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Flying Financial Service Holdings Limited
匯聯金融服務控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8030)

UNAUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This announcement, for which the directors (the "**Directors**") of Flying Financial Service Holdings Limited (the "**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purposes of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief: (i) the information contained in this announcement 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 announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

The board (the "**Board**") of Directors hereby submits the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2021, together with the comparative audited figures for the year ended 31 December 2020 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2021

	Notes	**2021** *RMB'000* **(Unaudited)**	2020 *RMB'000* (Audited)
Revenue	*3*	**20,059**	19,721
Other (expense)/income, net	*4*	**(47,829)**	12,675
Employee benefit expenses		**(7,774)**	(25,322)
Other administrative expenses		**(23,235)**	(28,552)
Provision loss		**–**	(16,306)
Fair value changes in financial assets at fair value through profit or loss ("**FVTPL**")		**(195,987)**	(362,272)
Loss allowance on financial assets, net		**(10,601)**	(89,535)
Finance costs	*5*	**(228)**	(1,184)
Loss before income tax	*6*	**(265,595)**	(490,775)
Income tax (expense)/credit	*7*	**(9)**	20,428
Loss for the year		**(265,604)**	(470,347)
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
— Changes in fair value of equity investments at fair value through other comprehensive income ("**FVOCI**")		**(54,129)**	13,829
Item that may be reclassified subsequently to profit or loss:			
— Exchange differences on translating foreign operations		**(843)**	965
Other comprehensive income for the year		**(54,972)**	14,794
Total comprehensive income for the year		**(320,576)**	(455,553)

	Notes	**2021** *RMB'000* **(Unaudited)**	2020 *RMB'000* (Audited)
Loss for the year attributable to:			
Owners of the Company		**(265,276)**	(468,725)
Non-controlling interests		**(328)**	(1,622)
		(265,604)	(470,347)
Total comprehensive income for the year attributable to:			
Owners of the Company		**(293,725)**	(455,972)
Non-controlling interests		**(26,851)**	419
		(320,576)	(455,553)
Loss per share			
— Basic *(Renminbi ("**RMB**") cents)*	*8*	**(15.32)**	(27.07)
— Diluted *(RMB cents)*		**(15.32)**	(27.07)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**646**	1,270
Investment properties	*9*	**–**	47,870
Financial assets at FVTPL	*10*	**67,172**	263,159
Financial assets at FVOCI	*10*	**–**	54,129
Loans and accounts receivables	*11*	**3,540**	5,242
		71,358	371,670
Current assets			
Loans and accounts receivables	*11*	**1,616**	10,055
Deposits paid, prepayments and other receivables	*12*	**1,107**	5,615
Amount due from a non-controlling interest		**1**	1
Tax recoverable		**37**	–
Cash and cash equivalents		**14,086**	7,324
		16,847	22,995
Current liabilities			
Receipts in advance, accruals and other payables		**78,301**	50,651
Contract liabilities		**–**	3,712
Amount due to a shareholder		**–**	11,506
Dividend payable		**103**	106
Bank borrowings	*13*	**2,705**	15,735
Lease liabilities		**263**	155
Current tax liabilities		**11,098**	11,097
		92,470	92,962
Net current liabilities		**(75,623)**	(69,967)
Total assets less current liabilities		**(4,265)**	301,703

	Notes	**2021**	2020
		RMB'000	*RMB'000*
		(Unaudited)	(Audited)
Non-current liabilities			
Lease liabilities		**119**	–
		119	–
NET (LIABILITIES)/ASSETS		**(4,384)**	301,703
EQUITY			
Equity attributable to owners of the Company			
Share capital		**142,004**	142,004
Reserves		**(131,761)**	147,475
		10,243	289,479
Non-controlling interests		**(14,627)**	12,224
TOTAL EQUITY		**(4,384)**	301,703

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2021

1. GENERAL

Flying Financial Service Holdings Limited (the "**Company**") is an exempted company with limited liability incorporated in the Cayman Islands on 4 May 2011. The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, the Cayman Islands. The principal place of business of the Company is located at Room 1309, 13/F, Mirror Tower Centre, 61 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong. The Company's shares have been listed on the GEM of The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") since 7 May 2012.

