONG KONG) NOMINEES LIMITED – FEIYANG GROUP PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

- 9:00 a.m. to 5:00 p.m. – Tuesday, 18 June 2019
- 9:00 a.m. to 5:00 p.m. – Wednesday, 19 June 2019
- 9:00 a.m. to 5:00 p.m. – Thursday, 20 June 2019
- 9:00 a.m. to 12:00 noon – Friday, 21 June 2019

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 21 June 2019, the last application day or such later time as described in "– Effect of Bad Weather on the Opening of the Applications Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sole Global Coordinator (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Hong Kong Companies Ordinance and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of our Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing nor participated in the International Placing;

(viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, receiving banks, the Sole Global Coordinator, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Global Coordinator and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that our Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in "– Who can apply" in this section may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you

authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form

You may submit your application to the **HK eIPO White Form** Service Provider at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, 18 June 2019 until 11:30 a.m. on Friday, 21 June 2019 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, 21 June 2019 or such later time under "– Effects of Bad Weather on the Opening of the Applications Lists".

No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic application instructions** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instructions** under **HK eIPO White Form** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place
Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Global Coordinator and our Hong Kong Branch Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing;

- (if the electronic application instructions are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;

- confirm that you understand that our Company, our Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of our Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving banks, the Sole Global Coordinator, the Underwriters and/or its respective advisers and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Hong Kong Companies Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offer results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;

- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Hong Kong Companies Ordinance and the Articles of Association; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies(including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 2,000 Hong Kong Offer Shares. Instructions for more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:(1)

- 9:00 a.m. to 8:30 p.m. – Tuesday, 18 June 2019

- 8:00 a.m. to 8:30 p.m. – Wednesday, 19 June 2019

- 8:00 a.m. to 8:30 p.m. – Thursday, 20 June 2019

- 8:00 a.m. to 12:00 noon – Friday, 21 June 2019

Note:

(1) The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, 18 June 2019 until 12:00 noon on Friday, 21 June 2019 (24 hours daily, except on Friday, 21 June 2019, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, 21 June 2019, the last application day or such later time as described in "– Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bankers, the Sole Global Coordinator, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions,** they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, 21 June 2019.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"**Unlisted company**" means a company with no equity securities listed on the Stock Exchange.

"**Statutory control**" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 2,000 Hong Kong Offer Shares. Each application or **electronic application instructions** in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

See "Structure and Conditions of the Global Offering – Pricing and Allocation" for further details of the Offer Price.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 21 June 2019. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, 21 June 2019 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in "Expected Timetable", an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offer and the basis of allocation of the Hong Kong Offer Shares on Thursday, 27 June 2019 in English in the South China Morning Post and in Chinese in the Hong Kong Economic Times on our Company's website at **www.iflying.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at **www.iflying.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 8:00 a.m. on Thursday, 27 June 2019;

- from the designated results of allocations website at **www.tricor.com.hk/ipo/result** or **www.hkeipo.hk/IPOResult** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Thursday, 27 June 2019 to 12:00 midnight on Wednesday, 3 July 2019;

- by telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, 27 June 2019 to Wednesday, 3 July 2019 on a business day;

- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 27 June 2019 to Tuesday, 2 July 2019 at all the designated branches of the receiving banks on a business day.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in "Structure and Conditions of the Global Offering".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Hong Kong Companies Ordinance (as applied by Section 342E of the Hong Kong Companies Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;

- our Company or the Sole Global Coordinator believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or

- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offer.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$1.10 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offer are not fulfilled in accordance with "Structure and Conditions of the Global Offering – Conditions of the Hong Kong Public Offer" or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Thursday, 27 June 2019.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Thursday, 27 June 2019. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 27 June 2019 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Thursday, 27 June 2019, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Thursday, 27 June 2019, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, 27 June 2019, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS Participant (other than a CCASS investor participant)*

  For Hong Kong Offer shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer shares allotted to you with that CCASS Participant.

- *If you are applying as a CCASS investor participant*

  Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offer in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 27 June 2019 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 27 June 2019, or such other date as notified by our Company in the newspapers as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Thursday, 27 June 2019 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 27 June 2019, or, on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offer in the manner specified in "Publication of Results" above on Thursday, 27 June 2019. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 27 June 2019 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 27 June 2019. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 27 June 2019.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

The Directors
Feiyang International Holdings Group Limited
Giraffe Capital Limited

Dear Sirs,

We report on the historical financial information of Feiyang International Holdings Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-3 to I-62 which comprises the combined statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the year ended 31 December 2016, 2017 and 2018 (the "Relevant Periods"), and the combined statements of financial position of the Group as at 31 December 2016, 2017 and 2018 and the statement of financial position of the Company as at 31 December 2018 and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-3 to I-62 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 18 June 2019 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group as at 31 December 2016, 2017 and 2018 and of the financial position of the Company as at 31 December 2018 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to note 11 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods.

No historical financial statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong
18 June 2019

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2016 RMB'000	Year ended 31 December 2017 RMB'000	Year ended 31 December 2018 RMB'000
REVENUE	5	410,115	464,844	492,851
Cost of sales		(340,951)	(375,141)	(386,191)
Gross profit		69,164	89,703	106,660
Other income and gains	5	3,367	2,901	7,070
Selling and distribution expenses		(25,592)	(27,880)	(30,504)
Administrative expenses		(16,519)	(22,231)	(43,065)
Other expenses		(4,861)	(168)	(2,509)
Interest expenses	7	(118)	(1,796)	(4,034)
PROFIT BEFORE TAX	6	25,441	40,529	33,618
Income tax expense	10	(7,426)	(10,582)	(10,122)
PROFIT FOR THE YEAR		18,015	29,947	23,496
OTHER COMPREHENSIVE INCOME FOR THE YEAR		–	–	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		18,015	29,947	23,496
Profit and total comprehensive income attributable to:				
Owners of the parent		17,943	29,947	23,496
Non-controlling interests		72	–	–
		18,015	29,947	23,496
Earnings per share attributable to ordinary equity holders of the parent				
Basic and diluted	12	N/A	N/A	N/A

COMBINED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2016 RMB'000	As at 31 December 2017 RMB'000	As at 31 December 2018 RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	*13*	16,683	20,746	20,243
Investment properties	*14*	–	9,667	9,746
Intangible asset	*15*	66	56	47
Deferred tax assets	*22*	2,379	3,266	4,851
Advance payments for property, plant and equipment		–	187	–
Total non-current assets		19,128	33,922	34,887
CURRENT ASSETS				
Trade receivables	*16*	36,562	47,974	99,112
Prepayments, deposits and other receivables	*17*	30,468	43,486	87,646
Due from a related party	*31(b)*	4,020	7,020	–
Due from a director	*31(c)*	1,404	1,404	–
Financial assets at fair value through profit or loss	*32*	6,000	–	–
Pledged short-term deposits	*18*	13,394	24,853	23,388
Cash and cash equivalents	*18*	22,281	55,628	39,353
Total current assets		114,129	180,365	249,499
CURRENT LIABILITIES				
Trade payables	*19*	25,189	35,101	40,012
Advance from customers, other payables and accruals	*20*	44,111	48,682	54,200
Interest-bearing bank borrowings	*21*	9,900	50,000	110,000
Tax payable		5,191	5,651	3,380
Total current liabilities		84,391	139,434	207,592
NET CURRENT ASSETS		29,738	40,931	41,907
TOTAL ASSETS LESS CURRENT LIABILITIES		48,866	74,853	76,794
Net assets		48,866	74,853	76,794
EQUITY				
Equity attributable to owners of the parent				
Issued capital	*23*	–	–	90
Reserves	*25*	48,866	74,853	76,704
Total equity		48,866	74,853	76,794

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent								
	Issued capital	Capital reserve*	Statutory surplus reserves*	Retained profits*	Share award reserves*	Special reserves*	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 23)	*(note 25)*	*(note 25)*		*(note 24)*				
At 1 January 2016	–	20,712	1,036	1,390	–	–	23,138	1,093	24,231
Profit and total comprehensive income for the year	–	–	–	17,943	–	–	17,943	72	18,015
Equity-settled share award plan *(note 24)*	–	–	–	–	4,599	–	4,599	–	4,599
De-registration of a subsidiary**	–	–	–	–	–	–	–	(720)	(720)
Transfer to statutory reserves	–	–	870	(870)	–	–	–	–	–
Capital injection from the then shareholders	–	3,441	–	–	–	–	3,441	–	3,441
Acquisition of non-controlling interests	–	–	–	–	–	(255)	(255)	(445)	(700)
Transfer from retained profits	–	2,120	–	(2,120)	–	–	–	–	–
At 31 December 2016	–	26,273	1,906	16,343	4,599	(255)	48,866	–	48,866

	Attributable to owners of the parent						
	Issued capital	Capital reserve*	Statutory surplus reserves*	Retained profits*	Share award reserves*	Special reserves*	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 23)	*(note 25)*	*(note 25)*		*(note 24)*		
At 1 January 2017	–	26,273	1,906	16,343	4,599	(255)	48,866
Profit and total comprehensive income for the year	–	–	–	29,947	–	–	29,947
Equity-settled share award plan *(note 24)*	–	–	–	–	704	–	704
Transfer to statutory reserves	–	–	2,115	(2,115)	–	–	–
Dividends paid by a subsidiary to the then shareholders *(note 11)*	–	–	–	(4,664)	–	–	(4,664)
Transfer from retained profits	–	21,082	–	(21,082)	–	–	–
At 31 December 2017	–	47,355	4,021	18,429	5,303	(255)	74,853

	Attributable to owners of the parent							
	Issued capital	Share premium*	Capital reserve*	Statutory surplus reserves*	Retained profits*	Share award reserves*	Special reserves*	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 23)	*(note 25)*	*(note 25)*	*(note 25)*		*(note 24)*		
At 1 January 2018	–	–	47,355	4,021	18,429	5,303	(255)	74,853
Profit and total comprehensive income for the year	–	–	–	–	23,496	–	–	23,496
Issue of shares	90	1,309	–	–	–	–	–	1,399
Equity-settled share award plan *(note 24)*	–	–	–	–	–	2,698	–	2,698
Transfer to statutory reserves	–	–	–	1,540	(1,540)	–	–	–
Dividends paid by a subsidiary to the then shareholders *(note 11)*	–	–	–	–	(25,652)	–	–	(25,652)
At 31 December 2018	90	1,309	47,355	5,561	14,733	8,001	(255)	76,794

* These reserve accounts comprise the combined reserves of RMB48,866,000, RMB74,853,000 and RMB76,704,000 in the combined statements of financial position as at 31 December 2016, 2017 and 2018, respectively.

** On 16 May 2016, Xiangshan Shipu Commercial Plaza Management Co., Ltd., a subsidiary of Feiyang International Holdings Group Limited, was de-registered pursuant to the written resolutions of its shareholders. The subsidiary had no material business operation during the Relevant Periods before its de-registration.

COMBINED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December 2016 RMB'000	Year ended 31 December 2017 RMB'000	Year ended 31 December 2018 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		25,441	40,529	33,618
Adjustments for:				
Depreciation of property, plant and equipment	13	2,071	2,486	2,604
Amortisation of intangible asset	15	19	10	9
Impairment of items of property, plant and equipment	6	2,225	–	–
Reversal of impairment of items of property, plant and equipment on revaluation upon reclassification to investment properties	6	–	(566)	–
Bank interest income	5	(378)	(272)	(396)
Foreign exchange losses		–	–	4
Interest expenses	7	118	1,796	4,034
Loss/(gain) on disposal of items of property, plant and equipment	6	23	(461)	52
Changes in fair value of investment properties	14	–	–	(79)
Equity-settled share award expenses	24	4,599	704	2,698
		34,118	44,226	42,544
Increase in trade receivables		(30,357)	(11,412)	(51,138)
Increase in prepayments, deposits and other receivables		(4,990)	(13,171)	(44,129)
Increase in trade payables		13,399	9,912	4,911
Increase/(decrease) in advance from customers, other payables and accruals		8,192	(1,520)	8,801
Cash generated from/(used in) operations		20,362	28,035	(39,011)
Income tax paid		(5,980)	(11,009)	(13,978)
Net cash flows from/(used in) operating activities		14,382	17,026	(52,989)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment		(2,635)	(13,846)	(5,913)
Purchase of financial assets at fair value through profit or loss		(6,000)	–	–
Proceeds from disposal of financial assets at fair value through profit or loss		2,934	6,000	–
Proceeds from disposal of items of property, plant and equipment		–	4,500	16
Acquisition of subsidiaries	26	(1,455)	–	–
De-registration of a subsidiary		(720)	–	–
Decrease/(increase) in pledged short-term deposits		(11,494)	(11,459)	1,465
Interest received		378	425	365
Net cash flows used in investing activities		(18,992)	(14,380)	(4,067)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of bank borrowings	28	–	(49,900)	(110,000)
Proceeds from bank borrowings	28	9,900	90,000	170,000
Loans from a related party	28	3,000	–	–
Repayment of loans from a related party	28	–	(3,000)	–
Contribution from the then shareholders		3,441	–	1,399
Interest paid	28	(118)	(1,735)	(3,958)
Acquisition of non-controlling interests		(700)	–	–
Dividends paid by a subsidiary to the then shareholders		–	(4,664)	(16,656)
Net cash flows from financing activities		15,523	30,701	40,785
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		10,913	33,347	(16,271)
Cash and cash equivalents at beginning of year		11,368	22,281	55,628
Effect of foreign exchange rate changes, net		–	–	(4)
CASH AND CASH EQUIVALENTS AT END OF YEAR	18	22,281	55,628	39,353
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances	18	22,281	55,628	39,353

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	As at 31 December 2018 *RMB'000*
NON-CURRENT ASSETS	
Investments in subsidiaries *(note 1)*	53
CURRENT ASSETS	
Cash and cash equivalents	1,346
CURRENT LIABILITIES	
Other payables and accruals	86
NET CURRENT ASSETS	1,260
TOTAL ASSETS LESS CURRENT LIABILITIES	1,313
Net assets	1,313
EQUITY	
Issued capital *(note 23)*	90
Reserves	1,223
Total equity	1,313

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Feiyang International Holdings Group Limited (the "Company") is an exempted company 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 Relevant Periods, the Company's subsidiaries were principally involved in (i) the design, development and sales of outbound travel package tours; (ii) the design, development and sales of free independent traveller ("FIT") products; and (iii) the provision of other ancillary travel-related products and services. In the opinion of the directors of the Company, the ultimate controlling shareholder of the Company and its subsidiaries (together, the "Group") is Mr. He Binfeng (the "Controlling Shareholder").

The Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name	Place and date of incorporation/ registration and place of business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Bird Investment Group Limited ("Bird Investment") (d)	British Virgin Islands 25 October 2018	United States dollar ("USD") 50,000	100	–	Investment holding
Toucan Investment Holdings Limited ("Toucan Investment") (d)	British Virgin Islands 18 October 2018	USD50,000	100	–	Investment holding
Cuckoo HK Holdings Limited ("Cuckoo HK") (e) 杜鵑香港控股有限公司	Hong Kong 26 October 2018	Hong Kong dollar ("HKD") 10,000	–	100	Investment holding
Feiyang HK Group Limited ("Feiyang HK") (e) 飛揚香港集團有限公司	Hong Kong 2 November 2018	HKD10,000	–	100	Investment holding
Ningbo Feiyang Commercial Management Co., Ltd. ("WFOE") (e)* 寧波飛揚商業管理有限公司	PRC/Mainland China 12 December 2018	HKD1.2 million	–	100	Technical support and consultancy related services
Zhejiang Feiyang International Travel Group Co., Ltd. ("Feiyang International") (a)* 浙江飛揚國際旅遊集團股份有限公司	PRC/Mainland China 19 September 2001	RMB46.64 million	–	100	Outbound travel business
Ningbo Shengda Feiyang Commercial Management Co., Ltd. ("Shengda Feiyang") (e)* 寧波勝大飛揚企業管理有限公司	PRC/Mainland China 27 September 2018	RMB1.05 million	–	100	Investment holding

Name	Place and date of incorporation/ registration and place of business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Ningbo Feiyang Expo Services Co., Ltd. ("Feiyang Expo") (d)* 寧波飛揚會展服務有限公司	PRC/Mainland China 21 February 2011	RMB3.5 million	–	100	Exhibition service, conference service and business information consultation services
Zhejiang Feiyang Travel Agency Co., Ltd. ("Feiyang Travel Agency") (e)* 浙江飛揚旅行社有限公司	PRC/Mainland China 11 October 2018	RMB5 million	–	100	Domestic and inbound travel business
Zhejiang Ben Niao Travel Co., Ltd. ("Ben Niao Travel") (e)* 浙江笨鳥旅遊有限公司	PRC/Mainland China 3 August 2018	RMB5 million	–	100	Domestic and inbound travel business
Jiangsu Ben Niao Travel Development Co., Ltd. ("Jiangsu Ben Niao") (e)* 江蘇笨鳥旅遊發展有限公司	PRC/Mainland China 19 December 2018	RMB10 million	–	100	Domestic and inbound travel business
Zhejiang Hengyue Information Technology Co., Ltd. ("Zhejiang Hengyue") (d)* 浙江恒越信息科技有限公司	PRC/Mainland China 22 December 2011	RMB5 million	–	100	Software research and development
Zhejiang Feiyang Lianchuang Travel Co., Ltd. ("Feiyang Lianchuang") (d)* 浙江飛揚聯創旅遊有限公司	PRC/Mainland China 21 May 2001	RMB10 million	–	100	Outbound travel business
Zhejiang Feiyang Commercial Management Co., Ltd. ("Feiyang Commercial") (c)* 浙江飛揚商務管理有限公司	PRC/Mainland China 13 June 2017	RMB10 million	–	100	Air ticketing business
Ningbo Qihang Airplane Ticketing Co., Ltd. ("Ningbo Qihang") (b)* 寧波啟航航空票務有限公司	PRC/Mainland China 3 August 2012	RMB15 million	–	100	Air ticketing business

* The English names of these entities registered in Mainland China represent the best efforts made by the management of the Company to directly translate their Chinese names as they did not register any official English names.

(a) The statutory financial statements of Feiyang International for the year ended 31 December 2016 prepared under PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by BDO Shu Lun Pan Certified Public Accountants LLP (立信會計師事務所(特殊普通合夥)), certified public accountants registered in the PRC.

(b) The statutory financial statements of Ningbo Qihang for the years ended 31 December 2016 and 2017 prepared under PRC GAAP were audited by Rong Da Certified Public Accountants Ltd. (容達會計師事務所有限公司) and Ningbo Hailian Certified Public Accountants LLP (寧波海聯會計師事務所(普通合夥)), certified public accountants registered in the PRC, respectively.

(c) The statutory financial statements of Feiyang Commercial for the year ended 31 December 2017 prepared under PRC GAAP were audited by Wenzhou Oujiang Certified Public Accountants Ltd. (溫州甌江會計師事務所有限公司), certified public accountants registered in the PRC.

(d) No audited financial statements have been prepared for these entities since their dates of incorporation as these subsidiaries are not required by the local government to prepare statutory accounts.

(e) No audited financial statements have been prepared for these entities as these entities were incorporated in 2018.

2.1 Basis of presentation

Pursuant to the Reorganisation, as more fully explained in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus, the Company became the holding company of the companies now comprising the Group on 18 January 2019. As the Reorganisation only involved inserting new holding companies at the top of an existing company that has not resulted in a change of respective voting and beneficial interests, the Historical Financial Information for the Relevant Periods has been presented as a continuation of the then holding company by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Relevant Periods.

Due to regulatory prohibitions on foreign ownership in the outbound travel business and the domestic passenger air ticketing services from air ticketing business and restrictions on foreign ownership in the international passenger air ticketing services from air ticketing business in the PRC, the principal business carried out by Feiyang International, Feiyang Lianchuang, Ningbo Qihang and Feiyang Commercial (the "PRC Operating Entities") was prohibited or restricted from foreign ownership. The wholly-owned subsidiary of the Company, WFOE, has entered into a series of structured contracts (the "Structured Contracts") with the PRC Operating Entities and their respective equity holders (hereafter the equity holders of the PRC Operating Entities referred to the "Registered Shareholders"). The Structured Contracts enable WFOE to exercise effective control over the PRC Operating Entities and obtain substantially all economic benefits of the PRC Operating Entities. Accordingly, the Company regards the PRC Operating Entities as indirect subsidiaries for the purpose of the Historical Financial Information and the PRC Operating Entities are combined in the Historical Financial Information for the Relevant Periods. Details of the Structured Contracts are disclosed in the section headed "Contractual Arrangements" in the Prospectus. The Group does not have any equity interests in the PRC Operating Entities.

The combined statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries and/or businesses were established, where this is a shorter period. The combined statements of financial position of the Group as at 31 December 2016, 2017 and 2018 have been prepared to present the assets and liabilities of the subsidiaries now comprising the Group using the existing book values. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

All intra-group transactions and balances have been eliminated on combination.

2.2 Basis of preparation

The Historical Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2018, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods. The Group has adopted HKFRS 9 and HKFRS 15 on a consistent basis throughout the Relevant Periods.

The Historical Financial Information has 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.

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to HKFRS 3	*Definition of a Business*[2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[1]

[1] Effective for annual periods beginning on or after 1 January 2019

[2] Effective for annual periods beginning on or after 1 January 2020

[3] Effective for annual periods beginning on or after 1 January 2021

[4] No mandatory effective date yet determined but available for adoption

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

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

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective

or a modified retrospective approach. The Group will adopt HKFRS 16 from 1 January 2019. The Group plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained profits at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application.

The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. During 2018, the Group has performed a detailed assessment on the impact of adoption of HKFRS 16. The Group has estimated that right-of-use assets of RMB28,425,000 and lease liabilities of RMB28,425,000 will be recognised at 1 January 2019. Other than that, the Group does not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in any significant impact on the financial position and performance of the Group.

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

HK(IFRIC)-Int 23, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Group's financial position and financial performance.

2.4 Summary of significant accounting policies

Subsidiaries

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

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

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

(b) rights arising from other contractual arrangements; and

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

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable.

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

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

Impairment of non-financial assets

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

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

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

Business combination and goodwill

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

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

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

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

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

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

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

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

Revenue recognition

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

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in note 3 to the Historical Financial Information.

Sales of travel-related products and services

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

(ii) Margin income from sales of FIT products is recognised when the services have been rendered.

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

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

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

Interest income

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

Share-based payments

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

The cost of equity-settled transactions with employees is measured by reference to the fair value of the shares at the date at which they are granted less the subscription prices paid by the employees. Further details of fair value measurement of the subsidiary's share award arrangement are given in note 24 to the Historical Financial Information.

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

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

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

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

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

Other employee benefits

Pension schemes

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

Income tax

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

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

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

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

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

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

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

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

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

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

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

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

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

Financial assets

Initial recognition and measurement

The Group classifies its financial assets as subsequently measured at amortised cost or measured at fair value through profit or loss.

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

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets measured at amortised cost (debt instruments)

A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Group includes in this category short-term non-financing receivables including trade receivables, financial assets included in prepayments, deposits and other receivables, amounts due from a director and a related party, pledged deposits and cash and cash equivalents.

A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in other income and gains using the effective interest rate method.

Financial assets measured at fair value through profit or loss

A financial asset is measured at fair value through profit or loss if:

(a) its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding; or

(b) it is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or

(c) at initial recognition, it is irrevocably designated as measured at fair value through profit or loss when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Debt instruments that do not meet the criteria for amortised cost or financial assets at fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the combined statement of profit or loss and other comprehensive income within other income and gains in the period in which it arises. Interest income from these financial assets is included in other income and gains.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognised where the rights to receive cash flows from the asset have expired, or the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and the Group has:

(a) transferred substantially all of the risks and rewards of the asset; or

(b) neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its right to receive cash flows from an asset (or has entered into a pass-through arrangement), and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

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

General approach

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

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

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

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

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

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

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

Simplified approach

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

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or fair value through profit or loss.

Financial liabilities measured at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss when the financial liabilities are designated as at fair value through profit or loss.

A financial liability may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis.

Financial liabilities measured at amortised cost

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the Relevant Periods. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premium or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Fair value measurement

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

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

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

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

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

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

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

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

Property, plant and equipment and depreciation

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

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

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

Leasehold land and buildings	Over the shorter of the term of the land use rights or 30 years
Computer and office equipment	3~5 years
Motor vehicles	5~8 years
Leasehold improvements	Over the shorter of the improvements' useful life or the lease term

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

Leasehold land and buildings	5%
Computer and office equipment	5%
Motor vehicles	5%
Leasehold improvements	0%

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

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

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

Investment properties

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

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

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

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

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

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

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

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

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

Leases

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

When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the land and buildings as a finance lease in property, plant and equipment.

Intangible assets (other than goodwill)

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

Purchased software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 10 years, which is determined by considering the typical product life cycles for the software and the technical obsolescence.

Cash and cash equivalents

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

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

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

Dividends

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

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

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

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

The functional currencies of certain overseas subsidiaries, are currencies other than Renminbi. As at the end of each of the Relevant Periods, the assets and liabilities of these entities are translated into Renminbi at the exchange rates prevailing at the end of each of the Relevant Periods and their profit or loss are translated into Renminbi at the weighted average exchange rates for the year.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Judgements

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

Structured Contracts

The PRC Operating Entities are engaged in the outbound travel business. Under the scope of "Catalogue for Guidance of Foreign Investment Industries (2017 version)", foreign investors are prohibited to invest in such business.

As disclosed in note 2.1 to the Historical Financial Information, as part of the Reorganisation, the Group exercises control over the PRC Operating Entities and enjoys substantially all economic benefits of the PRC Operating Entities through the Structured Contracts.

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

Principal versus agent

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

The Group's management performs the assessment based on the above-mentioned factors and reaches the conclusion that the Group acts as a principal in the provision of package tour services, conferencing services and tourist attraction service since the Group controls the services before they are transferred to the customers and acts as an agent in the sales of FIT products since the Group does not obtain control over the services performed by the airline companies, hotels, tourist attractions and the relevant government authorities for visa application processing services. Accordingly, the Group recognises revenue from the provision of package tour services on a gross basis and the revenue of the air tickets and hotel accommodation booking and agency service on a net basis.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainty

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

Impairment of non-financial assets (other than goodwill)

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

Estimation of fair value of investment properties

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

The principal assumptions for the Group's estimation of the fair value include those related to estimated rental values with reference to the current market rents for similar properties in the same location and condition and appropriate capitalisation rates. The carrying amounts of investment properties at 31 December 2016, 2017 and 2018 were nil, RMB9,667,000, and RMB9,746,000, respectively. Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 14 to the Historical Financial Information.

Provision for expected credit losses on trade receivables

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

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

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The provision for impairment of trade receivables at 31 December 2016, 2017 and 2018 amounted to RMB402,000, RMB613,000 and RMB2,066,000, respectively, details of which are set out in notes 16 to the Historical Financial Information.

4. OPERATING SEGMENT INFORMATION

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

	Year ended 31 December 2016 *RMB'000*	Year ended 31 December 2017 *RMB'000*	Year ended 31 December 2018 *RMB'000*
Revenue			
Sales of package tours			
– Domestic	118,257	149,536	156,205
– Outbound	254,199	257,826	264,171
	372,456	407,362	420,376
Margin income from sales of FIT products	21,022	41,712	59,764
Sales of ancillary travel related products and services	16,637	15,770	12,711
Total	410,115	464,844	492,851

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

Geographical information

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

The Group's non-current assets are all located in Mainland China.

Information about a major customer

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

5. REVENUE, OTHER INCOME AND GAINS

Revenue, represents the consideration to which the Group expects to be entitled in exchange for the products and services sold after net of value added tax during the Relevant Periods.

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

	Year ended 31 December 2016 *RMB'000*	Year ended 31 December 2017 *RMB'000*	Year ended 31 December 2018 *RMB'000*
Revenue from contracts with customers	410,115	464,844	492,851
Other income			
Bank interest income	378	272	396
Government grants	2,920	1,985	5,512
Rental income on properties	–	–	450
Others	69	183	233
	3,367	2,440	6,591
Gains			
Changes in fair value of investment properties *(Note 14)*	–	–	79
Gain on disposal of items of property, plant and equipment	–	461	–
Others	–	–	400
	–	461	479
	3,367	2,901	7,070

Notes:

(a) Disaggregation of revenue from contracts with customers

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

	Year ended 31 December 2016 *RMB'000*	Year ended 31 December 2017 *RMB'000*	Year ended 31 December 2018 *RMB'000*
Timing of revenue recognition			
Over time			
– Sales of package tours	372,456	407,362	420,376
– Sales of ancillary travel-related products and services	625	3,697	5,741
	373,081	411,059	426,117
At a point in time			
– Margin income from sales of FIT products	21,022	41,712	59,764
– Sales of ancillary travel related products and services	16,012	12,073	6,970
	37,034	53,785	66,734
Total	410,115	464,844	492,851

(b) Contract liabilities

The Group recognised the following revenue-related contract liabilities:

	As at 31 December 2016	As at 31 December 2017	As at 31 December 2018
	RMB'000	*RMB'000*	*RMB'000*
Current*	30,960	26,624	29,284

* Included in "Advance from customers, other payables and accruals" in the combined statements of financial position.

(i) Significant changes in contract liabilities

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

(ii) Revenue recognised in relation to contract liabilities

The following table shows the revenue recognised during the Relevant Periods related to the contract liabilities balance at the beginning of each of the Relevant Periods.

	Year ended 31 December 2016	Year ended 31 December 2017	Year ended 31 December 2018
	RMB'000	*RMB'000*	*RMB'000*
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	27,709	30,960	26,624

(c) Unsatisfied performance obligations

The following table shows the unsatisfied performance obligations as at 31 December 2016, 2017 and 2018.

	As at 31 December 2016	As at 31 December 2017	As at 31 December 2018
	RMB'000	*RMB'000*	*RMB'000*
Current	42,350	35,996	37,663

6. PROFIT BEFORE TAX

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

	Notes	Year ended 31 December 2016 RMB'000	Year ended 31 December 2017 RMB'000	Year ended 31 December 2018 RMB'000
Cost of services provided		340,951	375,141	386,191
Depreciation of property, plant and equipment	*13*	2,071	2,486	2,604
Amortisation of intangible asset	*15*	19	10	9
Minimum lease payments under operating leases		2,172	4,061	5,750
Auditor's remuneration		199	236	–
Government grants*	*5*	(2,920)	(1,985)	(5,512)
Bank interest income	*5*	(378)	(272)	(396)
Loss/(gain) on disposal of items of property, plant and equipment		23	(461)	52
Impairment of trade receivables, net	*16*	327	211	1,453
Impairment of items of property, plant and equipment				
– Provision for the year	*13*	2,225	–	–
– Reversal on revaluation upon reclassification to investment properties		–	(566)	–
Changes in fair value of investment properties	*14*	–	–	(79)
Listing expenses		–	–	9,337
Equity-settled share award expenses	*24*	4,599	704	2,698
Employee benefit expense (excluding directors' and chief executive's remuneration *(note 8)*):				
Wages and salaries		19,755	29,040	36,661
Pension scheme contributions		4,587	7,628	8,565
Staff welfare expenses		1,553	1,990	2,015
Equity-settled share award expenses		2,633	704	2,698
		28,528	39,362	49,939

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

7. INTEREST EXPENSES

	Year ended 31 December 2016 RMB'000	Year ended 31 December 2017 RMB'000	Year ended 31 December 2018 RMB'000
Interest on bank borrowings	118	1,796	4,034

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Mr. He Binfeng was appointed as the Chairman, chief executive officer and an executive director of the Company on 18 October 2018. Mr. Li Da, Mr. Wu Bin, Mr. Chen Xiaodong, Mr. Huang Yu and Mr. Zhang Qinhai were appointed as executive directors of the Company on 18 October 2018. Mr. Li Huamin, Mr. Yi Ling and Ms. Li Chengai were appointed as independent non-executive directors of the Company on 29 April 2019.

Certain of the directors received remuneration from the subsidiaries now comprising the Group for their appointment as directors of these subsidiaries. The remuneration of each of these directors as recorded in the financial statements of the subsidiaries is set out below:

	Year ended 31 December 2016 *RMB'000*	Year ended 31 December 2017 *RMB'000*	Year ended 31 December 2018 *RMB'000*
Salaries, allowances and benefits in kind	606	1,310	1,409
Pension scheme contributions	183	200	258
Equity-settled share award expenses	1,966	–	–
	2,755	1,510	1,667

(a) Independent non-executive directors

There were no fees and other emoluments payable to the independent non-executive directors during the Relevant Periods.

(b) Executive directors

	Salaries, allowances and benefits in kind *RMB'000*	Pension scheme contributions *RMB'000*	Equity-settled share award expenses *RMB'000*	Total *RMB'000*
Year ended 31 December 2016				
Executive directors:				
Mr. He Binfeng	150	46	–	196
Mr. Li Da	125	37	846	1,008
Mr. Wu Bin	103	32	486	621
Mr. Chen Xiaodong	104	30	560	694
Mr. Huang Yu	124	38	74	236
	606	183	1,966	2,755
Year ended 31 December 2017				
Executive directors:				
Mr. He Binfeng	319	44	–	363
Mr. Li Da	280	37	–	317
Mr. Wu Bin	191	30	–	221
Mr. Chen Xiaodong	250	31	–	281
Mr. Huang Yu	200	37	–	237
Mr. Zhang Qinghai	70	21	–	91
	1,310	200	–	1,510
Year ended 31 December 2018				
Executive directors:				
Mr. He Binfeng	259	56	–	315
Mr. Li Da	240	53	–	293
Mr. Wu Bin	243	47	–	290
Mr. Chen Xiaodong	246	50	–	296
Mr. Huang Yu	180	11	–	191
Mr. Zhang Qinghai	241	41	–	282
	1,409	258	–	1,667

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during each of the years ended 31 December 2016, 2017 and 2018 included three, two and two directors, respectively, details of whose remuneration are set out in note 8 above. Details of the remuneration for the remaining two, three and three highest paid employees who are neither a director nor chief executive of the Company during the Relevant Periods are as follows:

	Year ended 31 December 2016 *RMB'000*	Year ended 31 December 2017 *RMB'000*	Year ended 31 December 2018 *RMB'000*
Salaries, allowances and benefits in kind	208	657	557
Pension scheme contributions	64	130	162
Equity-settled share award expenses	1,046	441	1,811
	1,318	1,228	2,530

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Year ended 31 December 2016	Year ended 31 December 2017	Year ended 31 December
Nil to HKD1,000,000	2	3	3

10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which 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.

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

During the Relevant Periods, except for Ben Niao Travel which was entitled to a preferential income tax rate of 10% for small and micro enterprises, the provision for Mainland China 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 PRC Corporate Income Tax Law.

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

	Year ended 31 December 2016 *RMB'000*	Year ended 31 December 2017 *RMB'000*	Year ended 31 December 2018 *RMB'000*
Current – Mainland China	8,743	11,469	11,707
Deferred *(note 22)*	(1,317)	(887)	(1,585)
Total tax charge for the year	7,426	10,582	10,122

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

	Year ended 31 December 2016 *RMB'000*	Year ended 31 December 2017 *RMB'000*	Year ended 31 December 2018 *RMB'000*
Profit before tax	25,441	40,529	33,618
Tax at the statutory income tax rate of 25% in Mainland China	6,360	10,132	8,404
Lower tax rates enacted by the local authority in Mainland China	–	–	(4)
Non-deductible expenses for tax purposes	724	603	1,822
Utilisation of tax losses previously not recognised	(205)	(429)	(422)
Tax losses not recognised	547	276	322
Tax charge at the Group's effective tax rate	7,426	10,582	10,122

11. DIVIDENDS

	Year ended 31 December 2016 *RMB'000*	Year ended 31 December 2017 *RMB'000*	Year ended 31 December 2018 *RMB'000*
Dividends	–	4,664	25,652

For the year ended 31 December 2017, Feiyang International, a subsidiary of the Group, paid dividends of RMB4,664,000 to the then shareholders.

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

No dividend was declared and paid by the Company since its incorporation.

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

Earnings per share information is not presented as its inclusion, for the purpose of the Historical Financial Information, is not considered meaningful due to the Reorganisation and the basis of presentation of the Group for the Relevant Periods as disclosed in note 2.1 to the Historical Financial Information.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings *RMB'000*	Computer and office equipment *RMB'000*	Motor vehicles *RMB'000*	Leasehold improvements *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
31 December 2016						
At 1 January 2016:						
Cost	12,161	1,083	1,955	7,964	49	23,212
Accumulated depreciation	(64)	(707)	(1,282)	(2,796)	–	(4,849)
Net carrying amount	12,097	376	673	5,168	49	18,363
At 1 January 2016, net of accumulated depreciation	12,097	376	673	5,168	49	18,363
Additions	–	395	1,109	1,131	–	2,635
Acquisition of a subsidiary *(note 26)*	–	4	–	–	–	4
Disposals	–	(23)	–	–	–	(23)
Depreciation provided during the year	(385)	(181)	(159)	(1,346)	–	(2,071)
Impairment	(2,225)	–	–	–	–	(2,225)
Transfers	–	–	–	49	(49)	–
At 31 December 2016, net of accumulated depreciation and impairment	9,487	571	1,623	5,002	–	16,683
At 31 December 2016:						
Cost	12,161	1,430	3,064	9,144	–	25,799
Accumulated depreciation and impairment	(2,674)	(859)	(1,441)	(4,142)	–	(9,116)
Net carrying amount	9,487	571	1,623	5,002	–	16,683
31 December 2017						
At 1 January 2017:						
Cost	12,161	1,430	3,064	9,144	–	25,799
Accumulated depreciation and impairment	(2,674)	(859)	(1,441)	(4,142)	–	(9,116)
Net carrying amount	9,487	571	1,623	5,002	–	16,683
At 1 January 2017, net of accumulated depreciation and impairment	9,487	571	1,623	5,002	–	16,683
Additions	–	279	3	442	18,965	19,689
Disposals	–	–	(463)	(3,576)	–	(4,039)
Reversal of impairment	566	–	–	–	–	566
Transfer to investment properties *(note 14)*	(9,667)	–	–	–	–	(9,667)
Depreciation provided during the year	(386)	(300)	(137)	(1,663)	–	(2,486)
At 31 December 2017, net of accumulated depreciation	–	550	1,026	205	18,965	20,746
At 31 December 2017:						
Cost	–	1,709	2,317	2,982	18,965	25,973
Accumulated depreciation	–	(1,159)	(1,291)	(2,777)	–	(5,227)
Net carrying amount	–	550	1,026	205	18,965	20,746

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

As at 31 December 2016, 2017 and 2018, certain of the Group's buildings with aggregate net carrying amounts of RMB9,487,000, nil and nil, respectively, were pledged to secure bank loan facilities granted to the Group (note 21).