The Group, comprising the Company and its subsidiaries, currently engages in investment in property development projects, operation of financial services platform, provision of entrusted loan, and other loan services, financial consultation services, and finance lease services mainly in the People's Republic of China (the "**PRC**"). The Company acts as an investment holding company.

In the opinion of the directors of the Company, the immediate and ultimate holding company of the Company is Ming Cheng Investments Limited, a limited liability company incorporated in the British Virgin Islands.

As stated in the Company's announcement dated 8 December 2020, Mr. Zheng Weijing ("**Mr. Zheng**"), the chairman, chief executive officer and an executive director of the Company, Ms. Guo Chanjiao ("**Ms. Guo**"), an executive director of the Company, and three employees of the Group have been held in custody since the evening of 7 December 2020 by the Nanshan Branch of the Shenzhen Public Security Bureau (the "**Bureau**") in the PRC pending investigation regarding certain suspected illegal absorption of public deposits (collectively, the "**Custodies**"). The Custodies are related to certain unsettled repayment of funds to the lenders (the "**Unsettled Repayment Funds**") in relation to the online financing intermediary business conducted by a PRC subsidiary of the Company, Shenzhen Flying Financial Internet Financial Services Corporation ("**SZ Flying Internet Financial**"), the operation of which has already been ceased in the fourth quarter of 2019. As of the date of this report, the investigation regarding suspected illegal absorption of public deposits by the Bureau is still ongoing (the "**Investigation**").

As mentioned in the Company's announcement dated 26 March 2021, certain assets of the Group had been seized by the Bureau during the year ended 31 December 2020, including the Group's investment properties of carrying amount of approximately RMB47,870,000 as at 31 December 2020, unlisted equity securities classified as financial assets at FVOCI of carrying amount of approximately RMB54,129,000 as at 31 December 2020 and the equity interests of the Group in certain property development projects through limited partnerships in which the Group's investments classified as financial assets at FVTPL of carrying amount of approximately RMB128,838,000 as at 31 December 2020 (collectively, the "Seized Assets"). The Seized Assets are owned by several PRC subsidiaries of the Company which have provided certain guarantees (the "Guarantee Documents") for the Unsettled Repayment Funds. As mentioned in the same announcement, Mr. Zheng has agreed in November 2019 with the relevant government authorities that the Seized Assets be pledged pursuant to the Guarantee Documents as security for the settlement of the Unsettled Repayment Funds.

In addition, the Company seals of the Group's PRC subsidiaries were taken into custody by the Bureau.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The Group's unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements set out in the GEM Listing Rules and Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective terms include all applicable individual HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

The accounting policies used in the preparation of the Group's unaudited condensed consolidated results are consistent with those adopted in the Group's audited financial statements for the year ended 31 December 2020.

All HKFRSs effective for the accounting periods commencing from 1 January 2021 and relevant to the Group, have been adopted by the Group in the preparation of the Group's unaudited condensed consolidated results. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's results and financial position.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

All significant transactions and balances among the companies comprising the Group have been eliminated on consolidation.