For the year ended 31 December 2016, the directors considered that an office of the Group were subject to impairment loss because of the poor outlook of the real estate market. The directors estimated the recoverable amount of the office was RMB9,487,000 which is the fair value less cost of disposal based on valuation performed by Ningbo Gongping Real Estate Land Valuation Advisory Limited (寧波公評資產評估有限公司), an independent professionally qualified valuer. The fair value measurement is categorised within Level 3 of the fair value hierarchy using significant unobservable inputs.

Below is a summary of the valuation techniques used and the key inputs to the valuation of the office:

As at 31 December 2016:

	Valuation techniques	Significant unobservable inputs	Rate of unobservable inputs
Office units	Income method	Estimated rental value	RMB92.4 per square metre per month
		Discount rate	4.60%

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

An impairment provision of RMB2,225,000 was recognised in profit or loss during the year ended 31 December 2016. A reversal of impairment losses of RMB566,000 was recognised in profit or loss during the year ended 31 December 2017 based on the fair value at the date of transfer of the property to investment properties.

14. INVESTMENT PROPERTIES

	RMB'000
Carrying amount at 1 January 2016, 31 December 2016 and 1 January 2017	–
Transfer from property, plant and equipment *(note 13)*	9,667
Carrying amount at 31 December 2017 and 1 January 2018	9,667
Gain from a fair value adjustment recognised in profit or loss	79
Carrying amount at 31 December 2018	9,746

The Group's investment properties are situated in Mainland China and are held under medium term leases.

As at 31 December 2016, 2017 and 2018, the Group's investment properties with aggregate net carrying amounts of nil, RMB9,667,000 and RMB9,746,000, respectively, were pledged to secure bank loan facilities granted to the Group (note 21).

The Group's investment properties contain offices in Mainland China which were transferred from property, plant and equipment since 15 December 2017. As at 31 December 2017 and 2018, the Group's investment properties were revalued based on valuations performed by Ningbo Gongping Real Estate Land Valuation Advisory Limited (寧波公評資產評估有限公司), an independent professionally qualified valuer. The investment properties are leased to third parties under operating leases, further details of which are included in note 29 to the Historical Financial Information.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2017:				
Recurring fair value measurement for:				
Office units	–	–	9,667	9,667

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2018:				
Recurring fair value measurement for:				
Office units	–	–	9,746	9,746

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

As at 31 December 2017:

Investment properties	Valuation technique	Significant unobservable input	Rate of unobservable inputs	Sensitivity of fair value to the input
Office units	Income method	Estimated rental value	RMB104.4 per square metre per month	29% increase/decrease in result in increase/decrease in fair value by RMB2,026,000
		Discount rate	4.60%	46%/34% increase/decrease in discount rate would result in decrease/increase in fair value by RMB2,026,000

As at 31 December 2018:

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

Estimated rental value is estimated based on the independent valuer's view of recent letting transactions within the subject properties and other comparable properties.

15. INTANGIBLE ASSET

	Software *RMB'000*
31 December 2016	
Cost at 1 January 2016, net of accumulated amortisation	85
Amortisation provided during the year	(19)
At 31 December 2016	66
At 31 December 2016:	
Cost	96
Accumulated amortisation	(30)
Net carrying amount	66
31 December 2017	
Cost at 1 January 2017, net of accumulated amortisation	66
Amortisation provided during the year	(10)
At 31 December 2017	56
At 31 December 2017:	
Cost	96
Accumulated amortisation	(40)
Net carrying amount	56
31 December 2018	
Cost at 1 January 2018, net of accumulated amortisation	56
Amortisation provided during the year	(9)
At 31 December 2018	47
At 31 December 2018:	
Cost	96
Accumulated amortisation	(49)
Net carrying amount	47

16. TRADE RECEIVABLES

	As at 31 December 2016 *RMB'000*	As at 31 December 2017 *RMB'000*	As at 31 December 2018 *RMB'000*
Trade receivables	36,964	48,587	101,178
Impairment	(402)	(613)	(2,066)
	36,562	47,974	99,112

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

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

	As at 31 December 2016 *RMB'000*	As at 31 December 2017 *RMB'000*	As at 31 December 2018 *RMB'000*
1 to 60 days	32,901	44,525	89,227
61 to 180 days	2,420	2,703	8,617
181 to 360 days	837	446	2,212
1 to 2 years	806	873	396
Over 2 years	–	40	726
	36,964	48,587	101,178

The movement in the loss allowance for impairment of trade receivables is as follows:

	As at 31 December 2016 *RMB'000*	As at 31 December 2017 *RMB'000*	As at 31 December 2018 *RMB'000*
At beginning of year	75	402	613
Impairment losses, net	327	211	1,453
At end of year	402	613	2,066

The Group has applied the simplified approach to provide for expected credit losses under HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The Group overall considers the credit risk characteristics and the days past due of each type of trade receivables to measure the expected credit losses. For certain trade receivables from certain large Online Travel Agencies ("OTA"), the balances were settled on a T+1 working day basis. Except for these trade receivables, the Group considers the historical loss rate and adjusts for forward looking macroeconomic data in calculating the expected credit loss rate. As at 31 December 2016, 2017 and 2018, the expected losses are determined according to the provision matrix as follows:

	As at 31 December 2018		
	Amount	**Expected loss rate**	**Expected credit losses**
	RMB'000		*RMB'000*
Trade receivables from OTA	44,749	0.10%	45
Other trade receivables aged:			
Less than 1 year	55,307	2.13%	1,179
Between 1 and 2 years	396	29.21%	116
Over 2 years	726	100%	726
	101,178		2,066

	As at 31 December 2017		
	Amount	**Expected loss rate**	**Expected credit losses**
	RMB'000		*RMB'000*
Trade receivables from OTA	22,855	0.10%	23
Other trade receivables aged:			
Less than 1 year	24,819	1.17%	290
Between 1 and 2 years	873	29.83%	260
Over 2 years	40	100.00%	40
	48,587		613

	As at 31 December 2016		
	Amount	**Expected loss rate**	**Expected credit losses**
	RMB'000		*RMB'000*
Trade receivables from OTA	24,677	0.10%	25
Other trade receivables aged:			
Less than 1 year	11,481	1.18%	135
Between 1 and 2 years	806	30.04%	242
	36,964		402

As at 31 December 2018, an amount of RMB25,511,000 of the Group's trade receivables were pledged to secure bank loans facilities granted to the Group (note 21(a)(iii)).

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December 2016 *RMB'000*	As at 31 December 2017 *RMB'000*	As at 31 December 2018 *RMB'000*
Prepayments	19,270	22,282	37,315
Deferred listing expenses	–	–	2,991
Deposits and other receivables	10,533	20,608	46,902
Prepaid expenses	512	596	407
Interest receivables	153	–	31
	30,468	43,486	87,646

Other receivables are unsecured and non-interest-bearing. For deposits to airline companies included in other receivables, the balances are repayable according to the terms of the deposits contracts. Except for the deposits, the other receivables are repayable on demand.

The Group has applied the general approach to provide for expected credit losses for non-trade other receivables under HKFRS 9. The Group considers the historical loss rate and adjusts for forward looking macroeconomic data in calculating the expected credit loss rate. As at 31 December 2016, 2017 and 2018, the Group estimated the expected loss rate for other receivables is minimal under the 12-month expected loss method.

18. CASH AND CASH EQUIVALENTS AND PLEDGED SHORT-TERM DEPOSITS

	As at 31 December 2016 *RMB'000*	As at 31 December 2017 *RMB'000*	As at 31 December 2018 *RMB'000*
Cash and bank balances	22,281	55,628	39,353
Pledged short-term deposits	13,394	24,853	23,388
	35,675	80,481	62,741
Less: Pledged short-term deposits:			
Pledged for letters of guarantee	(9,394)	(21,000)	(18,088)
Pledged for service quality*	(4,000)	(3,853)	(5,300)
Cash and cash equivalents	22,281	55,628	39,353
Denominated in RMB	22,281	55,628	37,954
Denominated in HKD	–	–	1,399
Cash and cash equivalents	22,281	55,628	39,353

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

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

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between one day and twelve months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged time deposits are deposited with creditworthy banks with no recent history of default.

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

19. TRADE PAYABLES

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

	As at 31 December 2016	As at 31 December 2017	As at 31 December 2018
	RMB'000	*RMB'000*	*RMB'000*
1 to 60 days	20,354	29,587	34,724
61 to 180 days	4,387	4,948	4,422
181 to 360 days	448	542	602
Over 1 year	–	24	264
	25,189	35,101	40,012

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

20. ADVANCE FROM CUSTOMERS, OTHER PAYABLES AND ACCRUALS

	As at 31 December 2016	As at 31 December 2017	As at 31 December 2018
	RMB'000	*RMB'000*	*RMB'000*
Advance from customers	30,960	26,624	29,284
Payroll payables	7,126	11,607	13,825
Tax payable other than corporate income tax	2,348	2,072	3,059
Interest payable	–	61	137
Accruals	–	–	4,330
Other payables	3,677	8,318	3,565
	44,111	48,682	54,200

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

21. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate	Maturity	As at 31 December 2016	As at 31 December 2017	As at 31 December 2018
	(%)		*RMB'000*	*RMB'000*	*RMB'000*
Current					
Bank loans – secured	5.44	2017	9,900	–	–
Bank loans – secured	5.00-5.44	2018	–	50,000	–
Bank loans – secured	4.80-6.09	2019	–	–	110,000
			9,900	50,000	110,000

	As at 31 December 2016	As at 31 December 2017	As at 31 December 2018
	RMB'000	*RMB'000*	*RMB'000*
Analysed into:			
Bank loans repayable			
– within one year or on demand	9,900	50,000	110,000

Notes:

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

(i) mortgages over the Group's buildings situated in Mainland China, which had an aggregate net carrying value of RMB9,487,000, nil and nil as at 31 December 2016, 2017 and 2018, respectively (note 13);

(ii) mortgages over the Group's investment properties situated in Mainland China, which had an aggregate net carrying value of nil, RMB9,667,000 and RMB9,746,000 as at 31 December 2016, 2017 and 2018, respectively (note 14);

(iii) the pledge of certain of the Group's trade receivables amounting to RMB25,511,000 as at 31 December 2018.

(b) Mr. He Binfeng, the Controlling Shareholder, and Ms. Qian Jie, the spouse of Mr. He Binfeng, have jointly guaranteed certain of the Group's bank loans of up to RMB85,000,000, RMB140,000,000 and RMB262,000,000 as at 31 December 2016, 2017 and 2018, respectively.

(c) Ningbo Feiyang Business Management Company Limited (寧波飛揚企業管理有限公司, "Feiyang Management", a Registered Shareholder of Feiyang International), a company controlled by Mr. He Binfeng, has guaranteed certain of the Group's bank loans of up to RMB30,000,000, RMB30,000,000 and RMB130,000,000 as at 31 December 2016, 2017 and 2018.

(d) All borrowings are denominated in RMB.

22. DEFERRED TAX

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

Deferred tax assets

	Impairment of property, plant and equipment *RMB'000*	**Impairment of trade receivables** *RMB'000*	**Accrued expenses** *RMB'000*	**Impairment of investment properties** *RMB'000*	**Total** *RMB'000*
Deferred tax as at 1 January 2016	–	16	1,046	–	1,062
Deferred tax credited to profit or loss during the year *(note 10)*	556	60	701	–	1,317
Deferred tax as at 31 December 2016 and 1 January 2017	556	76	1,747	–	2,379
Deferred tax credited/(charged) to profit or loss during the year *(note 10)*	–	(9)	1,037	(141)	887
Reclassification to investment properties	(556)	–	–	556	–
Deferred tax as at 31 December 2017 and 1 January 2018	–	67	2,784	415	3,266
Deferred tax credited to profit or loss during the year *(note 10)*	–	198	1,503	–	1,701
Deferred tax as at 31 December 2018	–	265	4,287	415	4,967

Deferred tax liabilities

	Fair value change of investment properties	Accelerated depreciation for tax purposes	Total
	RMB'000	*RMB'000*	*RMB'000*
Deferred tax as at 1 January 2016, 31 December 2016, 1 January 2017, 31 December 2017 and 1 January 2018	–	–	–
Deferred tax charged to profit or loss during the year *(note 10)*	20	96	116
Deferred tax as at 31 December 2018	20	96	116

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

	As at 31 December 2016	As at 31 December 2017	As at 31 December 2018
	RMB'000	*RMB'000*	*RMB'000*
Net deferred tax assets recognised in the combined statements of financial position	2,379	3,266	4,851

The Group has tax losses arising in Mainland China of RMB6,135,000, RMB5,523,000 and RMB5,125,000 as at 31 December 2016, 2017 and 2018, respectively, which will expire in one to five years for offsetting against taxable profits.

Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. As at 31 December 2016, 2017 and 2018, no deferred tax liability has been recognised for withholding taxes that would be payable on unremitted earnings of the Group's subsidiaries established in Mainland China. In the opinion of the Company's directors, it is not probable that these subsidiaries will distribute such earnings to foreign entities in the foreseeable future. The aggregate amounts of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB16,343,000, RMB18,429,000 and RMB14,733,000 as at 31 December 2016, 2017 and 2018, respectively.

23. SHARE CAPITAL

	As at 31 December 2016	As at 31 December 2017	As at 31 December 2018
	RMB'000	*RMB'000*	*RMB'000*
Issued and fully paid:			
10,204,082 ordinary shares of HKD0.01 each	–	–	90

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

	Notes	**Number of shares in issue**	**Share capital** *RMB'000*
Issued and fully paid:			
At incorporation on 18 October 2018	*(a)*	10,000,000	88
Subscription on 25 October 2018	*(b)*	196,552	2
Share swap on 27 December 2018	*(c)*	7,530	–
At 31 December 2018		10,204,082	90

During the year ended 31 December 2018, the movements in share capital were as follows:

(a) The Company was incorporated as an exempted company with limited liability under the laws of the Cayman Islands on 18 October 2018 with authorised share capital of HKD390,000 divided into 39,000,000 shares of a par value of HKD0.01 each. On the date of incorporation, 10,000,000 shares of the Company with a par value of HKD0.01 each were allotted and issued and fully paid at par.

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

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

24. SHARE AWARD ARRANGEMENT

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

On 30 January 2016, 5.7% of equity interest in Feiyang International was granted to five selected employees for a consideration of RMB3,600,000 by way of issuing new shares.

The Group also granted shares of Feiyang Management to certain eligible employees under the Arrangement through Ningbo Haishu Feiyang Lianchuang Investment Management Partnership Enterprise (寧波海曙飛揚聯創投資管理合夥企業(有限合夥)), a limited partnership ("Haishu Lianchuang"), and Ningbo Haishu Feiyang Investment Management Partnership Enterprise (寧波海曙飛揚投資管理合夥企業(有限合夥)), a limited partnership ("Haishu Feiyang").

On 23 June 2016, Mr. He Binfeng, the Controlling Shareholder, as the general partner, and certain of the Group's employees, as limited partners, subscribed for 4.25% and 95.75% equity interests in Haishu Lianchuang for total considerations of RMB30,000 and RMB676,000, respectively, by way of entering into partnership agreement. On the same day, Mr. He Binfeng, and certain of the Group's employees, as limited partners, subscribed for 0.4% and 99.6% equity interests in Haishu Feiyang, for total considerations of RMB30,000 and RMB7,492,000, respectively, by way of entering into partnership agreement.

On 24 June 2016, Haishu Lianchuang and Haishu Feiyang subscribed for 1.08% and 11.58% equity interests in Feiyang Management, which in turn holding 75.47% equity interests of Feiyang International at the date, with considerations of RMB6,000 and RMB66,000, respectively.

On 18 October 2016, certain of the Group's employees, as limited partners, subscribed for 83.54% equity interests in Haishu Lianchuang, for total considerations of RMB3,585,000. On 3 November 2016, Haishu Lianchuang subscribed for additional approximately 5.28% equity interests in Feiyang Management, which in turn holding 75.47% equity interests of Feiyang International at the date, for a consideration of RMB32,000.

On 11 September 2018, Haishu Lianchuang and Haishu Feiyang entered an agreement to transfer all their equity interests in Feiyang Management to Mr. He Binfeng, the Controlling Shareholder, with a consideration of RMB4,288,000 and RMB7,522,000, respectively. Accordingly, all unvested share awards were cancelled and settled on that date.

There is no performance target requirements except that certain eligible employees were required to remain as employees of Feiyang International during a five year vesting period. The fair value of the services received in return for the equity interests of Feiyang International or Haishu Feiyang and Haishu Lianchuang acquired by the eligible employees is measured based on the difference between (a) the fair value of equity interests of Feiyang International acquired at the grant date or the fair value of equity interests of Haishu Feiyang and Haishu Lianchuang acquired at the grant dates as determined based on the estimated enterprise value of Feiyang International adjusted for the exclusion of expected dividends to be received in the vesting period and the respective shareholdings of Feiyang International held by Haishu Feiyang and Haishu Lianchuang via Feiyang Management and (b) the subscription price paid by such employees.

During the years ended 31 December 2016, 2017 and 2018, share award expenses of RMB4,599,000, RMB704,000 and RMB2,698,000, respectively, were charged to profit or loss.

25. RESERVES

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the combined statements of changes in equity of the Group.

Capital reserve

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

Statutory surplus reserves

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

26. BUSINESS COMBINATIONS

Acquisition of Feiyang Lianchuang

On 13 April 2016, Feiyang International acquired the entire equity interests in Feiyang Lianchuang which is engaged in outbound travel business, from Mr. Ding Min and Mr. Ding Jianzhong, at a total consideration of RMB941,000. Feiyang Lianchuang has become a subsidiary of the Group since then. The fair values of the identifiable assets and liabilities of Feiyang Lianchuang as at the date of acquisition were as follows:

	Fair value recognised on acquisition *RMB'000*
Property, plant and equipment *(note 13)*	4
Prepayments, deposits and other receivables	312
Cash and bank balances	649
Other payables and accruals	(19)
Tax payable	(5)
Total identifiable net assets at fair value	941
Total consideration – cash	941

The fair value of other receivables as at the date of acquisition amounted to RMB246,000. The gross contractual amount of other receivables was RMB246,000. None of the other receivables have been impaired and it is expected that the full contractual amount can be collected.

An analysis of the cash flows in respect of the acquisition is as follows:

	RMB'000
Cash consideration	(941)
Cash and bank balances acquired	649
Net outflow of cash and cash equivalents included in cash flows used in investing activities	(292)

Since the acquisition, Feiyang Lianchuang contributed RMB557,000 to the Group's revenue and a loss of RMB445,000 to the combined profit for the year ended 31 December 2016.

Had the acquisition taken place at the beginning of the year, the revenue of the Group for the year ended 31 December 2016 would have been RMB410,213,000 and the profit of the Group for the year ended 31 December 2016 would have been RMB18,015,000.

Acquisition of Ningbo Qihang

On 11 July 2016, Feiyang International acquired the entire equity interests in Ningbo Qihang which is engaged in air ticketing business, from Mr. Wang Rong and Mr. Wang Kai, at a consideration of RMB1,300,000. Ningbo Qihang has become a subsidiary of the Group since then. The fair values of the identifiable assets and liabilities of Ningbo Qihang as at the date of acquisition were as follows:

	Fair value recognised on acquisition *RMB'000*
Prepayments, deposits and other receivables	1,163
Cash and bank balances	137
Total identifiable net assets at fair value	1,300
Total consideration	1,300

The fair value of other receivables as at the date of acquisition amounted to RMB1,155,000. The gross contractual amount of other receivables were RMB1,155,000. None of the other receivables have been impaired and it is expected that the full contractual amount can be collected.

An analysis of the cash flows in respect of the acquisition is as follows:

	RMB'000
Cash consideration	(1,300)
Cash and bank balances acquired	137
Net outflow of cash and cash equivalents included in cash flows used in investing activities	(1,163)

Since the acquisition, Ningbo Qihang contributed RMB18,882,000 to the Group's revenue and RMB10,480,000 to the combined profit for the year ended 31 December 2016.

Had the acquisition taken place at the beginning of the year, the revenue of the Group for the year ended 31 December 2016 would have been RMB410,344,000 and the profit of the Group for the year ended 31 December 2016 would have been RMB18,152,000.

27. PLEDGE OF ASSETS

Details of the Group's assets pledged for bank loans and for the tour business as required by the Tourism Commission are included in notes 13, 14, 16, 18 and 21 to the Historical Financial Information.

28. NOTES TO THE COMBINED STATEMENTS OF CASH FLOWS

Changes in liabilities arising from financing activities

	Interest payable	Interest-bearing bank borrowings	Amount due to a related party
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2016	–	–	–
Changes from financing cash flows	(118)	9,900	3,000
Interest expenses	118	–	–
At 31 December 2016 and 1 January 2017	–	9,900	3,000
Changes from financing cash flows	(1,735)	40,100	(3,000)
Interest expenses	1,796	–	–
At 31 December 2017 and 1 January 2018	61	50,000	–
Changes from financing cash flows	(3,958)	60,000	–
Interest expenses	4,034	–	–
At 31 December 2018	137	110,000	–

29. OPERATING LEASE ARRANGEMENTS

As lessor

The Group leases its investment properties (note 14) under operating lease arrangements, with leases negotiated for terms ranging from one to five years.

At the end of each of the Relevant Periods, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	As at 31 December 2016	As at 31 December 2017	As at 31 December 2018
	RMB'000	*RMB'000*	*RMB'000*
Within one year	–	–	600
In the second to fifth years, inclusive	–	–	2,042
	–	–	2,642

As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for the office properties are negotiated for terms ranging from one to ten years.

At the end of each of the Relevant Periods, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December 2016 *RMB'000*	As at 31 December 2017 *RMB'000*	As at 31 December 2018 *RMB'000*
Within one year	2,407	5,046	5,013
In the second to fifth years, inclusive	1,589	14,900	15,930
Over five years	–	16,848	13,676
	3,996	36,794	34,619

30. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 29 above, the Group had the following capital commitments at the end of each of the Relevant Periods:

	As at 31 December 2016 *RMB'000*	As at 31 December 2017 *RMB'000*	As at 31 December 2018 *RMB'000*
Contracted, but not provided for:			
Leasehold improvements	–	606	–

31. RELATED PARTY TRANSACTIONS

The Group's principal related parties are as follows:

Name	Relationship with the Company
Feiyang Management	An entity controlled by the Controlling Shareholder
Mr. He Binfeng	Controlling Shareholder and Executive Director
Ms. Qian Jie	Spouse of Mr. He Binfeng
Mr. Li Da	Executive Director
Mr. Wu Bin	Executive Director
Mr. Chen Xiaodong	Executive Director

(a) In addition to the transactions disclosed elsewhere in this Historical Financial Information, the Group had the following transactions with related parties during the Relevant Periods:

	Note	As at 31 December 2016 *RMB'000*	As at 31 December 2017 *RMB'000*	As at 31 December 2018 *RMB'000*
Loans from:	*(i)*			
Feiyang Management		3,000	–	–
Repayment of loans from:	*(i)*			
Feiyang Management		–	3,000	–

Note:

(i) The loans from the related party were unsecured, non-interest-bearing and repayable on demand.

(b) Outstanding balances with related parties:

	As at 31 December 2016 RMB'000	As at 31 December 2017 RMB'000	As at 31 December 2018 RMB'000
Due from a related party:			
Feiyang Management	7,020	7,020	–

	As at 31 December 2016 RMB'000	As at 31 December 2017 RMB'000	As at 31 December 2018 RMB'000
Due to a related party:			
Feiyang Management	3,000	–	–

For presentation purposes, due from and to a related party have been offset in the combined statements of financial position.

	As at 31 December 2016 RMB'000	As at 31 December 2017 RMB'000	As at 31 December 2018 RMB'000
Net amount due from a related party recognised in the combined statements of financial position	4,020	7,020	–

	As at 31 December 2016 RMB'000	As at 31 December 2017 RMB'000	As at 31 December 2018 RMB'000
Advances to a related party:			
Maximum amount outstanding during the year:			
Feiyang Management	7,020	7,020	7,020

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

(c) Outstanding balances with directors:

	As at 31 December 2016 RMB'000	As at 31 December 2017 RMB'000	As at 31 December 2018 RMB'000
Due from a director:			
Mr. He Binfeng	1,404	1,404	–
Advances to a director:			
Maximum amount outstanding during the year:			
Mr. He Binfeng	1,404	1,404	1,404

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

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

	As at 31 December 2016 RMB'000	As at 31 December 2017 RMB'000	As at 31 December 2018 RMB'000
Salaries, allowances and benefits in kind	606	1,310	1,409
Pension scheme contributions	183	200	258
Equity-settled share award expenses	1,966	–	–
Total compensation paid to key management personnel	2,755	1,510	1,667

Further details of directors' and the chief executive's emoluments are included in note 8 to the Historical Financial Information.

32. FINANCIAL INSTRUMENTS BY CATEGORY

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

Financial assets – at amortised cost

	As at 31 December 2016 RMB'000	As at 31 December 2017 RMB'000	As at 31 December 2018 RMB'000
Trade receivables	36,562	47,974	99,112
Financial assets included in prepayments, deposits and other receivables	10,686	20,608	46,933
Due from a related party	4,020	7,020	–
Due from a director	1,404	1,404	–
Pledged short-term deposits	13,394	24,853	23,388
Cash and cash equivalents	22,281	55,628	39,353
	88,347	157,487	208,786

Financial assets – at fair value through profit or loss

	As at 31 December 2016	As at 31 December 2017	As at 31 December 2018
	RMB'000	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	6,000	–	–

The financial assets at fair value through profit or loss represent investments in certain wealth management products issued by a commercial bank in the PRC, denominated in RMB, with an expected interest rate of 2.7% per annum with a maturity period within three months. The fair value of the investments approximates to their costs plus expected interest.

Financial liabilities – at amortised cost

	As at 31 December 2016	As at 31 December 2017	As at 31 December 2018
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	25,189	35,101	40,012
Financial liabilities included in advance from customers, other payables and accruals	3,677	8,379	8,032
Interest-bearing bank borrowings	9,900	50,000	110,000
	38,766	93,480	158,044

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

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

The fair values of the financial assets at fair value through profit or loss have been calculated by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risk.

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

As at 31 December 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	–	6,000	–	6,000
	–	6,000	–	6,000

The Group did not have any financial assets measured at fair value as at 31 December 2017 and 2018.

The Group did not have any financial liabilities measured at fair value as at 31 December 2016, 2017 and 2018.

During the Relevant Periods, 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.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank loans with floating interest rates. The interest rates and terms of repayments of the bank loans are disclosed in note 21 to the Historical Financial Information.

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

Credit risk

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

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

To manage the risk arising from trade receivables, the Group has policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and the management performs ongoing credit evaluations of its counterparties. The credit period granted to the customers is usually no more than 60 days and the

credit quality of these customers is assessed, which takes into account their financial position, past experience and other factors. The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The expected loss allowance provision for these balances was not material during the Relevant Periods. In view of the collection history of trade receivables, management believes that the credit risk inherent in the Group's outstanding trade receivable balances is not significant.

For amounts due from a director and a related party and other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experiences. As at 31 December 2016, 2017 and 2018, the credit assessment of other receivables and amounts due from a director and a related party were performed. The Group assessed that the expected credit losses for these receivables and amounts due from a director and a related party are not material under the 12-month expected losses method. In view of the history of cooperation with debtors and the collection history of these receivables, management believes that the credit risks inherent in the Group's outstanding other receivable and amounts due from a director and a related party balances are not significant.

Liquidity risk

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

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

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

	31 December 2016					
	On demand *RMB'000*	**Less than 3 months** *RMB'000*	**3 to 12 months** *RMB'000*	**1 to 5 years** *RMB'000*	**Over 5 years** *RMB'000*	**Total** *RMB'000*
Trade payables	4,835	20,354	–	–	–	25,189
Financial liabilities included in advance form customers, other payables and accruals	3,677	–	–	–	–	3,677
Interest-bearing bank borrowings	–	9,928	–	–	–	9,928
	8,512	30,282	–	–	–	38,794

	31 December 2017					
	On demand *RMB'000*	**Less than 3 months** *RMB'000*	**3 to 12 months** *RMB'000*	**1 to 5 years** *RMB'000*	**Over 5 years** *RMB'000*	**Total** *RMB'000*
Trade payables	5,514	29,587	–	–	–	35,101
Financial liabilities included in advance form customers, other payables and accruals	8,379	–	–	–	–	8,379
Interest-bearing bank borrowings	–	20,538	30,792	–	–	51,330
	13,893	50,125	30,792	–	–	94,810

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

Capital management

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

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

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

	As at 31 December 2016	As at 31 December 2017	As at 31 December 2018
	RMB'000	*RMB'000*	*RMB'000*
Interest-bearing bank borrowings	9,900	50,000	110,000
Trade payables	25,189	35,101	40,012
Advance from customers, other payables and accruals	44,111	48,682	54,200
Less: Cash and cash equivalents	(22,281)	(55,628)	(39,353)
Pledged short-term deposits	(13,394)	(24,853)	(23,388)
Net debt	43,525	53,302	141,471
Equity attributable to owners of the parent	48,866	74,853	76,794
Total capital and net debt	92,391	128,155	218,265
Gearing ratio	47%	42%	65%

35. EVENTS AFTER THE RELEVANT PERIODS

Pursuant to a resolution in writing passed by the shareholders on 11 June 2019, the authorised share capital of the Company was increased from HKD390,000 to HKD100,000,000 by the creation of an additional 9,961,000,000 shares.

36. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2018.

III. SUPPLEMENTARY PRE-ACQUISITION FINANCIAL INFORMATION OF NINGBO QIHANG

Pre-acquisition financial information of Ningbo Qihang

Pre-acquisition financial information of Ningbo Qihang for the period from 1 January 2016 to 11 July 2016 (the "Pre-acquisition Period") has been prepared in accordance with the accounting policies as set out in note 2.1 below. This information is hereafter referred to as the "Financial Information of Ningbo Qihang".

1. FINANCIAL INFORMATION OF NINGBO QIHANG

Statement of profit or loss and other comprehensive income

	Notes	**Period from 1 January to 11 July 2016** *RMB'000*
REVENUE	*2.2*	229
Cost of sales		–
Gross profit		229
Administrative expenses		(92)
PROFIT BEFORE TAX	*2.3*	137
Income tax expense	*2.5*	–
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		137

Statement of financial position

	Notes	**As at 11 July 2016** *RMB'000*
CURRENT ASSETS		
Prepayments, deposits and other receivables	*2.6*	1,163
Cash and cash equivalents	*2.7*	137
Total current assets		1,300
Net assets		1,300
EQUITY		
Share capital	*2.8*	1,500
Reserves		(200)
Total equity		1,300

Statement of changes in equity

	Share capital *RMB'000*	**Accumulated losses** *RMB'000*	**Total** *RMB'000*
Period from 1 January 2016 to 11 July 2016			
At 1 January 2016	1,500	(337)	1,163
Profit and total comprehensive income for the period	–	137	137
At 11 July 2016	1,500	(200)	1,300

Statement of cash flows

	Note	**Period from 1 January to 11 July 2016** *RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax		137
Increase in prepayments, deposits and other receivables		(177)
Net cash flows used in operating activities		(40)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(40)
Cash and cash equivalents at beginning of period		177
CASH AND CASH EQUIVALENTS AT END OF PERIOD		137
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	*2.7*	137

2.1. PRINCIPAL ACCOUNTING POLICIES

The Financial Information of Ningbo Qihang has been prepared in accordance with the accounting policies set out in Section II, note 2.4 of this accountants' report.

2.2 REVENUE

An analysis of revenue is as follows:

	Period from 1 January to 11 July 2016 *RMB'000*
Revenue recognised at a point in time	
Margin income from sales of FIT products	229

2.3 PROFIT BEFORE TAX

Ningbo Qihang's profit before tax is arrived at after charging:

	Period from 1 January to 11 July 2016 *RMB'000*
Employee benefit expense:	
Wages and salaries	40
Pension scheme contributions	20
	60

2.4 DIVIDEND

No dividend has been paid or declared by Ningbo Qihang during the Pre-acquisition Period.

2.5 INCOME TAX

The income tax expense of Ningbo Qihang is analysed as follows:

	Period from 1 January to 11 July 2016 *RMB'000*
Current – charge for the period	–
Deferred	–
Total tax charge for the period	–

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

	Period from 1 January to 11 July 2016 *RMB'000*
Profit before tax	137
Tax at the statutory tax rate of 25% in Mainland China	34
Utilisation of tax losses previously not recognised	(34)
Tax charge at Ningbo Qihang's effective tax rate	–

2.6 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 11 July 2016 *RMB'000*
Deposits and other receivables	1,155
Prepayments	8
	1,163

2.7 CASH AND CASH EQUIVALENTS

	As at 11 July 2016 *RMB'000*
Cash and cash equivalents	137
Denominated in RMB	137

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

2.8 SHARE CAPITAL

	As at 11 July 2016 *RMB'000*
Registered and paid-in capital	1,500

There was no movement of share capital during the Pre-acquisition Period.

2.9 FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the Pre-acquisition Period are as follows:

Financial assets – at amortised cost

	As at 11 July 2016 *RMB'000*
Financial assets included in prepayments, deposits and other receivables	1,155
Cash and cash equivalents	137
	1,292

2.10 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents and financial assets included in prepayments, deposits and other receivables approximate to their carrying amounts largely due to the short term maturities of these instruments.

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

2.11 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Ningbo Qihang's principal financial instruments comprise other receivables and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for Ningbo Qihang's operations.

The main risk arising from Ningbo Qihang's financial instruments is credit risk. The shareholders review and agree policies for managing this risk and they are summarised below.

Credit risk

The credit risk of Ningbo Qihang's other financial assets which comprise cash and cash equivalents and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since Ningbo Qihang trades only with recognised and creditworthy third parties, there is no requirement for collateral. There are no significant concentrations of credit risk within Ningbo Qihang.

Further quantitative data in respect of Ningbo Qihang's exposure to credit risk arising from prepayments, deposits and other receivables are disclosed in note 2.6 to the Financial Information of Ningbo Qihang.

Capital management

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

Ningbo Qihang manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, Ningbo Qihang may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. Ningbo Qihang is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Pre-acquisition Period.

The following information does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this prospectus, and is included for information purposes only. The unaudited pro forma financial information should be read in conjunction with "Financial Information" and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted combined net tangible assets of the Group have been prepared in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants for illustration purposes only, and is set out here to illustrate the effect of the Global Offering on the combined net tangible assets of the Group attributable to owners of the Company as at 31 December 2018 as if Global Offering had taken place on 31 December 2018.

The unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as at 31 December 2018 or any future date. It is prepared based on the combined net tangible assets as at 31 December 2018 as set out in the Accountants' Report as set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma adjusted combined net tangible assets does not form part of the Accountants' Report as set out in Appendix I to this prospectus.

	Combined net tangible assets attributable to owners of the Company as at 31 December 2018	**Estimated net proceeds from the Global Offering**	**Unaudited pro forma adjusted combined net tangible assets**	**Unaudited pro forma adjusted combined net tangible assets per Share**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
Based on an Offer Price of HK$1.00 per Share	76,747	81,105	157,852	0.32	0.36
Based on an Offer Price of HK$1.10 per Share	76,747	91,530	168,277	0.34	0.38

Notes:

(1) The combined net tangible assets attributable to owners of the Company as at 31 December 2018 is arrived at after deducting intangible asset of RMB47,000 from the combined equity attributable to owners of the Company of RMB76,794,000 as at 31 December 2018, as shown in Appendix I to this prospectus.

(2) The estimated net proceeds from the Global Offering are calculated based on the Offer Price of HK$1.00 per Share or HK$1.10 per Share, being the low-end price and high-end price, after deduction of the underwriting fees and related expenses payable by the Company and do not take into account any Shares which may be issued upon exercise of the Over-allotment Option.

(3) The unaudited pro forma adjusted combined net tangible assets per Share are calculated based on 500,000,000 Shares in issue immediately following the completion of the Global Offering without taking into account any Shares which may be issued upon exercise of the Over-allotment Option or any option which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased under the general mandates for the allotment and issue or repurchase of the Shares as described in "Appendix V – Statutory and General Information".

(4) The unaudited pro forma adjusted combined net tangible assets per Share are converted into Hong Kong dollars at an exchange rate of RMB0.8779 to HK$1.00.

(5) No adjustment has been made to reflect any trading result or open transaction of the Group entered into subsequent to 31 December 2018.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

To the Directors of Feiyang International Holdings Group Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Feiyang International Holdings Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma combined net tangible assets as at 31 December 2018, and related notes as set out on pages II-1 and II-2 of the prospectus dated 18 June 2019 issued by the Company (the "Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in Appendix II (A) to the prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Global Offering of Shares of the Company on the Group's financial position as at 31 December 2018 as if the transaction had taken place at 31 December 2018. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the period ended 31 December 2018, on which an accountants' report has been published.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline ("AG") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the global offering of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

18 June 2019

The following is the text of a letter, value and valuation certificate, prepared for the purpose of incorporation in this prospectus received from AVISTA Valuation Advisory Limited, an independent valuer, in connection with its valuation as at 30 April 2019 of the property interest of the Company.

AVISTA Valuation Advisory
艾 華 迪 評 估 諮 詢

23rd Floor, Siu On Centre, No. 188 Lockhart Road,
Wan Chai, Hong Kong

TEL : (852) 3702 7338 FAX : (852) 3914 6388
info@avaval.com
www.avaval.com

18 June 2019

The Board of Directors
Feiyang International Holdings Group Limited
30 Dashani Street,
Haishu District,
Ningbo City, Zhejiang Province,
The PRC

Dear Sirs/Madams,

INSTRUCTIONS

In accordance with the instructions of Feiyang International Holdings Group Limited (飛揚國際控股(集團)有限公司) (the "Company") for us to carry out the valuation of the property interest held by the Company and its subsidiaries (hereinafter together referred to as the "Group") in the People's Republic of China (the "PRC"), we confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interest as at 30 April 2019 (the "valuation date").

PREMISES OF VALUE

The valuation is our opinion of market value which is defined by the Hong Kong Institute of Surveyors as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

BASIS OF VALUATION

In valuing the property interest, we have complied with all the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited ("Listing Rules"), the HKIS Valuation Standards (2017 Edition) published by the Hong Kong Institute of Surveyors and the International Valuation Standards published from time to time by the International Valuation Standards Council.

Our valuations exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value or costs of sale and purchase or offset for any associated taxes.

VALUATION METHODOLOGY

In the course of our valuation, unless otherwise stated, we have valued the property in their designated uses with the understanding that the property will be used as such (hereafter referred to as "continued uses").