3. REVENUE

Revenue, which is also the Group's turnover, represents the income from its principal activities. All the group's revenue is derived from contracts with customers. Revenue recognised during the year are as follows:

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Revenue from contract with customers within the scope of HKFRS 15:		
Financial consultation services income	**–**	1,193
Platform services income	**19,658**	15,410
	19,658	16,603
Revenue from other sources:		
Interest income	**401**	3,101
Finance lease service income	**–**	17
	401	3,118
	20,059	19,721

4. OTHER (EXPENSE)/INCOME, NET

	Note	**2021** ***RMB'000*** **(Unaudited)**	2020 *RMB'000* (Audited)
Bank interest income		**8**	29
Fair value loss on investment properties	*9*	**(47,870)**	(1,270)
Gain on disposal of a subsidiary		**–**	47
Recovery of impairment on loans and accounts receivables previously recognised		**–**	10,118
Gain on disposal of property, plant and equipment		**–**	3,138
Others		**33**	613
		(47,829)	12,675

5. FINANCE COSTS

	2021 ***RMB'000*** **(Unaudited)**	2020 *RMB'000* (Audited)
Interest on bank borrowings	**192**	793
Interest on lease liabilities	**36**	391
	228	1,184

6. LOSS BEFORE INCOME TAX

Loss for the year has been arrived at after charging/(crediting):

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Auditor's remuneration	**1,087**	912
Depreciation charge		
— Owned property, plant and equipment	**625**	1,153
— Right-of-use assets included within *(note (b))*		
— Other buildings leased for own use carried at cost	**–**	2,507
Short-term leases expenses	**558**	2,349
Impairment loss on property, plant and equipment	**529**	248
Written off of property, plant and equipment	**–**	783
Written off of deposits paid, prepayments and other receivables	**2,639**	1,533
Employee benefit expenses including directors' remuneration	**7,774**	25,322
Salaries and wages	**6,587**	23,438
Pension scheme contributions		
— defined contribution plans	**1,187**	1,884

7. INCOME TAX (EXPENSE)/CREDIT

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
PRC Enterprise Income Tax		
— Provision in current year	**9**	–
— Over-provision in respect of prior years	**–**	(20,428)
Hong Kong Profits Tax		
— Current year	**–**	–
	9	(20,428)

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 operated.

Enterprise income tax ("**EIT**") arising from the PRC for the year was calculated at 25% (2020: 25%) of the estimated assessable profits of subsidiaries operating in the PRC during the year. According to the EIT law, the taxable income of an enterprise shall be the total revenue of such enterprise, deducted by any non-assessable revenue, exempted revenue, other deductions and amount of offsetting any accumulated tax losses.

The provision for Hong Kong Profits Tax for 2021 is calculated at 16.5% (2020: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime. For this subsidiary, the first Hong Kong dollars ("**HK$**") 2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2020.

8. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately RMB265,276,000 (2020: RMB468,725,000) and the weighted average number of approximately 1,731,433,000 (2020: 1,731,433,000) ordinary shares during the year.

(b) Diluted loss per share

The Company has one category of potential ordinary shares: share options.

The diluted loss per share is same as basic loss per share for the years ended 31 December 2021 and 2020 as the shares issuable in respect of the outstanding share options have an anti-dilutive effect on the basic loss per share.

9. INVESTMENT PROPERTIES

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Fair value		
At 1 January	**47,870**	49,140
Change in fair value *(note 4)*	**(47,870)**	(1,270)
At 31 December	**–**	47,870

All the investment properties of the Group are held under long-term land use right in the PRC.

10. FINANCIAL ASSETS AT FVTPL/FINANCIAL ASSETS AT FVOCI

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Financial assets at FVTPL		
— unlisted equity securities *(note a(i))*	**67,172**	231,351
— unlisted debt securities *(note b)*	**–**	31,808
	67,172	263,159
Financial assets of FVOCI		
— unlisted equity securities *(note a(ii))*	**–**	54,129

Notes:

(a) The amounts comprised investments in limited partnerships ("**LPs**") and equity interests of an entity in the PRC at amounts of approximately RMB67,172,000 (2020: RMB231,351,000) and nil (2020: RMB54,129,000), respectively, as at 31 December 2021.