In valuing the property interest, we have adopted income approach by taking into account the net rental income of the properties derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income which consider the rental from the market comparable as at the date of valuation, which have been then capitalised to determine the market value at an appropriate capitalisation rate. Where appropriate, reference has also been made to the comparable sale transactions as available in the relevant market.

TITLE INVESTIGATION

We have been provided by the Company with copy of extract of the title documents relating to the property interest. Where possible, we have examined the original documents to verify the existing title to the property interest in the PRC and any material encumbrances that might be attached to the property interest or any amendments which may not appear on the copies handed to us.

However, we have not searched the original documents to verify ownership or to ascertain any amendment. Due to the current registration system of the PRC under which the registration information is not accessible to the public, no investigation has been made for the title of the property interest in the PRC and the material encumbrances that might be attached. In the course of our valuation, we have relied considerably on the legal opinion given by our PRC Legal Adviser, concerning the validity of title of the properties in the PRC.

SITE INVESTIGATION

We have inspected the exterior and, where possible, the accessible portions of the interior of the properties being appraised.The inspection was carried out by Mr. Rocky Cao (Analyst of AVISTA Valuation Advisory Limited) on 7 December 2018. However, we have not been commissioned to carry out structural survey nor to arrange for an inspection of the services. We are, therefore, not able to report whether the properties are free of rot, infestation or any other structural defects. We formulate our view as to the overall conditions of the properties taking into account the general appearance, the apparent standard and age of fixtures and fittings and the existence of utility services. Hence it must be stressed that we have had regard to you with a view as to whether the buildings are free from defects or as to the possibility of latent defects which might affect our valuation. In the course of our inspection, we did not note any serious defects. No tests were carried out on any of the services. We have assumed that utility services, such as electricity, telephone, water, etc., are available and free from defect.

We have not arranged for any investigation to be carried out to determine whether or not high alumina cement concrete or calcium chloride additive or pulverized fly ash, or any other deleterious material has been used in the construction of the properties. We are therefore unable to report that the properties are free from risk in this respect. For the purpose of this valuation, we have assumed that deleterious material has not been used in the construction of the properties.

We have not been commissioned to carry out detailed site measurements to verify the correctness of the land or building areas in respect of the properties but have assumed that the areas provided to us are correct. Based on our experience of valuation of similar properties, we consider the assumptions so made to be reasonable.

Moreover, we have not carried out any site investigation to determine the suitability of the ground conditions or the services for any property development erected or to be erected thereon. Nor did we undertake archaeological, ecological or environmental surveys for the property interest. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period. Should it be discovered that contamination, subsidence or other latent defects exists in the properties or on adjoining or neighbouring land or that the properties had been or are being put to contaminated use, we reserve right to revise our opinion of value.

SOURCE OF INFORMATION

Unless otherwise stated, we shall rely to a considerable extent on the information provided to us by the Company or the legal or other professional advisers on such matters as statutory notices, planning approval, zoning, easements, tenure, completion date of building, development proposal, identification of property, particulars of occupation, site areas, floor areas, matters relating to tenure, tenancies and all other relevant matters. Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us and are therefore approximations and for reference only. We have not searched original plans, developer brochures and the like to verify them.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view and we have no reason to suspect that any material information has been withheld.

VALUATION ASSUMPTIONS

For the properties which are held under long term land use rights, we have assumed that transferable land use rights in respect of the property interest at nominal land use fees has been granted and that any premium payable has already been fully settled. Unless stated as otherwise, we have assumed that the respective title owner of the properties have an enforceable title of the property interest and have free and uninterrupted rights to occupy, use, sell, lease, charge, mortgage or otherwise dispose of the properties without the need of seeking further approval from and paying additional premium to the Government for the unexpired land use term as granted. Unless noted in the report, vacant possession is assumed for the property concerned.

Moreover, we have assumed that the design and construction of the properties are/will be in compliance with the local planning regulations and requirements and had been/would have been duly examined and approved by the relevant authorities.

Continued uses assumes the properties will be used for the purposes for which the properties are designed and built, or to which they are currently adapted. The valuation on the property in continued uses does not represent the amount that might be realised from piecemeal disposition of the property in the open market.

No environmental impact study has been ordered or made. Full compliance with applicable national, provincial and local environmental regulations and laws is assumed. Moreover, it is assumed that all required licences, consents or other legislative or administrative authority from any local, provincial or national government or private entity or organisation either have been or can be obtained or renewed for any use which the report covers.

It is also assumed that all applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined and considered in the valuation report. In addition, it is assumed that the utilisation of the land and improvements are within the boundaries of the properties described and that no encroachment or trespass exists, unless noted in the report.

No allowance has been made in our report for any charges, mortgages or amounts owing on any of the property interest valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

We have further assumed that the properties were not transferred or involved in any contentious or non-contentious dispute as at the valuation date. We have also assumed that there was not any material change of the properties in between dates of our inspection and the valuation date.

LIMITING CONDITION

Wherever the content of this report is extracted and translated from the relevant documents supplied in Chinese context and there are discrepancies in wordings, those parts of the original documents will take prevalent.

CURRENCY

Unless otherwise stated, all amounts are denominated in Renminbi (RMB). Our valuation certificate is attached.

Yours faithfully,
For and on behalf of
AVISTA Valuation Advisory Limited
Sr Oswald W Y Au
MHKIS(GP) AAPI MSc(RE)
Registered Professional Surveyor (GP)
Director

Note: Mr. Oswald W Y Au holds a Master's Degree of Science in Real Estate from the University of Hong Kong. He is also a member of Hong Kong Institute of Surveyors (General Practice) and Associate Member of Australian Property Institute. In addition, he is a Registered Professional Surveyor (General Practice) registered with Surveyors Registration Board. He has over 10 years' experience in the valuation of properties including Hong Kong, the PRC, the U.S., Canada, East and Southeast Asia including Singapore, Japan and Korea.

VALUATION CERTIFICATE

Property interest held by the Group for investment in the PRC

Property	Description and tenure	Particulars of occupancy	Market value Attributable to the Company as at 30 April 2019 *RMB*
Unit 25-1, Ningbo Cai Fu Centre, located at No. 188, Yongjiang Avenue, Jiangdong district, Ningbo City, Zhejiang Province, The PRC	The property comprises an office unit with a total gross floor area of approximately 527.46 sq.m. on 25th floor completed in 2015. The property is situated on east side of Yongjiang Avenue and the west side of Northeast Jiang Road, near the Bund Bridge. The immediate locality is a mixed office and commercial area. Pursuant to the Building Ownership Certificate, the buildings have a gross floor area of approximately 527.46 sq.m. The land use rights of the property have been granted for a term of approximately 40 years expiring on 20 May 2048 for commercial and financial use.	As at the Valuation Date, the property has been leased to an independent third party at a monthly rent of RMB50,000 with the latest term expiring on 14 March 2023. (See note 3 for further details)	9,660,000 (100% interest attributable to the Company: 9,660,000)

Notes:

(1) Pursuant to the Purchase and Sale Agreement No. 2012007000062 dated 21 September 2015 entered into between 寧波江東百隆房地產有限公司 and Zhejiang Feiyang International Travel Group Co., Ltd at a consideration of RMB11,899,993.

(2) Pursuant to a Building Ownership Certificate – Yong Fang Quan Zheng Jiang Dong Zi Di No. 20150081296 dated 9 October 2015, an office unit with a total gross floor area of approximately 527.46 sq.m. are owned by Zhejiang Feiyang International Travel Group Co., Ltd. The relevant land use rights of the property with a site area of approximately 130.92 sq.m have been granted to Zhejiang Feiyang International Travel Group Co., Ltd for a term expiring on 20 May 2048 for commercial and financial use.

(3) Pursuant to the Tenancy Agreement dated 14 March 2019, the property is leased to an independent third party for a term of 4 years expiring on 14 March 2023 at a monthly rent of RMB50,000 for the first two years, RMB52,500 for third year and RMB55,125 for fourth year, exclusive of management fees.

(4) We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

a. The property is legally held the Company;

b. The Company is entitled to use, occupy, transfer, lease, mortgage of the property; and

c. The property was pledged.

(5) A summary of major certificates/licenses is shown as follow:

a.	State-owned Land Use Rights Certificate	Yes
b.	Building Ownership Certificate	Yes

(6) In our valuation, we have made reference to several rentals evidence and asking rent of similar commercial property in the locality which are in the region of RMB90-RMB110 per sq.m./month. The market yield assumed by us is 4.5% which is in line with the market yield of this property sector in the region of 4% to 6.5%.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 18 October 2018 under the Cayman Companies Law. The Company's constitutional documents consist of the Memorandum and the Articles.

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 11 June 2019 and will become effective on the Listing Date. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less

than two persons together holding (or, in the case of a member being a corporation, by its duly authorised representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; and (g) change the currency of denomination of its share capital.

(iv) Transfer of shares

Subject to the Cayman Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor

shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) Directors

(i) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the "retirement by rotation" provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

(aa) resign;

(bb) dies;

(cc) is declared to be of unsound mind and the Board resolves that his office be vacated;

(dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(ee) he is prohibited from being or ceases to be a director by operation of law;

(ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;

(gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or

(hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iv) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

(aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(ix) Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

(d) Meetings of member

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(ii) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

(A) at least two members;

(B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(iv) Requisition of general meetings

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

(v) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Law and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

(i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(vi) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vii) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(e) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarised financial statements to members who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarised financial statements instead of the full financial statements. The summarised financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those members that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The members may, at a general meeting remove the auditor(s) by a special resolution at any time before the expiration of the term of office of the auditor(s) and shall, by an ordinary resolution, at that meeting appoint new auditor(s) in place of the removed auditor(s) for the remainder of the term.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(f) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

(i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;

(ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and

(iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

(aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(g) Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(h) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(i) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the surplus assets available for distribution among the members are insufficient to repay the whole of the paid-up capital, such assets shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(j) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 18 October 2018 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

Under Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

(i) paying distributions or dividends to members;

(ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(iii) any manner provided in section 37 of the Cayman Companies Law;

(iv) writing-off the preliminary expenses of the company; and

(v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Cayman Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of Foss v. Harbottle and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2018 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Financial Secretary that:

(i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciations shall apply to the Company or its operations; and

(ii) no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

(aa) on or in respect of the shares, debentures or other obligations of the Company; or

(bb) by way of withholding in whole or in part of any relevant payment as defined in the Tax Concessions Law (2018 Revision).

The undertaking for the Company is for a period of 20 years from 19 November 2018.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(q) Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

(t) Economic Substance Requirements

Pursuant to the International Tax Co-operation (Economic Substance) Law, 2018 of the Cayman Islands (as amended) ("**ES Law**") that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Law. A "relevant entity" includes a company incorporated under the Cayman Companies Law as is the Company; however, it does not include a company which is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, the Company is not regarded as a "relevant entity" under the ES Law and thus is not required to satisfy the economic substance test as set out in the ES Law.

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix VI. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation

Our Company was incorporated on 18 October 2018 in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Law. Our Company has established a principal place of business in Hong Kong at 13/F, Wah Yuen Building, 149 Queen's Road Central, Hong Kong and our Company was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 20 December 2018. Mr. Tam Chun Wai Edwin has been appointed as the authorised representative of our Company for acceptance of service of process and notices on behalf of our Company in Hong Kong. Our address for acceptance of service of process and notices on our Company in Hong Kong is the same as its registered place of business in Hong Kong.

As our Company is incorporated in the Cayman Islands, it operates subject to the relevant laws and regulations of Cayman Islands and its constitution, comprising its Memorandum of Association and Articles of Association. A summary of the Cayman Islands company law and of the Memorandum of Association and the Articles of Association is set out in "Summary of the Constitution of the Company and Cayman Islands Company Law" in Appendix IV in this prospectus.

2. Changes in Share Capital of our Company

As at the date of incorporation of our Company, our Company had an authorised share capital of HK$390,000 divided into 39,000,000 shares of par value HK$0.01 each. The following alterations in the issued and paid up share capital of our Company have taken place since its date of incorporation up to the date of this prospectus:

(a) on 18 October 2018, one Share of par value HK$0.01 was allotted and issued fully-paid as the subscriber share to Osiris International Cayman Limited, an independent third party, which in turn transferred such one Share to HHR Group at par. On the same date, 1,307,779 Shares, 5,100,000 Shares, 1,000,000 Shares, 1,307,900 Shares, 812,620 Shares, 188,680 Shares, 94,340 Shares, 94,340 Shares and 94,340 Shares were allotted and issued fully-paid to HHR Group, Michael Group, KVN Holdings, DY Holdings, QJ Holdings, LD Group, WB Holdings, CXD Holdings and QZ Holdings, respectively;

(b) as part of the Reorganisation and as consideration for the transfer of the entire shareholding of Toucan Investment by Carnary Investment to our Company on 27 December 2018, our Company has allotted and issued 7,530 Shares to Carnary Investment, credited as fully paid at par;

(c) on 25 December 2018, pursuant to a subscription agreement entered into among Mr. Lau, Carnary Investment and our Company, Carnary Investment subscribed and our Company allotted and issued to Carnary Investment, 196,552 Shares;

(d) pursuant to the resolutions in writing of the Shareholders passed on 11 June 2019, the authorised share capital of our Company was increased from HK$390,000 divided into 39,000,000 shares of par value HK$0.01 each to HK$100,000,000 divided into 10,000,000,000 shares of par value HK$0.01 each, by the creation of additional 9,961,000,000 shares; and

(e) on 11 June 2019, our Shareholders resolved that, conditional on the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the allotment and issue of the Offer Shares pursuant to the Global Offering, our Directors were authorised to capitalise an amount of HK$3,647,959.18 (or any such amount any one Director may determine) standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 364,795,918 Shares (or any such number of Shares any one Director may determine) for allotment and issue to our Shareholders whose names appeared in the register of members or the principal share register of our Company at close of business on the date which the said resolution is passed (or another date as our Directors may direct) in proportion to their respective shareholdings in our Company (as nearly as possible without involving fractions so that no fraction of a Share shall be allotted and issued), each ranking *pari passu* in all respects with the then Shares in issue.

See "Share Capital" for a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately prior to and following the completion of the Capitalisation Issue and the Global Offering.

Save as disclosed above and in "3. Written Resolutions of our Shareholders passed on 11 June 2019" below in this Appendix, there has been no alteration in the share capital of our Company since its incorporation.

3. Written Resolutions of our Shareholders passed on 11 June 2019

Pursuant to the written resolutions of our Shareholders passed on 11 June 2019, among other things:

(a) our Company approved and adopted the Memorandum of Association and the Articles of Association conditionally upon the fulfillment of the Conditions (as defined below) and with effect from the Listing Date;

(b) our Company increased its authorised share capital from HK$390,000 divided into 39,000,000 shares of par value of HK$0.01 each to HK$100,000,000 divided into 10,000,000,000 shares of par value HK$0.01 each by the creation of 9,961,000,000 additional shares of par value HK$0.01 each, each ranking *pari passu* in all respects with the Shares in issue at the date of passing of these resolutions;

(c) conditional upon (i) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus/pursuant to the Global Offering and the Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme; (ii) the Offer Price being fixed on or around the Price Determination Date; (iii) the execution and delivery of the Underwriting Agreements on or around the Price Determination Date; and (iv) the obligations of the Underwriter(s) under the Underwriting Agreements becoming unconditional and the Underwriting Agreements not being terminated in accordance with its terms or otherwise (the "**Conditions**"), in each case on or before such dates as may be specified in the Underwriting Agreements:

(1) the Capitalisation Issue and the Global Offering were approved and our Directors were authorised to effect the same and to allot and issue the new Shares pursuant to the Capitalisation Issue and the Global Offering to rank *pari passu* with the then existing Shares in all respects;

(2) the proposed Listing was approved and our Directors were authorised to implement the Listing;

(3) conditional upon the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the allotment and issue of the Offer Shares pursuant to the Global Offering, our Directors were authorised to capitalise an amount of HK$3,647,959.18 (or any such amount any one Director may determine) standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 364,795,918 Shares (or any such number of Shares any one Director may determine) for allotment and issue to our Shareholders whose names appeared on the register of members of our Company as at the close of business on the date which the said resolution is passed (or another date as our Directors may direct) in proportion to their respective shareholdings in our Company at that time (as nearly as possible without involving fractions so that no fraction of a Share shall be allotted and issued), each ranking *pari passu* in all respects with the then Shares in issue;

(4) conditional further on (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue or the Shares to be issued pursuant to the exercise of any Options which may be granted pursuant to the Share Option Scheme; and (ii) the commencement of trading of the Shares on the Stock Exchange, (A) the Share Option Scheme (subject to such amendments as any committee established by our Board or any Director may in its or his/her absolute discretion consider necessary or expedient in respect of the Share Option Scheme, provided that such amendments are not of a material nature) be approved and adopted; and (B) our Directors be authorised to grant Options under the Share Option Scheme and to allot, issue, procure the transfer of and otherwise deal with Shares issued pursuant to the exercise of any Options granted pursuant to the Share Option Scheme;

(5) a general unconditional mandate was granted to our Directors to allot, issue and deal with the Shares or securities convertible into Shares or similar rights to subscribe for Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers, provided that the aggregate number of the Shares allotted or agreed to be allotted by our Directors other than pursuant to (A) a rights issue, (B) any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association, (C) the exercise of any options which may be granted pursuant to the Share Option Scheme, or (D) a specific authority granted by our Shareholders in general meeting, shall not exceed the aggregate of:

(i) 20% of the total number of the Shares of our Company in issue immediately following the completion of the Capitalisation Issue and the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme); and

(ii) the total number of the Shares of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to in sub-paragraph (6) below,

such mandate to remain in effect during the period from the passing of the resolution until the earliest of (A) the conclusion of our next annual general meeting, (B) the expiration of the period within which we are required by any applicable law or the Articles of Association to hold our next annual general meeting; or (C) the date on which the resolution is varied, revoked or renewed by an ordinary resolution of our Shareholders in a general meeting (the "**Relevant Period**") (the "**Issue Mandate**");

(6) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to repurchase Shares on the Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and the requirements of the Listing Rules with a total number of not more than 10% of the total number of the Shares of our Company in issue immediately following the completion of the Capitalisation Issue and the Global Offering, such mandate to remain in effect during the Relevant Period (the "**Repurchase Mandate**"); and

(7) the Issue Mandate as referred to in sub-paragraph (5) above was extended by an addition representing the total number of the Shares repurchased by our Company pursuant to the Repurchase Mandate as referred to in sub-paragraph (6) above but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme.

B. OUR SUBSIDIARIES

The particulars of our operating subsidiary are provided in the Accountants' Report, the text of which is set out in Appendix I in this prospectus.

Save as disclosed in "History, Reorganisation and Corporate Structure" in this prospectus, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

C. REPURCHASE BY OUR COMPANY OF OUR OWN SECURITIES

This section set out information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of our own securities.

1. Relevant Legal and Regulatory Requirements

The Listing Rules permit a company whose primary listing is on the Stock Exchange to repurchase its securities on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

(a) Shareholders' Approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of our Shareholders, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to the written resolutions of our Shareholders passed on 11 June 2019, the Repurchase Mandate was given to our Directors to exercise all powers of our Company to repurchase up to 10% of the total number of the Shares of our Company in issue immediately following completion of the Global Offering on the Stock Exchange or on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose). The Repurchase Mandate will remain in effect during the Relevant Period.