(i) As at 31 December 2021, the Group invested in certain LPs in the PRC and acted as a limited partner with capital contributions at a range of RMB20 million to RMB60 million (2020: RMB20 million to RMB60 million) for each LP. The Group revoked its voting right on decision making over these LPs and therefore, the directors are of the opinion that the Group did not have any control, joint control nor significant influence over these LPs. These LPs invested in property development project companies which are engaged in property development projects in the PRC which are being developed by a property developer in the PRC (the "PRC Property Developer"). The Group intends to hold these equity investments for receiving investment income and will sell them out if the return is not optimal as management expected.

Certain property development project companies invested by the LPs and the equity interests of the Group in Henan Microfinance in PRC have been seized by the Bureau due to the Unsettled Repayment Funds.

(ii) The Group made an additional capital contribution of RMB30,000,000 to the joint venture entity, Henan Microfinance Limited ("**Henan Microfinance**") (formerly named "**Zhongzhou Huilian Internet Financial Service (Shenzhen) Limited**"), due to a restructuring of this company during the year ended 31 December 2017. Prior to the capital contribution, the Group invested in 40% of the equity interests in Henan Microfinance as joint venturer as at 31 December 2016. Upon completion of the capital contribution and restructuring of Henan Microfinance on 17 May 2017, the Group's equity interests was diluted to 5%. As the Group no longer acts as a joint venturer, interest was changed from a joint venture to financial asset at FVOCI. The fair value loss on the financial asset of approximately RMB54,129,000 (2020: fair value gain of approximately RMB13,829,000) was recognised in the other comprehensive income during the year ended 31 December 2021.

(b) On 29 December 2016, the Group entered into an agreement with an independent third party to subscribe for assets-backed securities ("**ABS**") in the PRC for a consideration of approximately RMB40 million. The subscription amount represented 10.5% of the entire units of the ABS. According to the agreement, the Group shall receive a variable return over the agreement period. The ABS will expire in September 2026 and the Directors had no intention to dispose of this investment as at 31 December 2021 and 2020. The ABS is a debt security and stated at fair value as at 31 December 2021 and 2020. Loss in fair value of RMB31,808,000 during the year ended 31 December 2021 (2020: RMB2,832,000). During the years ended 31 December 2021 and 2020, there were no return received by the Group as reimbursement of the investment principal.

11. LOANS AND ACCOUNTS RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Loan and accounts receivables	**84,769**	84,782
Less: non-current portion	**(3,540)**	(5,242)
Less: loss allowance of loans and accounts receivables	**(79,613)**	(69,485)
Current portion	**1,616**	10,055

Ageing analysis of the Group's loans and accounts receivables that were not impaired is as follow:

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Neither past due nor impaired	**5,170**	20,555
0 to 30 days past due	**–**	–
31 to 90 days past due	**–**	2,588
91 to 180 days past due	**–**	–
Over 180 days past due	**79,599**	61,639
	84,769	84,782

12. DEPOSITS PAID, PREPAYMENTS AND OTHER RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Deposits paid	**190**	905
Prepayments	**171**	1,181
Other receivables	**1,217**	137,529
	1,578	139,615
Less: loss allowance on other receivables, in aggregate	**(471)**	(134,000)
	1,107	5,615

13. BANK BORROWINGS

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Secured *(note a)*	**–**	12,745
Unsecured and guaranteed *(note b)*	**2,705**	2,990
	2,705	15,735

Note a:

The Group's bank borrowing of RMB12,745,000 is secured by the Group's investment properties (note 9) and bore interest at the rate of 5.39% per annum for the year ended 31 December 2020.

During the year ended 31 December 2020, in respect of a bank borrowing with a carrying amount of approximately RMB12,745,000 as at 31 December 2020, the Group breached certain of the terms of the bank borrowing, which was primarily attributable to the seizure of pledged investment properties by the Bureau. On discovery of the breach, the Group has informed the lender and commenced a renegotiation of the terms of the loan with the relevant banker. As at 31 December 2020, the negotiation had not been concluded. Since the lender has not agreed to waive its right to demand immediate payment as at the end of the reporting period, the bank borrowing has been classified as a current liability as at 31 December 2020.