(b) Source of Funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange as amended from time to time. Subject to the foregoing, under the Cayman Companies Law, any repurchases by our Company may be made out of our Company's profits, out of our Company's share premium account, out of the proceeds of a new issue of Shares made for the purpose of the repurchase, or, if authorised by the Articles of Association and subject to the provisions of the Cayman Companies Law, out of capital. Any amount of premium payable on a repurchase over the par value of the Shares to be repurchased must be out of either or both our Company's profits or our Company's share premium account, before or at time the Shares are repurchased, or, if authorised by the Articles of Association and subject to the provisions of the Cayman Companies Law, out of capital.

(c) Trading Restrictions

A listed company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

The Listing Rules also prohibit a listed company from repurchasing its securities on the Stock Exchange if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange.

A listed company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(d) Suspension of Repurchase

Pursuant to the Listing Rules, a listed company may not make any repurchases of shares after inside information has come to its knowledge until the information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of: (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarter-year or any other interim period (whether or not required by the Listing Rules); and (ii) the deadline for a listed company to publish an announcement of its results for

any year, half-year or quarter-year period under the Listing Rules, or any other interim period (whether or not required under the Listing Rules), and in each case ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange unless the circumstances are exceptional.

(e) Reporting Requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following Business Day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchase, where relevant, and the aggregate prices paid.

(f) Core Connected Persons

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "core connected person" (as defined in the Listing Rules) and a core connected person is prohibited from knowingly selling his securities to the company on the Stock Exchange.

2. Reasons for Repurchases

Our Directors believe that it is in our Company's and our Shareholders' best interests for our Directors to have general authority from our Shareholders to enable our Company to execute repurchases of the Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or its earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and our Shareholders.

3. Funding of Repurchases

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands.

On the basis of our Company's current financial position as disclosed in this prospectus and taking into account our Company's current working capital position, our Directors consider that, if the Repurchase Mandate were to be exercised in full, there might be a material adverse effect on our working capital and/or our gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on our Company's working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for us.

4. General

The exercise in full of the Repurchase Mandate, on the basis of 500,000,000 Shares in issue immediately following the completion of the Capitalisation Issue and the Global Offering could accordingly result in up to approximately 50,000,000 Shares being repurchased by our Company during the Relevant Period.

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates currently intends to sell any Shares to us or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert (within the meaning of the Takeovers Code), depending on the level of increase of our Shareholders' interests, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of a repurchase of Shares made immediately after the listing of Shares on the Stock Exchange. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented if the Stock Exchange agrees to waive the Listing Rules requirements regarding the public shareholding referred to above. A waiver of this provision is not normally granted other than in exceptional circumstances.

No core connected person (as defined in the Listing Rules) of our Company has notified us that he or she or it has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

D. CORPORATE REORGANISATION

The companies comprising our Group underwent the Reorganisation in preparation for listing of the Shares on the Stock Exchange. See "History, Reorganisation and Corporate Structure – Reorganisation" in this prospectus for further details.

E. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or our subsidiaries within the two years preceding the date of this prospectus and are material:

(a) a capital contribution agreement originally dated 27 November 2018 and subsequently amended to be dated 14 November 2018 by an addendum dated 16 January 2019 and entered into among Cuckoo HK Holdings Limited (杜鵑香港控股有限公司), 寧波勝大飛揚企業管理有限公司 (Ningbo Shengda Feiyang Commercial Management Company Limited) and 浙江飛揚國際旅遊集團股份有限公司 (Zhejiang Feiyang International Travel Group Co., Ltd.), whereby Cuckoo HK Holdings Limited (杜鵑香港控股有限公司) agreed to contribute capital of RMB52,632 to 寧波勝大飛揚企業管理有限公司 (Ningbo Shengda Feiyang Commercial Management Company Limited);

(b) an equity subscription agreement dated 25 December 2018 and entered into among Mr. Lau Wing Chuk (劉永足), Carnary Investment Holdings Limited and our Company, whereby Carnary Investment Holdings Limited agreed to subscribe 196,552 shares of our Company at the consideration of RMB1,346,368;

(c) a trademark transfer agreement dated 18 January 2019 and entered into among 浙江飛揚國際旅遊集團股份有限公司 (Zhejiang Feiyang International Travel Group Co., Ltd.) and 寧波飛揚商業管理有限公司 (Ningbo Feiyang Commercial Management Co., Ltd.), whereby 浙江飛揚國際旅遊集團股份有限公司 (Zhejiang Feiyang International Travel Group Co., Ltd.) agreed to transfer 20 trademarks to 寧波飛揚商業管理有限公司 (Ningbo Feiyang Commercial Management Co., Ltd.) at the consideration of RMB1.0;

(d) a trademark transfer agreement dated 18 January 2019 and entered into among 浙江飛揚聯創旅遊有限公司蘇州分公司 (Zhejiang Feiyang Lianchuang Travel Co. Ltd. (Suzhou Branch)) and 寧波飛揚商業管理有限公司 (Ningbo Feiyang Commercial Management Co., Ltd.), whereby 浙江飛揚聯創旅遊有限公司蘇州分公司 (Zhejiang Feiyang Lianchuang Travel Co. Ltd. (Suzhou Branch)) agreed to transfer nine trademarks to 寧波飛揚商業管理有限公司 (Ningbo Feiyang Commercial Management Co., Ltd.) at the consideration of RMB1.0;

(e) a domain transfer agreement dated 18 January 2019 and entered into among 浙江飛揚國際旅遊集團股份有限公司 (Zhejiang Feiyang International Travel Group Co., Ltd.) and 寧波飛揚商業管理有限公司 (Ningbo Feiyang Commercial Management Co., Ltd.), whereby 浙江飛揚國際旅遊集團股份有限公司 (Zhejiang Feiyang International Travel Group Co., Ltd.) agreed to transfer six domain names to 寧波飛揚商業管理有限公司 (Ningbo Feiyang Commercial Management Co., Ltd.) at the consideration of RMB1.0;

(f) a change of trademark registrant agreement dated 18 January 2019 and entered into among 浙江飛揚國際旅遊集團股份有限公司 (Zhejiang Feiyang International Travel Group Co., Ltd.) and 寧波飛揚商業管理有限公司 (Ningbo Feiyang Commercial Management Co., Ltd.), whereby 浙江飛揚國際旅遊集團股份有限公司 (Zhejiang Feiyang International Travel Group Co., Ltd.) agreed to change the registrant of 52 trademarks to 寧波飛揚商業管理有限公司 (Ningbo Feiyang Commercial Management Co., Ltd.) at the consideration of RMB1.0;

(g) an exclusive consulting service agreement dated 18 January 2019 and entered into among 浙江飛揚國際旅遊集團股份有限公司 (Zhejiang Feiyang International Travel Group Co., Ltd.) and 寧波飛揚商業管理有限公司 (Ningbo Feiyang Commercial Management Co., Ltd.) whereby 浙江飛揚國際旅遊集團股份有限公司 (Zhejiang Feiyang International Travel Group Co., Ltd.) agreed to engage 寧波飛揚商業管理有限公司 (Ningbo Feiyang Commercial Management Co., Ltd.) as its and its subsidiaries' exclusive provider of management consulting and other related services;

(h) an intellectual property licence agreement dated 18 January 2019 and entered into among 浙江飛揚國際旅遊集團股份有限公司 (Zhejiang Feiyang International Travel Group Co., Ltd.) and 寧波飛揚商業管理有限公司 (Ningbo Feiyang Commercial Management Co., Ltd.) whereby 寧波飛揚商業管理有限公司 (Ningbo Feiyang Commercial Management Co., Ltd.) agreed to license to 浙江飛揚國際旅遊集團股份有限公司 (Zhejiang Feiyang International Travel Group Co., Ltd.) certain intellectual property rights owned by 寧波飛揚商業管理有限公司 (Ningbo Feiyang Commercial Management Co., Ltd.);

(i) an exclusive option agreement dated 18 January 2019 and entered into among 寧波飛揚企業管理有限公司 (Ningbo Feiyang Business Management Co., Ltd.), Mr. He Binfeng (何斌鋒), Ms. Qian Jie (錢潔), Mr. Li Da (李達), Mr. Wu Bin (吳濱), Mr. Chen Xiaodong (陳曉冬), Ms. Qiu Zheng (裘鄭), 浙江飛揚國際旅遊集團股份有限公司 (Zhejiang Feiyang International Travel Group Co., Ltd.) and 寧波飛揚商業管理有限公司 (Ningbo Feiyang Commercial Management Co., Ltd.) whereby 寧波飛揚商業管理有限公司 (Ningbo Feiyang Commercial Management Co., Ltd.) (or its designees) was granted an irrevocable and exclusive right to purchase (i) all or any part of the equity interest in 浙江飛揚國際旅遊集團股份有限公司 (Zhejiang Feiyang International Travel Group Co., Ltd.) from any of 寧波飛揚企業管理有限公司 (Ningbo Feiyang Business Management Co., Ltd.), Mr. He Binfeng (何斌鋒), Ms. Qian Jie (錢潔), Mr. Li Da (李達), Mr. Wu Bin (吳濱), Mr. Chen Xiaodong (陳曉冬) and Ms. Qiu Zheng (裘鄭); (ii) the equity interest held by 浙江飛揚國際旅遊集團股份有限公司 (Zhejiang Feiyang International Travel Group Co., Ltd.) in its subsidiaries from 浙江飛揚國際旅遊集團股份有限公司 (Zhejiang Feiyang International Travel Group Co., Ltd.); and (iii) all or any part of the assets of 浙江飛揚國際旅遊集團股份有限公司 (Zhejiang Feiyang International Travel Group Co., Ltd.) from 浙江飛揚國際旅遊集團股份有限公司 (Zhejiang Feiyang International Travel Group Co., Ltd.);

(j) a share pledge agreement dated 18 January 2019 and entered into among 寧波飛揚企業管理有限公司 (Ningbo Feiyang Business Management Co., Ltd.), Mr. He Binfeng (何斌鋒), Ms. Qian Jie (錢潔), Mr. Li Da (李達), Mr. Wu Bin (吳濱), Mr. Chen Xiaodong (陳曉冬), Ms. Qiu Zheng (裘鄭), 浙江飛揚國際旅遊集團股份有限公司 (Zhejiang Feiyang International Travel Group Co., Ltd.) and 寧波飛揚商業管理有限公司 (Ningbo Feiyang Commercial Management Co., Ltd.), whereby 寧波飛揚企業管理有限公司 (Ningbo Feiyang Business Management Co., Ltd.), Mr. He Binfeng (何斌鋒), Ms. Qian Jie (錢潔), Mr. Li Da (李達), Mr. Wu Bin (吳濱), Mr. Chen Xiaodong (陳曉冬) and Ms. Qiu Zheng (裘鄭) agreed to pledge all of their respective equity interest in 浙江飛揚國際旅遊集團股份有限公司 (Zhejiang Feiyang International Travel Group Co., Ltd.) to 寧波飛揚商業管理有限公司 (Ningbo Feiyang Commercial Management Co., Ltd.) in order to guarantee the performance of the obligations of, and the representations, undertakings, and warranties provided by, 浙江飛揚國際旅遊集團股份有限公司 (Zhejiang Feiyang International Travel Group Co., Ltd.), 寧波飛揚企業管理有限公司 (Ningbo Feiyang Business Management Co., Ltd.), Mr. He Binfeng (何斌鋒), Ms. Qian Jie (錢潔), Mr. Li Da (李達), Mr. Wu Bin (吳濱), Mr. Chen Xiaodong (陳曉冬) and Ms. Qiu Zheng (裘鄭) under the Contractual Arrangements;

(k) a shareholders' rights entrustment agreement dated 18 January 2019 and entered into among 寧波飛揚企業管理有限公司 (Ningbo Feiyang Business Management Co., Ltd.), Mr. He Binfeng (何斌鋒), Ms. Qian Jie (錢潔), Mr. Li Da (李達), Mr. Wu Bin (吳濱), Mr. Chen Xiaodong (陳曉冬), Ms. Qiu Zheng (裘鄭), 浙江飛揚國際旅遊集團股份有限公司 (Zhejiang Feiyang International Travel Group Co., Ltd.) and 寧波飛揚商業管理有限公司 (Ningbo Feiyang Commercial Management Co., Ltd.), whereby 寧波飛揚企業管理有限公司 (Ningbo Feiyang Business Management Co., Ltd.), Mr. He Binfeng (何斌鋒), Ms. Qian Jie (錢潔), Mr. Li Da (李達), Mr. Wu Bin (吳濱), Mr. Chen Xiaodong (陳曉冬) and Ms. Qiu Zheng (裘鄭) irrevocably authorised 寧波飛揚商業管理有限公司 (Ningbo Feiyang Commercial Management Co., Ltd.) or its designated personnel to exercise their shareholders' rights in 浙江飛揚國際旅遊集團股份有限公司 (Zhejiang Feiyang International Travel Group Co., Ltd.);

(l) a cornerstone investment agreement dated 10 June 2019 and entered into between our Company, Giraffe Capital Limited and Ning Shing (Holdings) Company Limited (寧興(集團)有限公司), whereby Ning Shing (Holdings) Company Limited (寧興(集團)有限公司) agreed to subscribe at the Offer Price (exclusive of brokerage of 1.00%, SFC transaction levy of 0.0027% and the Stock Exchange trading of 0.005%) for such number of Offer Shares that may be subscribed for in the amount of HK$25.0 million;

(m) a cornerstone investment agreement dated 11 June 2019 and entered into among our Company, Giraffe Capital Limited and Junan Resources (Hong Kong) Co., Limited (君安物產香港有限公司), whereby Junan Resources (Hong Kong) Co., Limited (君安物產香港有限公司) agreed to subscribe at the Offer Price (exclusive of brokerage of 1.00%, SFC transaction levy of 0.0027% and the Stock Exchange trading of 0.005%) for such number of Offer Shares that may be subscribed for in the amount of HK$10.0 million;

(n) a cornerstone investment agreement dated 10 June 2019 and entered into between our Company, Giraffe Capital Limited and WWPKG Holdings Company Limited (縱橫遊控股有限公司), whereby WWPKG Holdings Company Limited (縱橫遊控股有限公司) agreed to subscribe at the Offer Price (exclusive of brokerage of 1.00%, SFC transaction levy of 0.0027% and the Stock Exchange trading of 0.005%) for such number of Offer Shares that may be subscribed for in the amount of HK$5.0 million;

(o) a letter of spousal undertaking dated 18 January 2019 from Mr. He Binfeng (何斌鋒), the spouse of Ms. Qian Jie (錢潔), to 寧波飛揚商業管理有限公司 (Ningbo Feiyang Commercial Management Co., Ltd.), whereby Mr. He Binfeng (何斌鋒) acknowledged, and irrevocably and unconditionally consented to, among others, the exclusive consulting service agreement (獨家諮詢服務協議), the intellectual property licence agreement (知識產權授權許可協議), the shareholders' rights entrustment agreement (股東權利委託協議), the exclusive option agreement (獨家購買權協議), the share pledge agreement (股份質押協議), and the disposal of shares in 浙江飛揚國際旅遊集團股份有限公司 (Zhejiang Feiyang International Travel Group Co., Ltd.) held by and registered under the name of Ms. Qian Jie (錢潔) according to the terms of such agreements;

(p) a letter of spousal undertaking dated 18 January 2019 from Ms. Qian Jie (錢潔), the spouse of Mr. He Binfeng (何斌鋒), to 寧波飛揚商業管理有限公司 (Ningbo Feiyang Commercial Management Co., Ltd.), whereby Ms. Qian Jie (錢潔) acknowledged, and irrevocably and unconditionally consented to, among others, the exclusive consulting service agreement (獨家諮詢服務協議), the intellectual property licence agreement (知識產權授權許可協議), the shareholders' rights entrustment agreement (股東權利委託協議), the exclusive option agreement (獨家購買權協議), the share pledge agreement (股份質押協議), and the disposal of shares in 浙江飛揚國際旅遊集團股份有限公司 (Zhejiang Feiyang International Travel Group Co., Ltd.) held by and registered under the name of Mr. He Binfeng (何斌鋒) according to the terms of such agreements;

(q) a letter of spousal undertaking dated 18 January 2019 from Ms. Lu Yan (陸艷), the spouse of Mr. Wu Bin (吳濱), to 寧波飛揚商業管理有限公司 (Ningbo Feiyang Commercial Management Co., Ltd.), whereby Ms. Lu Yan (陸艷) acknowledged, and irrevocably and unconditionally consented to, among others, the exclusive consulting service agreement (獨家諮詢服務協議), the intellectual property licence agreement (知識產權授權許可協議), the shareholders' rights entrustment agreement (股東權利委託協議), the exclusive option agreement (獨家購買權協議), the share

pledge agreement (股份質押協議), and the disposal of shares in 浙江飛揚國際旅遊集團股份有限公司 (Zhejiang Feiyang International Travel Group Co., Ltd.) held by and registered under the name of Mr. Wu Bin (吳濱) according to the terms of such agreements;

(r) a letter of spousal undertaking dated 18 January 2019 from Mr. Lu Yongjun (盧擁軍), the spouse of Ms. Qiu Zheng (裘鄭), to 寧波飛揚商業管理有限公司 (Ningbo Feiyang Commercial Management Co., Ltd.), whereby Mr. Lu Yongjun (盧擁軍) acknowledged, and irrevocably and unconditionally consented to, among others, the exclusive consulting service agreement (獨家諮詢服務協議), the intellectual property licence agreement (知識產權授權許可協議), the shareholders' rights entrustment agreement (股東權利委託協議), the exclusive option agreement (獨家購買權協議), the share pledge agreement (股份質押協議), and the disposal of shares in 浙江飛揚國際旅遊集團股份有限公司 (Zhejiang Feiyang International Travel Group Co., Ltd.) held by and registered under the name of Ms. Qiu Zheng (裘鄭) according to the terms of such agreements;

(s) a letter of spousal undertaking dated 21 January 2019 from Ms. Ying Qihui (應啟慧), the spouse of Mr. Chen Xiaodong (陳曉冬), to 寧波飛揚商業管理有限公司 (Ningbo Feiyang Commercial Management Co., Ltd.), whereby Ms. Ying Qihui (應啟慧) acknowledged, and irrevocably and unconditionally consented to, among others, the exclusive consulting service agreement (獨家諮詢服務協議), the intellectual property licence agreement (知識產權授權許可協議), the shareholders' rights entrustment agreement (股東權利委託協議), the exclusive option agreement (獨家購買權協議), the share pledge agreement (股份質押協議), and the disposal of shares in 浙江飛揚國際旅遊集團股份有限公司 (Zhejiang Feiyang International Travel Group Co., Ltd.) held by and registered under the name of Mr. Chen Xiaodong (陳曉冬) according to the terms of such agreements;

(t) the Deed of Indemnity;

(u) the Deed of Non-competition; and

(v) Hong Kong Underwriting Agreement.

2. Our Intellectual Property Rights

As at the Latest Practicable Date, we have registered the following intellectual property rights which are material in relation to our business.