Note b:

During the year ended 31 December 2020, the Group has obtained a new bank facility of RMB3,000,000 from a PRC bank. This bank facility is unsecured and guaranteed by Ms. Guo and bore fixed interest rate of 9.45% per annum. The new bank facility amounting to RMB3,000,000, of which RMB2,990,000 had been utilised as at 31 December 2020. As Ms. Guo was held in custody by the Bureau as detailed in note 1, pursuant to the loan agreement, the bank borrowing of RMB2,705,000 (2020: RMB2,990,000) became immediately repayable.

The bank borrowings are scheduled to be repaid as follows:

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
On demand or within one year	**2,705**	3,578
More than one year, but not exceeding two years	**–**	3,719
More than two years, but not exceeding five years	**–**	6,462
After five years	**–**	1,976
	2,705	15,735

Note: The amounts due are based on the scheduled repayment dates in the loan agreements.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the previous year, the Group was affected by the lawsuits and the epidemic in the PRC. Although the overall business of the Group continued to operate normally, the Group still faced with the pressure of working capital and business expansion. Depending on the supports from the Company's shareholders, directors, management, employees and business partners, the Group was able to survive in the year of 2021.

The core business of the Group in year of 2021 was mainly platform services through the cooperation with small loan companies. Besides the platform service income and loan interest income, there was no income generated from the investments in property development project and finance lease service for the year ended 31 December 2021.

Litigations

(i) As disclosed in the Company's announcement dated 26 March 2021, a writ of civil summons ("**Writ**") have been issued against 2 previous directors of the Company (namely, Mr. Zheng Weijing ("**Mr. Zheng**") and Ms. Guo Chanjiao ("**Ms. Guo**")), two PRC subsidiaries of the Company (namely, 前海匯聯金融服務(深圳)有限公司 (*Qianhai Flying Financial PRC Service (Shenzhen) Limited) ("**Qianhai Flying Financial**") and 匯聯投資服務(深圳)有限公司 (*Flying Investment Services (Shenzhen) Company Limited) ("**Flying Investment**")) in October 2020 in relation to the repayment of certain loans and interest accrued thereon. Pursuant to the Writ, (i) Mr. Zheng was demanded for the repayment of an aggregate amount of RMB16,306,300 ("**Claimed Amount**"), alleging to be the principal and interest accrued thereon pursuant for a loan agreement in 2019; (ii) Ms. Guo, the Company, two PRC subsidiaries of the Company and a number of PRC companies independent to the Group were alleged to be guarantors of the Claimed Amount under a guarantee in 2019 ("**2019 Loan Guarantee**") in favour of the claimant under the Writ to secure the Claimed Amount.

Pursuant to the judgement dated 24 February 2022 of Shenzhen Qianhai Cooperation Zone People's Court (深圳前海合作區人民法院) (the "**SZ Qianhai CZ Court**"), the SZ Qianhai CZ Court determined that, among others:

(1) Mr. Zheng failed to repay the loan of RMB15 million (the "**Loan**") received from the lender (the claimant in the Writ);

(2) the private lending as referred to in the Writ was not evidenced to relate to the crimes of suspected illegal fundraising;

* *For identification purpose*

(3) the relevant document was only signed by Mr. Zheng and Ms. Guo without the rest of the then board members of the Company at the material time and there was no evidence to show that the Company provided guarantee to the Loan, accordingly, the SZ Qianhai CZ Court did not agree and did not rule that the Company shall be responsible for the joint and several liability of the repayment of the Loan;

(4) Mr. Zheng was ordered to repay the Loan, the corresponding outstanding interest of the Loan and relevant legal costs, to the lender; and

(5) Qianhai Flying Financial, Flying Investment, Ms. Guo, and two other third party PRC corporate defendants shall be jointly and severally liable for the civil liability of Mr. Zheng in relation to the Loan. They are entitled to claim against Mr. Zheng following their fulfillment of their responsibility under the relevant guarantee.

(ii) As stated in the Company's announcements dated 8 December 2020 and 26 March 2021, Mr. Zheng, Ms. Guo, and three employees of the Group have been held in custody since the evening of 7 December 2020 by the Nanshan Branch of the Shenzhen Public Security Bureau (深圳市公安局南山分局, the "**Bureau**") in the PRC in relation to investigation regarding certain suspected illegal absorption of public deposits (collectively, the "**Custodies**"). The Custodies are related to certain unsettled repayment funds (the "**Unsettled Repayment Funds**") in relation to the online financing intermediary business conducted by a PRC subsidiary of the Company, 深圳市匯聯互聯網金融服務有限公司 (*Shenzhen Flying Financial Internet Financial Services Limited) ("**SZ Flying Financial**"), the operation of which has already been ceased in the fourth quarter of 2019.

As mentioned in the Company's announcement dated 26 March 2021, certain assets of the Group had been seized by the Bureau during the year ended 31 December 2020. Such seized assets include, among others, the Investment Properties, the Unlisted Equity Securities and certain equity interests of certain property development projects which are among the LPs (collectively, the "**Seized Assets**"). These assets were either directly owned by SZ Flying Financial, the company principally engaged in the operation of the then financial service platform of the Group which ceased operation in the fourth quarter of 2019 (the "**Platform**"), or directly owned by Qianhai Flying Financial or Flying Financial. The Seized Assets were subject to certain guarantees (the "**Guarantee Documents**") provided by Qianhai Flying Financials, SZ Flying Financial and Flying Financial for certain unsettled repayment of funds to the lenders involved in the Platform (the "**Unsettled Repayment**").

* *For identification purpose*

As further disclosed in the announcement of the Company dated 26 March 2021, due to the tightening regulatory environment in the PRC in 2019, the Group ceased the operation of the Platform in the fourth quarter 2019. The then board of directors of the Company (apart from the former directors Mr. Zheng and Ms. Guo) became aware of the Guarantee Documents not long before 26 March 2021 when investigation was made by the Board and the PRC Legal Counsels in relation to the Custodies. The Company was informed by Mr. Zheng in March 2021 that, in order to provide the Guarantee Documents to the relevant PRC authority and to exit the business of the Platform, the Seized Assets were pledged pursuant to the Guarantee Documents for the settlement of the Unsettled Repayment in November 2019.

Following the relevant investigations of the PRC authority and criminal proceedings of first instance trial in the PRC, a criminal judgement was made by the People's Court of Nanshan District of Shenzhen ("**SZ Nanshan District Court**") on 18 October 2021 (the "**October 2021 Judgement**") against Mr. Zheng, Ms. Guo and the three former employees of the Group. Please refer to the Company's announcement dated 22 February 2022 for information of the key findings with reference to the October 2021 Judgement.

(iii) Following online search (but without any access to the court documents), the Company became aware recently that the Shenzhen branch of China Guangfa Bank Co., Ltd. (廣發銀行股份有限公司深圳分行) (the "**CGB Bank**") has sought and obtained a PRC civil judgement in November 2021 to discharge the loan agreement entered into between the CGB Bank and Qianhai Flying Financial in August 2016 (the "**CGB Agreement**"), as well as to require Qianhai Flying Financial, Huilian Technology (concerning the Investment Properties) and Mr. Zheng to settle their joint and several liability of approximately RMB12,947,000 (being the outstanding principal and interest of bank borrowing under the CGB Agreement and the cost of the civil litigation). As at the Latest Practicable Date, the Company was not aware of any change of status of the said PRC civil judgement sought and obtained by CGB Bank in November 2021.