(a) Domain Name

As at the Latest Practicable Date, we have registered the following domain name which is material to our business:

Domain Name	Registrant	Expiry Date
iflying.com	Feiyang International	20 March 2021

(b) Trademarks

As at the Latest Practicable Date, our Group was licensed to use the following trademarks which are material to our business:

Trademark	Place of Registration	Registrant	Class	Registration No.	Expiry Date
飞扬旅游	PRC	Feiyang International(Note)	39	14466855	27 July 2025
飞扬	PRC	Feiyang International(Note)	39	14466854	27 July 2025
iFlying.com 爱飞扬旅游网	PRC	Feiyang International	39	12418521	20 September 2024
爱飞扬网 aiFeiyang.com	PRC	Feiyang International(Note)	39	12418506	20 September 2024
iFlying爱飞扬	PRC	Feiyang International	39	11156075	20 November 2023
飞扬恒越	PRC	Feiyang International(Note)	37	7252589	6 October 2020
飞扬恒越	PRC	Feiyang International(Note)	36	7252577	6 October 2020
飞扬恒越	PRC	Feiyang International(Note)	39	7249383	27 November 2020
恒越	PRC	Feiyang International(Note)	37	7252569	6 October 2020
恒越	PRC	Feiyang International(Note)	39	7249406	27 November 2020
尊悦 ZUN YUE	PRC	Feiyang International(Note)	39	4710531	27 January 2029
胜大飞扬 SHENG DA FEI YANG	PRC	Feiyang International(Note)	39	4710528	27 January 2029
飞扬旅游 www.iFlying.com	PRC	Feiyang International	39	25106660	20 September 2028
iFlying.飞扬.com	PRC	Feiyang International	39	25106662	20 September 2028
FEI YANG	Hong Kong	Feiyang International	35, 39, 41, 43	304688434	2 October 2028
	Hong Kong	Feiyang International	35, 39, 41, 43	304688489	2 October 2028

Trademark	Place of Registration	Registrant	Class	Registration No.	Expiry Date
飛揚集團 FEIYANG TRAVEL GROUP 飛揚集團 FEIYANG TRAVEL GROUP 飞扬集团 FEIYANG TRAVEL GROUP 飞扬集团 FEIYANG TRAVEL GROUP	Hong Kong	Feiyang International	35, 39, 41, 43	304688498	2 October 2028
	Hong Kong	Feiyang International	35, 39, 41, 43	304688470	2 October 2028
笨鳥 笨鸟	Hong Kong	Feiyang International	35, 39, 41, 43	304688452	2 October 2028

Note:

Pursuant to a trademark transfer agreement entered into between Feiyang International and Ningbo Commercial dated 18 January 2019, Feiyang International agreed to transfer these trademarks to Ningbo Commercial. Transfer of these trademarks will be effective upon completion of the relevant filing procedures with the Trademark Office of National Intellectual Property Administration, PRC.

As at the Latest Practicable Date, Feiyang International has applied for the registration of the following trademark, which we consider to be or may be material to our business:

Trademark	Place of Application	Applicant	Class	Application Number	Application Date
飛揚旅遊 WWW.IFLYING.COM 飛揚旅遊 WWW.IFLYING.COM 飞扬旅游 WWW.IFLYING.COM 飞扬旅游 WWW.IFLYING.COM	Hong Kong	Feiyang International	35, 39, 41, 43	304838004	22 February 2019

Save as aforesaid, there are no other trade or service marks, patents, other intellectual or industrial property rights of our Group, which are or may be material in relation to our Group's business as at the Latest Practicable Date.

F. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) Interests and short positions of our Directors and chief executives of our Company in the shares, underlying shares or debentures of our Company and our associated corporations

Immediately following the completion of the Capitalisation Issue and the Global Offering (without taking into account the Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme), the interests or short positions of our Directors and chief executive of our Company in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered into in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to our Company and the Hong Kong Stock Exchange, once the Shares are listed, are as follows:

Interests in Shares of our Company

Name of Director	Nature of interest and capacity	Number of Shares held/interested	Approximate percentage of shareholding
Mr. He*(Note 2)*	Interest in controlled corporation; interest held jointly with another person	350,162,000 (L)*(Note 1)*	70.0324%
Mr. Li*(Note 3)*	Interest in controlled corporation	6,934,000 (L)*(Note 1)*	1.3868%
Mr. Wu*(Note 4)*	Interest in controlled corporation	3,468,000 (L)*(Note 1)*	0.6936%
Mr. Chen *(Note 5)*	Interest in controlled corporation	3,468,000 (L)*(Note 1)*	0.6936%

Notes:

(1) The letter "L" denotes the person's long position in our Shares.

(2) Immediately following the completion of the Capitalisation Issue and the Global Offering (without taking into account the Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme), Mr. He (i) directly owns 100% of each of HHR Group, Michael Group, KVN Holdings and DY Holdings, which in aggregate holds 320,298,000 Shares or approximately 64.0596% of the issued share capital of our Company; and (ii) deemed to own 29,864,000 Shares or approximately 5.9728% of the issued share capital of our Company in which Mr. He and Ms. Qian are parties acting in concert.

(3) Immediately following the completion of the Capitalisation Issue and the Global Offering (without taking into account the Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme), Mr. Li directly owns LD Group which in turn holds in aggregate 6,934,000 Shares or approximately 1.3868% of the issued share capital of our Company.

(4) Immediately following the completion of the Capitalisation Issue and the Global Offering (without taking into account the Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme), Mr. Wu directly owns 100% of WB Holdings which in turn holds in aggregate 3,468,000 Shares or approximately 0.6936% of the issued share capital of our Company.

(5) Immediately following the completion of the Capitalisation Issue and the Global Offering (without taking into account the Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme), Mr. Chen directly owns 100% of CXD Holdings which in turn holds in aggregate 3,468,000 Shares or approximately 0.6936% of the issued share capital of our Company.

(b) Interests and short positions of substantial shareholders in the Shares or underlying Shares of our Company

So far as is known to any Director or chief executive of our Company, immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account the Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme), the following persons (other than a Director or chief executive of our Company) will have an interest or a short position in the Shares or the underlying Shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Long Position in our Shares

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

Name of Substantial Shareholder	Nature of interest and capacity	Number of Shares held/interested	Approximate percentage of shareholding
HHR Group(Note 2)	Beneficial owner, interest held jointly with another person	350,162,000 (L)(Note 1)	70.0324%
Michael Group(Note 2)	Beneficial owner, interest held jointly with another person	350,162,000 (L)(Note 1)	70.0324%
KVN Holdings(Note 2)	Beneficial owner, interest held jointly with another person	350,162,000 (L)(Note 1)	70.0324%
DY Holdings(Note 2)	Beneficial owner, interest held jointly with another person	350,162,000 (L)(Note 1)	70.0324%
QJ Holdings(Note 3)	Beneficial owner, interest held jointly with another person	350,162,000 (L)(Note 1)	70.0324%

Notes:

(1) The letter "L" denotes the person's long position in our Shares.

(2) Immediately following the completion of the Capitalisation Issue and Global Offering (without taking into account the Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme), Mr. He (i) directly owns 100% of each of HHR Group, Michael Group, KVN Holdings and DY Holdings, which will in turn in aggregate hold 320,298,000 Shares or approximately 64.0596% of the issued share capital of our Company; and (ii) deemed to own 29,864,000 Shares or approximately 5.9728% of the issued share capital of our Company in which Mr. He and Ms. Qian are parties acting in concert.

(3) Immediately following the completion of the Capitalisation Issue and Global Offering (without taking into account the Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme), Ms. Qian (i) directly owns 100% of QJ Holdings, which holds 29,864,000 Shares or approximately 5.9728% of the issued share capital of our Company; and (ii) deemed to own 320,298,000 Shares or approximately 64.0596% of the issued share capital of our Company in which Ms. Qian and Mr. He are parties acting in concert.

As at the Latest Practicable Date, so far as is known to our Directors, other than our 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 our subsidiaries.

2. Directors' Service Contracts

Our executive Directors have entered into service contracts with our Company for a fixed term of three years commencing from the Listing Date which can be terminated before the expiration of the term by not less than three month's notice in writing served by either party on the other.

Our independent non-executive Directors have signed appointment letters with our Company for a term of three years. Under their respective appointment letters, each of the independent non-executive Directors is entitled to a fixed Directors fee of HK$120,000 per annum with effect from the Listing Date. Their appointments are subject to the provisions of retirement and rotation of Directors under the Articles.

Save as disclosed above, none of our Directors has entered into a service contract with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

3. Directors' Remuneration

The aggregate remuneration (including salaries, bonuses, allowances and benefits in kind, and pension scheme contributions) paid to our Directors for the year ended 31 December 2016, 2017 and 2018 were approximately RMB2.8 million, RMB1.5 million and RMB1.7 million, respectively.

There was no arrangement under which a Director waived or agreed to waive any remuneration for any of the year ended 31 December 2016, 2017 and 2018.

Save as disclosed above, no other payments have been made or are payable in respect of the year ended 31 December 2016, 2017 and 2018 by any member of our Group to any of our Directors.

Under the arrangements currently in force, our Company estimates the aggregate remuneration payable to, and benefits in kind receivable by (excluding any discretionary bonuses), our Directors in respect of the year ending 31 December 2019 to be approximately RMB2.0 million.

During the Track Record Period, no remuneration was paid by us to, or receivable by, our Directors or the five highest paid individuals as an inducement to join or upon joining our Company. No compensation was paid by us to, or receivable by, our Directors, former Directors, or the five highest-paid individuals for each of the Track Record Period for the loss of any office in connection with the management of the affairs of any subsidiary of our Company.

4. Personal Guarantees

Save as disclosed in "Relationship with Controlling Shareholders" in this prospectus, as at the Latest Practicable Date, our Directors have not provided personal guarantees in favour of lenders in connection with banking facilities granted to our Group.

5. Agency Fees or Commission Received

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms have been granted by our Group to any person (including our Directors and experts referred to in "H. Other Information – 6. Qualifications of experts" below in this Appendix) in connection with the issue or sales of any capital or security of our Company or any of member of our Group within the two years preceding the date of this prospectus.

6. Related-Party Transactions

Details of the related-party transactions are set out under Note 31 to the Accountants' Report set out in Appendix I in this prospectus.

7. Disclaimers

Save as disclosed in this prospectus:

(a) none of our Directors or chief executives of our Company has any interest or short position in the shares, underlying shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which will be required pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange;

(b) so far as is known to any Director or chief executive of our Company, no person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, directly or indirectly, interested in 10% or more of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;

(c) none of our Directors nor any of the persons listed in "H. Other Information – 6. Qualifications of experts" below in this Appendix is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(d) none of our Directors is materially interested in any contract or arrangement subsisting with our Group subsisting at the date of this prospectus which is unusual in its nature or conditions or which is significant in relation to the business of our Group taken as a whole;

(e) save in connection with Underwriting Agreements, none of the persons listed in "H. Other Information – 6. Qualifications of experts" below in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;

(f) save for the Underwriting Agreements, none of the persons listed in "H. Other Information – 6. Qualifications of experts" below in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;

(g) within the two years preceding the date of this prospectus, no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and

(h) so far as is known to our Directors, none of our Directors or their close associates or any Shareholder (which to the knowledge of our Directors owns 5% or more of the issued share capital of our Company) has any interest in any of the five largest suppliers or customers of our Group.

G. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme conditionally approved and adopted by written resolutions of our Shareholders passed on 11 June 2019. The terms of our Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules. The following summary does not form, nor is intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme. For the purpose of this paragraph, references to "**Board**" shall mean the board of Directors or a committee thereof appointed for the purpose of administering the Share Option Scheme; references to "**Participant**" shall mean any Director (including executive Directors, non-executive Directors and independent non-executive Directors), the directors of our subsidiaries and employees of any member of our Group and any other persons (including consultants or advisers); references to "**Grantee**" shall mean any Participants who accepts an offer of the grant of an option in accordance with the terms of the Share Option Scheme or (where the context so permits) any person who is entitled to any such option in consequence of the death of the original Grantee, or the legal representative of such person.

1. Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to provide incentives or rewards to Participants for their contribution to our Group and to enable our Group to recruit and retain high-calibre employees and attract human resources that are valuable to our Group and any entity in which our Group holds any equity interest (the "**Invested Entity**").

2. Participants of the Share Option Scheme and Basis for Determining the Eligibility of the Participants

The basis of eligibility of Participants to the grant of any options shall be determined by our Directors from time to time on the basis of their contribution to the development and growth of our Group and any Invested Entity.

3. Administration

The Share Option Scheme shall be subject to the administration of our Board (including the independent non-executive Directors) whose decision (save as otherwise provided in the Share Option Scheme) shall be final and binding on all parties.

4. Grant of options

On and subject to the terms of the Share Option Scheme and the requirements of the Listing Rules, our Board shall be entitled at any time and from time to time within a period of ten years commencing from the date on which the Share Option Scheme becomes unconditional to offer to grant to any Participant as our Board may in its absolute discretion select.

For the purposes of the Share Option Scheme, options may be granted to any company wholly-owned by one or more persons belonging to any of the Participants or any discretionary object of a Participant which is a discretionary trust. There is no performance target that has to be achieved before the exercise of any option except otherwise imposed by our Board and stated in the offer of grant of an option.

No offer of grant of options may be made after inside information has come to its knowledge until our Company has announced the information. In particular, during the period commencing one month immediately before the earlier of:

(a) the date of our Board meeting (as such date is first notified to the Stock Exchange under the Listing Rules) for approving our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and

(b) the deadline for our Company to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement. Further, no option may be granted during any period of delay in publishing a results announcement.

5. Payment on acceptance of option offer

An offer shall remain open for acceptance by the Participant concerned for a period of 21 days from the date of the offer. HK$1.00 is payable by the Grantee to our Company on acceptance of the offer of the option.

6. Subscription price

The subscription price in respect of any particular option shall be such price as determined by our Board in its absolute discretion at the time of the grant of the relevant option but in any case the subscription price shall not be lower than the highest of:

(a) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a trading day;

(b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant; and

(c) the nominal value of a Share, provided that for the purpose of calculating the Subscription Price where the Shares have been listed on the Stock Exchange for less than five trading days preceding the date of grant, the issue price of the Shares in connection with such listing shall be deemed to be the closing price of the Shares for each trading day falling within the period before the listing of the Shares on the Stock Exchange.

7. Option period and conditions of Share Option Scheme

Subject to paragraph 16, this Scheme shall be valid and effective for a period of ten years commencing on the date on which the conditions set out in paragraph 7 are satisfied, after which period no further options will be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects. Options complying with the provisions of the Listing Rules which are granted during the duration of the Share Option Scheme and remain unexercised immediately prior to the end of the ten-year period shall continue to be exercisable in accordance with their terms of grant within the option period for which such option are granted, notwithstanding the expiry of the Share Option Scheme.

The Share Option Scheme shall take effect subject to and is conditional upon:

(a) the passing of the necessary resolutions by the Shareholders to approve and adopt the rules of the Share Option Scheme;

(b) the Listing Committee granting approval of listing of, and permission to deal in, the Shares to be allotted and issued pursuant to the exercise of the subscription rights attaching to the options under the Share Option Scheme;

(c) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, following the waiver(s) of any conditions by the Sole Global Coordinator (acting for itself and on behalf of the Underwriters) and not being terminated in accordance with its terms or otherwise; and

(d) the commencement of dealings in the Shares on the Main Board.

8. Rights are personal to grantee

An option shall be personal to the Grantee and shall not be assignable or transferable. No Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any option. Any breach of the foregoing shall result in any outstanding option or part thereof granted to such Grantee be lapsed.

9. Rights attaching to Shares allotted

The Shares to be allotted and issued upon the exercise of an option will be fully paid, and shall be subject to all the provisions of the Memorandum and Articles of Association as amended from time to time and will rank *pari passu* with the fully paid Shares in issue on the date the name of the Grantee is registered on the register of members of our Company. Prior to the Grantee being registered on the register of members of our Company, the Grantee shall not have any voting rights, or rights to participate in any dividend or distributions (including those arising on a liquidation of our Company), in respect of the Shares to be issued upon the exercise of the option.

10. Exercise of option

Subject to the terms and conditions provided in the Share Option Scheme, the option may be exercised by the Grantee (or his or her legal personal representative(s)) at any time during the option period provided that:

(a) in the event of the Grantee ceasing to be an eligible employee for any reason other than his or her death or the termination of his or her employment on one or more of the grounds specified in paragraph 11(c), the Grantee may exercise the option up to his or her entitlement at the date of cessation of his or her employment within the period of one month following the date of cessation in whole or in part (to the extent not already exercised) which date shall be the last actual working day with our Company or the relevant subsidiary or any Invested Entity, or the holding company of our Company whether salary is paid in lieu of notice or not, or such longer period following the date of cessation as our Board may determine;

(b) in the event the Grantee ceasing to be a supplier, customer, adviser, consultant, shareholder or holder of any securities of any member of our Group or any Invested Entity for any reason other than his or her death, the Grantee may exercise his or her Option up to his or her entitlement at the date he or she ceases to be a supplier, customer, adviser, consultant, shareholder or holder of any securities of any member of our Group or any Invested Entity within the period of one month following the date of cessation in whole or in part (to the extent not already exercised);

(c) in the event that the Grantee ceases to be a Participant by reason of death (provided that none of the events which would be a ground for termination of his or her employment under paragraph 11(c) arises prior to his or her death in case of an

eligible employee), the legal personal representative(s) of this Grantee shall be entitled within a period of twelve (12) months from the date of death (or such longer period as our Board may determine) to exercise the option in full (to the extent not already exercised);

(d) in the event of a general offer, whether by way of take-over offer, or share re-purchase offer, or scheme of arrangement or otherwise in like manner, is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use its best endeavours to procure that such offer is extended to all the Grantees on the same terms, *mutatis mutandis*, and assuming that they will become, by the exercise in full (to the extent not yet exercised) of the options granted to them, Shareholders. If such offer, having been approved in accordance with applicable laws and regulatory requirements becomes, or is declared unconditional, the Grantee (or his or her legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already exercised) at any time within fourteen days after the date on which such general offer becomes or is declared unconditional;

(e) in the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Company give notice thereof to all Grantees and thereupon, each Grantee (or in the case of the death of the Grantee, his or her personal representative(s)) shall be entitled to exercise all or any of his or her options at any time not later than five business days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot and issue the relevant Shares to the Grantee credited as fully paid;

(f) if a compromise or arrangement between our Company and its members or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies, our Company shall give notice thereof to all Grantees (together with a notice of the existence of the provisions of this paragraph) on the same date as it despatches to each member or creditor of our Company a notice summoning the meeting to consider such a compromise or arrangement, and thereupon each Grantee (or where permitted under paragraph 10(c) his/her legal personal representative(s)) shall be entitled to exercise all or any of his or her options in whole or in part at any time prior to 12:00 noon on the day immediately preceding the date of the meeting directed to be convened by the court for the purposes of considering such compromise or arrangement. With effect from the date of such meeting, the rights

of all Grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and terminate. Our Directors shall endeavour to procure that the Shares issued as a result of the exercise of options under this paragraph 10(f) shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court) the rights of Grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any Grantee as a result of the aforesaid suspension. Subject to the above, an option will lapse automatically on the date the proposed compromise or arrangement becomes effective; and

(g) in the event the Grantee ceasing to be a non-executive Director or an independent non-executive Director of any member of our Group or any Invested Entity for any reason other than his or her death, such Grantee may exercise his or her option up to his or her entitlement at the date he or she ceases to be a non-executive Director or an independent non-executive Director of any member of our Group or any Invested Entity within the period of one month following the date of cessation in whole or in part (to the extent not already exercised).

The exercise of any option shall be subject to our Shareholders in general meeting approving any increase in the authorised share capital of our Company. Subject thereto, our Board shall make available sufficient authorised but unissued share capital of our Company for purpose of allotment of shares upon exercise of option(s).