Proposed Disposal

Reference is made to the announcement of the Company dated 26 January 2022, pursuant to which the Board announces that on 30 December 2021, the Company (as the Vendor) entered into the Sale and Purchase Agreement with the Purchaser pursuant to which the Vendor has agreed to dispose of and the Purchaser has agreed to acquire the Sale Shares of the Target Companies/Disposal Group for consideration of HK$15 million subject to the terms and conditions of the Sale and Purchase Agreement (the "**Proposed Disposal**"). Upon completion of the Disposal, the Company will cease to hold any interests in the Disposal Group.

Part of the investments and assets of the Disposal Group are subject to litigations and seizure, some of which were referred to in the Company's announcement dated 26 March 2021.

It is noted that in recent times, the real estate market in the PRC suffered a significant downturn, which is expected to persist in the foreseeable future. Taken into consideration of the circumstance of the economy in mainland China (where all of the property development investment of the Target Companies (through their subsidiaries) were made), and relevant investments, assets and status of the Target Companies (with further details set out in this circular), the Board considers that through the Proposed Disposal, the Group will be able to raise cash proceeds in a foreseeable future to repay indebtedness and to increase its working capital, and reallocate more financial resources to its core business and for future development.

As at the date of this announcement, the Target Companies and their subsidiaries generally are not required to conduct any daily business operation. Please refer to the Company's announcement dated 26 January 2022 for information of the Proposed Disposal.

Fair value loss on certain investments of the Group

Pursuant to the valuation assessment of the Group's investments for the Proposed Disposal and the investigation report performed by a PRC legal advisers (please refer to the Company's announcement dated 22 February 2022), the Group had recorded fair value loss on investment properties of approximately RMB47,870,000 (recorded in other expense/income, net), financial assets at FYTPL of approximately RMB195,987,000 and financial assets at FYOCI of approximately RMB54,129,000 (recorded in other comprehensive income).

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2021, the Group recorded a turnover of approximately RMB20.1 million, representing a slightly increase of approximately 1.7% from approximately RMB19.7 million in the previous year, primarily due to the effects of development of platform services offsetting against the downsizing of the financial consultation service and loan interest income from the traditional business.

In terms of revenue breakdown, revenue from financial service platforms amounted to approximately RMB19.7 million, representing an increase of approximately 27.6%. Revenue from loan interest income for the year under review amounted to approximately RMB401,000, representing a decrease of approximately 87.1%. For the year under review, there were no investment income from property development projects (2020: same), financial consultation services income (2020: approximately RMB1.2 million) and finance lease service income (2020: approximately RMB17,000).

Other (expense)/income, net

The Group's other income/(expenses), net mainly comprised fair value gain/(loss) on investment properties, recovery of impairment on loans and accounts receivables previously recognised, gain on disposal of a property, plant and equipment, bank interest income and waiver of amount due to a shareholder.

Other (expense)/income, net for the year ended 31 December 2021 mainly comprised fair value loss on investment properties of approximately RMB47,870,000 (2020: approximately RMB1.2 million).

Administrative and employee benefit expenses

Administrative and employee benefit expenses of the Group mainly comprised salaries and employee benefits, rental expenses, marketing and advertising fees and bad debts written off. In the year under review, administrative and employee benefit expenses of the Group was approximately RMB31.0 million, representing year-on-year decrease of 42.4%.

The decrease was mainly due to decrease in number of staff and the tightened control of relevant expenses.

Fair value changes in financial assets

Under HKFRS 9, investments in the property development projects through limited partnerships and the assets-backed securities of the Group are stated at fair value and classified as financial assets at fair value through profit or loss. The changes in fair values of these investments during the year of approximately RMB196.0 million (2020: RMB362.3 million) was recognised as fair value loss in profit or loss.

Loss allowance on financial assets, net

In the year under review, impairment loss on loans and accounts receivables and other receivables net amounted approximately RMB10.6 million (2020: approximately RMB89.5 million) mainly resulted from the impairment on loans receivables which were overdue.