11. Lapse of option

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

(a) the expiry of the option period;

(b) the expiry of any of the periods referred to in paragraph 10 above;

(c) the date on which the Grantee ceases to be an eligible employee by reason of the termination of his or her employment on any one or more of the grounds that he or she has been guilty of misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or

her integrity or honesty or (if so determined by our Board) on any other ground on which an employer would be entitled to terminate his or her employment at common law or pursuant to any applicable laws or under the Grantee's service contract with our Company or the relevant subsidiary or the relevant Invested Entity or the holding company of our Company. A resolution of our Board or the board of directors of the relevant subsidiary or the board of directors of the relevant Invested Entity or the board of directors of the holding company of our Company to the effect that employment of a Grantee has or has not been terminated on one or more of the grounds specified in this paragraph 11(e) shall be conclusive and binding on the Grantee;

(d) the date on which the Grantee commits a breach of paragraph 8;

(e) if our Directors at their absolute discretion determine that the Grantee (other than an eligible employee) or his or her close associate has committed any breach of any contract entered into between the Grantee or his or her close associate on the one part and our Group or any Invested Entity on the other part or that the Grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his or her creditors generally, our Directors shall determine that the outstanding options granted to the Grantee shall lapse. In such event, his or her options will lapse automatically and will not in any event be exercisable on or after the date on which our Directors have so determined; or

(f) the date on which our Board in its absolute discretion determines that the Grantee has committed a breach or failed to comply with any obligation or provisions (other than paragraph 8) or perform and observe any of the terms, conditions, restrictions and/or limitations attached to the grant of the option or set out in the Share Option Scheme.

12. Cancellation of option

Any cancellation of options granted but not exercised shall require approval of both our Board and the Shareholders by way of an ordinary resolution in general meeting with the relevant Grantees and their close associates abstaining from voting.

Any vote taken at the meeting to approve such cancellation must be taken by poll. Cancelled options may be re-issued after such cancellation has been approved, provided that re-issued options shall only be granted in compliance with the terms of the Share Option Scheme.

Where our Company cancels options and issues new ones to the same Grantee, the issue of such new options may only be made under a scheme with available unissued options (excluding the cancelled options) within the limit approved by Shareholders as mentioned in paragraph 13(a).

For the avoidance of doubt, options which have been exercised shall not be included as cancelled options.

13. Maximum number of Shares subject to options

(a) The total number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of our Company shall not exceed 10% of the total number of Shares in issue immediately upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised) unless our Company seeks the approval of the Shareholders in general meeting for refreshing the 10% limit under the Share Option Scheme provided that options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company (or any subsidiary) will not be counted for the purpose of calculating the 10% limit under this paragraph 13(a).

(b) Our Company may seek approval of the Shareholders in general meeting for refreshing the 10% such that the total number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of our Company (or any subsidiary) as "refreshed" shall not exceed 10% of the total number of Shares in issue as at the date of the approval of the Shareholders provided that options previously granted under the Share Option Scheme or any other share option schemes of our Company (including options outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) will not be counted for the purpose of calculating the limit as "refreshed". For the purpose of seeking the approval of Shareholders under this paragraph 13(b), a circular containing the information as required under the Listing Rules must be sent to the Shareholders.

(c) Our Company may seek separate approval by the Shareholders in general meeting for granting options beyond the 10% limit set out in paragraph 13(b) provided that the Grantee(s) of such option(s) must be specifically identified by our Company before such approval is sought. For the purpose of seeking the approval of the Shareholders under this paragraph 13(c), our Company must send a circular to the Shareholders containing a generic description of the specified Grantees who may be granted such options, the number and terms of the options to be granted, the purpose of granting such options to the Grantees with an explanation as to how the terms of options serve such purpose and the information as required under the Listing Rules.

(d) Notwithstanding anything to the contrary in the Share Option Scheme, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of our Company must not exceed 30% of the total number of Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option scheme of our Company (or any subsidiary) if this will result in the limit set out in this paragraph 13(d) being exceeded.

(e) Subject to paragraph 13(f), no Participant shall be granted an option if exercise in full, would result in the total number of Shares already issued under all the options granted to it or him or her which have been exercised and issuable under all the options granted to it or him or her which are for the time being subsisting and unexercised in any 12-month period would exceed 1% of the total number of Shares in issue.

(f) Where any further grant of options to a Participant, if exercised in full, would result in the total number of Shares already issued under all the options granted to it or him or her which have been exercised and issuable under all the options granted to it or him or her which are for the time being subsisting and unexercised in any 12-month period exceed 1% of the total number of Shares in issue, such further grant must be separately approved by the Shareholders in general meeting with the Participant and its/his/her close associates abstaining from voting. Our Company must send a circular to the Shareholders and the circular must disclose the identity of the Participant, the number and terms of the options to be granted and options previously granted to such Participant and the information as required under the Listing Rules. The number and terms (including the subscription price) of the options to be granted to such Participant must be fixed before Shareholders' approval and the date of the meeting of our Board for proposing such further grant of option should be taken as the date of grant for the purpose of calculating the subscription price.

(g) Subject to paragraph 13(a) to (f), the number of Shares subject to options and to the Share Option Scheme may be adjusted, in such manner as our Company's independent financial adviser or auditors (acting as experts and not as arbitrators) shall certify in writing to our Board to be in their opinion fair and reasonable, in the event of any alteration in the capital structure of our Company whether by way of capitalisation of profits or reserves, rights issue or other similar offer of securities to holders of Shares, consolidation, subdivision or reduction or similar reorganisation of the share capital of our Company provided that no such adjustment shall be made in the event of an issue of Shares as consideration in respect of a transaction to which our Company is a party.

14. Reorganisation of capital structure and special dividend

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue or other similar offer of securities to holders of Shares, consolidation, subdivision or reduction or similar reorganisation of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which our Company is a party), such corresponding alterations (if any) shall be made in:

(a) the number of Shares subject to the option so far as unexercised; and/or

(b) the subscription price; and/or

(c) the method of exercise of the option; and/or

(d) the maximum number of Shares referred to in paragraph 13 (a) to (f),

as our Company's independent financial adviser or auditors shall certify in writing to our Board to be in their opinion fair and reasonable, provided that any alteration shall be made on the basis that the proportion of the issued share capital of our Company to which a Grantee is entitled after such alteration shall remain the same as that to which he or she was entitled before such alteration and that the aggregate subscription price payable by a Grantee on the full exercise of any option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event, but so that no such alteration shall be made the effect of which would be to enable any Share to be issued at less than its nominal value and no such adjustment will be required in circumstances where there is an issue of Shares or other securities of our Company as consideration in a transaction.

15. Alteration of the Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of our Board except that:

(a) any changes to the definitions of Participant and Grantee and option period in the Share Option Scheme;

(b) any changes to the provisions of the Share Option Scheme which relate to the matters set out in Rule 17.03 of the Listing Rules;

(c) any alteration to the terms and conditions of the Share Option Scheme which are of a material nature;

(d) any change to the terms of the options granted;

(e) any change to the authority of our Board in relation to any alteration to the terms of the Share Option Scheme,

must be approved by a resolution by the Shareholders in general meeting, except where such alterations take effect automatically under the existing terms of the Share Option Scheme or are required as a result of the change in the requirements of Chapter 17 of the Listing Rules from time to time, provided that the amended terms of the Share Option Scheme or the options shall still comply with the requirements of Chapter 17 of the Listing Rules and that no such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction in writing of such number of Grantees as shall together hold options in respect of not less than three-fourths in nominal value of all Shares then subject to options granted under this Scheme and provided further that any alterations to the terms and conditions of the Share Option Scheme which are of a material nature shall first be approved by the Stock Exchange.

Our Company must provide to all Grantees all details relating to changes in the terms of the Share Option Scheme during the life of the Share Option Scheme immediately upon such changes taking effect.

16. Termination of the Share Option Scheme

Our Company, by resolution in general meeting, or our Board may at any time terminate the operation of the Share Option Scheme and in such event no further option will be offered but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of the options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provision of the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme and the terms as set out in the offer letter made to the Participants for the grant of an option.

17. Offers made to a director, chief executive or employee who is also Substantial Shareholder of our Company or any of their respective close associates

Each grant of options to a Director, chief executive (other than a proposed Director or a proposed chief executive of our Company) or substantial Shareholder of our Company, or any of their respective close associates, under the Share Option Scheme or any other share option scheme of our Company or any of its subsidiaries shall comply with the requirements of Rule 17.04 of the Listing Rules and shall be subject to approval by the independent non-executive Directors (excluding the independent non-executive Director who is the Grantee of the options (i.e. in the event that our Board offers to grant options to an independent non-executive Director, the vote of such independent non-executive Director shall not be counted for the purposes of approving such grant)).

In case of any change in the terms of options granted to a substantial Shareholder or an independent non-executive Director of our Company, or any of their respective close associates; or where any grant of options to a substantial shareholder or an independent non-executive Director of our Company, or any of their respective close associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(a) representing in aggregate over 0.1% of the relevant class of Shares in issue; and

(b) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5,000,000,

such further grant of options must be approved by the Shareholders. Our Company shall send a circular to all Shareholders in connection thereto. All connected persons of our Company must abstain from voting at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular. Any vote taken at the meeting to approve the grant of such options must be taken on a poll.

18. Present status of the Share Option Scheme

As at the Latest Practicable Date, no option has been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, being 50,000,000 Shares in total.

H. OTHER INFORMATION

1. Litigation

As at the Latest Practicable Date, save as disclosed in this prospectus, no member of our Group was engaged in any litigation, claim or arbitration of material importance and no litigation, claim or arbitration of material importance was known to our Directors to be pending or threatened against our Group, that would have a material adverse effect on its business, financial condition or results of operations.

2. Sole Sponsor

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. The Sole Sponsor's fees payable by us in respect of the Sole Sponsor's services as sponsor for the Listing is HK$5.5 million.

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering Offer (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme). All necessary arrangements have been made to enable such Shares to be admitted into CCASS.

3. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 December 2018 (being the date to which the latest audited combined financial statements of our Group were prepared).

4. Tax and other indemnities

(a) Tax on Dividend

No tax is payable in Hong Kong in respect of dividend paid by us.

(b) Profits Tax

No tax is imposed in Hong Kong in respect of capital gains from the sales of property such as the Shares. Trading gains from the sales of property by persons carrying on a trade, profession or business in Hong Kong where such gains are derived from or arise in Hong Kong from such trade, profession or business will be chargeable to Hong Kong profit tax, which is currently imposed at the rate of 16.5% on corporations and at a rate of 15.0% on unincorporated businesses. Gains from sales of the Shares effected on the Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of the Shares realised by persons carrying on a business of trading or dealing in securities in Hong Kong.

(c) Stamp Duty

Hong Kong stamp duty will be payable by the purchaser on every purchase and by the seller on every sales of the Shares. The duty is charged at the current rate of 0.2% of the consideration or, if higher, the fair value of the Shares being sold or transferred (the buyer and seller each paying half of such stamp duty). In addition, a fixed duty of HK$5 is currently payable on any instrument of transfer of shares.

(d) Estate Duty

There is no estate duty in Hong Kong.

(e) Deed of Indemnity

Pursuant to the Deed of Indemnity given by each of our Controlling Shareholders in favour of our Company (and its subsidiaries) and conditional on the fulfillment of the conditions stated in "Structure and Conditions of the Global Offering – Conditions of the Global Offering" in this prospectus, each of our Controlling Shareholder has unconditionally and irrevocably, jointly and severally covenanted, agreed and undertaken to indemnify and keep our Company (for itself and as trustee for the other Group Companies) and each of the members of our Group indemnified at all times on demand from and against any taxation falling on any members of our Group resulting from or by reference to any revenue (including any form of government financial assistance, subsidy or rebate), income, profits or gains granted, earned, accrued, received or made (or deemed to have been granted, earned, accrued, received or made) on or before the Listing Date or any event, transaction, act or omission occurring or deemed to occur on or before the Listing Date whether alone or in conjunction with any other event, act or omission occurring or deemed to occur on or before the Listing Date and whether or not such taxation is chargeable against or attributable to any other person, firm or company. For the avoidance of doubt, the aforesaid provision shall require each of our Controlling Shareholders to indemnify and at all times keep each of the members of our Group indemnified, in each case, in respect of any additional taxation which may fall on our Company or any other members of our Group in respect of a taxation claim resulting from a reassessment or similar action by a taxation authority against any member of our Group of taxation due and whether or not such reassessment is effected in respect of taxation which our Company or any other members of our Group had previously reached agreement with a taxation authority.

Under the Deed of Indemnity, our Controlling Shareholder has also jointly and severally agreed and undertaken to indemnify and keep each of members of our Group indemnified at all times on demand from and against all sums, outgoings, fees, demands, claims, damages, losses, costs, charges, liabilities, fines, penalties, orders and expenses incurred or suffered or loss of profits, benefits or other commercial advantages suffered by our Company and/or any of our Group Companies resulting from (i) the Reorganisation; (ii) any litigation, arbitration, claims (including counter-claims), complaints, demands and/or legal proceedings, whether of criminal, administrative, contractual, tortuous or otherwise nature instituted by or against our Company and/or any of our Group Companies in relation to events occurred on or before the Listing Date; (iii) any and all of the non-compliances with the applicable laws, rules or regulations, by our Company and/or any of our Group Companies in their respective place of incorporations or operation which has occurred at any time on or before the Listing Date; and (iv) any and all claims, payment, damages, settlement, liabilities, costs, fees and expenses suffered or incurred by our Company and/or any of our Group Companies as a result of or in connection with any non-compliance with relevant PRC laws and regulations on employment, social insurance and housing provident fund contributions and non-registration of lease as disclosed in this prospectus or in connection with any other non-compliance by our Company and/or any of our Group Companies which has occurred at any time on or before the Listing Date.

However, the indemnities given by our Controlling Shareholders under the Deed of Indemnity do not cover, and our Controlling Shareholders shall be under no liability in respect of, any liability on taxation and taxation claim:

(i) to the extent that provision has been made for such taxation or taxation claim in the audited combined accounts of our Group or the audited accounts of any of the members of our Group for an accounting period ended on or before 31 December 2018;

(ii) to the extent that such liability arises or is incurred as a consequence of any change in the law, rules or regulations, or the interpretation or practice thereof by any statutory or governmental authority (in Hong Kong, the PRC or elsewhere), including without limitation the Inland Revenue Department and the tax bureau of the PRC, having retrospective effect coming into force after the Listing Date or to the extent that such liability arises or is increased by an increase in rates of taxation or other penalties after the Listing Date with retrospective effect;

(iii) falling on any members of our Group in respect of any accounting period commencing on or after 31 December 2018 unless such liability would not have arisen but for some act or omission of, or transaction entered into by, any of our Controlling Shareholders or any members of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring), otherwise than:

    (1) in the ordinary course of business, or in the ordinary course of acquiring or disposing of capital assets, on or before the Listing Date; or

    (2) pursuant to a legally binding commitment created on or before the date of the Deed of Indemnity or pursuant to any statement of intention made in this prospectus;

(iv) to the extent that such liability is discharged by another person who is not a member of our Group and that none of our Group Companies is required to reimburse such person in respect of the discharge of such liability; or

(v) to the extent of any provision or reserve made for such liability in the audited accounts referred to in paragraph (i) above which is finally established to be an overprovision or an excessive reserve provided that the amount of any such provision or reserve applied to reduce our Controlling Shareholders' liability in respect of such liability shall not be available in respect of any such liability arising thereafter.

(f) Consultation with professional advisors

Potential investors in the Global Offering are recommended to consult their professional advisors if they are in any doubt as to the tax implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. None of our Company, the Sponsor, the Underwriters, any of their respective directors, or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase, holding or disposal of, or dealing in, the Shares.

5. Miscellaneous

(a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:

(i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sales of any shares or loan capital of any member of our Group;

(iv) no commission has been paid or payable (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of any member of our Group; and

(v) no founders, management or deferred shares of our Company or any of its subsidiaries has been issued or agreed to be issued;

(b) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought;

(c) our Company has no outstanding convertible debt securities or debentures;

(d) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus;

(e) our Directors have been advised that there is nothing under Cayman Islands law to preclude our Company from adopting, for identification purposes only, a Chinese abbreviated name;

(f) there is no arrangement under which future dividend are waived or agreed to be waived;

(g) no company within our Group is presently listed on any stock exchange or traded on any trading system; and

(h) our Cayman Islands principal share register will be maintained by our principal share registrar, Osiris International Cayman Limited in the Cayman Islands and our Hong Kong branch share register will be maintained by Tricor Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by the Hong Kong Branch Share Registrar and may not be lodged in the Cayman Islands.

6. Qualifications of experts

The following are the qualifications of experts who have opined or advised on information contained in this prospectus:

Name	Qualification
Giraffe Capital Limited	A licensed corporation under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities
Beijing Dentons Law Offices, LLP	Legal advisers of our Company as to the laws of the PRC
Ernst & Young	Certified Public Accountants
Appleby	Legal advisers of our Company as to the laws of the Cayman Islands
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant
AVISTA Valuation Advisory Limited	Property valuer

7. Consent of Experts

Each of Giraffe Capital Limited, Beijing Dentons Law Offices, LLP, Ernst & Young, Appleby, Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. and AVISTA Valuation Advisory Limited has given and has not withdrawn its consent to the issue of this prospectus with the inclusion of its report and/or letter and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears. None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

8. Promoters

Our Company has no promoter for purposes of the Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given, nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

9. Preliminary Expenses

The estimated preliminary expenses of our Company are approximately HK$36,000 were payable or paid by our Company.

10. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of binding all persons concerned by all the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (WUMP) Ordinance insofar as applicable.

11. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and the Chinese language version, the English language version shall prevail.

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of each of the **WHITE** Application Form, **YELLOW** Application Form and **GREEN** Application Form;

(b) a copy of each of the material contracts referred to in "Statutory and General Information – E. Further Information About Our Business – 1. Summary of Material Contracts" in Appendix V to this prospectus; and

(c) the written consents referred to in "Statutory and General Information – H. Other Information – 6. Qualifications of experts" in Appendix V to this prospectus.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Fangda Partners at 26/F, One Exchange Square, 8 Connaught Place, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Memorandum of Association and the Articles of Association;

(b) the Accountants' Report and the report on the unaudited pro forma financial information prepared by Ernst & Young, the texts of which are set out in "Accountants' Report" in Appendix I and Appendix II to this prospectus, respectively;

(c) the audited report on the combined financial statements of our Group for the financial year ended 31 December 2016, 2017 and the 2018;

(d) the letter of advice prepared by Appleby, our legal adviser as to the laws of the Cayman Islands, summarising certain aspects of the Cayman Islands company law referred to in "Summary of the Constitution of the Company and Cayman Islands Company Law" in Appendix IV to this prospectus;

(e) the PRC legal opinions issued by Beijing Dentons Law Offices, LLP, our PRC Legal Advisers, in respect of certain aspects of our Group;

(f) the industry report prepared by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.;

(g) the rules of the Share Option Scheme;

(h) the property valuation report, the texts of which are set out in "Property Valuation" in Appendix III to this prospectus;

(i) the material contracts referred to in "Statutory and General Information – E. Further Information About Our Business – 1. Summary of Material Contracts" in Appendix V to this prospectus;

(j) the written consents referred to in "Statutory and General Information – H. Other Information – 6. Qualifications of experts" in Appendix V to this prospectus;

(k) the service contracts and appointment letters referred to in "Statutory and General Information – F. Further Information about Directors and Substantial Shareholders – 2. Directors' Service Contracts" in Appendix V to this prospectus; and

(l) the Cayman Companies Law.

飛揚集團

FEIYANG TRAVEL GROUP

Feiyang International Holdings Group Limited

飛揚國際控股 (集團) 有限公司