Finance costs

In the year under review, interest expenses of the Group decreased by approximately 80.7% to RMB228,000 from RMB1.2 million in the previous year, which mainly resulted from the decrease in bank borrowings and lease liabilities.

Loss for the year attributable to the owners of the Company

In the year under review, loss attributable to the owners of the Company was approximately RMB265.3 million (2020: RMB468.7 million), which was primarily due to decrease in fair value loss on financial assets at FVTPL.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2021, the Group's bank balances and cash amounted to approximately RMB14.1 million (2020: approximately RMB7.3 million), and the Group's borrowings amounted to approximately RMB2.7 million (2020: approximately RMB15.7 million). The gearing ratio representing the total borrowings of the Group divided by the total assets of the Group was approximately 3.1% (2020: approximately 4.0%). As at 31 December 2021, 100% (2020: same) of the Group's borrowings would be due within one year. As at 31 December 2021, the Group's borrowings were denominated in RMB (2020: same), with 100% of the Group's borrowings carrying interests at fixed rates (2020: approximately 19.0% and 81.0% carrying interests at fixed and floating rates).

As at 31 December 2020, investment properties of the Group with carrying amount of approximately RMB47.9 million were pledged for a bank borrowing.

The Directors considered that, in the foreseeable future, the Group will have sufficient working capital to meet its financial obligations in full when they fall due. In the year under review, the Group did not use any financial instruments for hedging purposes.

BUSINESS OUTLOOK

As of the date of this announcement, the Board has no plan to change the principal business of the Group. Immediately after the Disposal, it is expected that the Remaining Group would carry on identifying appropriate opportunities of the investment in property development projects subject to the prevailing market conditions and available funds of the Group; the operation of the financial service platform (as part of the fin-tech platform) and the provision of consultation services.

The financial service platform of the Remaining Group serves as a platform to bridge small loan customers referred by the enterprise customers and internet small loan companies and to provide consultation services to the customers. Under the financial service platform, the Remaining Group makes use of its established business process and technology system to collect information from individual customers and conduct credit risk assessment, the results of which will be provided to the partnered internet small loan companies. The Remaining Group charges the enterprise customers a financial consultation service fee for each successful small loan.

The outbreak of COVID-19 and the government policies have significantly influenced the development of the businesses of the Group. The Company considered that the business activities of the Remaining Group in mainland China are resuming normal when COVID-19 is being under control in mainland China. In relation to the consultation services and operation of financial service platform, the Remaining Group has recruited and strengthened its operation staff to reach and serve more customers. With improvement and development of business of the financial service platform and consultation services of the Remaining Group, the Company expects that the turnover of the corresponding business segments would be improved in the foreseeable future. In relation to the investment in property development projects, the Remaining Group shall continue to identify appropriate investment opportunities subject to the prevailing market conditions and available funds of the Remaining Group. In the event that suitable opportunities arise for future development of the Remaining Group, the Remaining Group may conduct fund raising exercises. In such circumstance, the Company will publish announcement(s) in compliance with the GEM Listing Rules, as and when appropriate.

As at the date of this announcement, the Remaining Group does not hold any immovable properties and interests in property development projects. Having considered that (i) the existing operation of financial service platform and consultation services of the Remaining Group do not depend on any continuing ownership of any particular investments, immovable properties or heavy assets; and (ii) the Remaining Group shall continue to identify appropriate investment opportunities subject to the prevailing market conditions and available funds of the Remaining Group, the Company considered that the operation of the Remaining Group after the Disposal could be sustained without reliance upon continuous ownership of any particular investments, immovable properties or heavy assets.

The Board noted that the Group is experiencing a liquidity pressure with relatively low working capital. The net proceeds of the consideration of the Disposal (after deducting the cost and expenses relating to the Disposal) shall be applied towards the repayment of indebtedness and for the general working capital of the Remaining Group after the Disposal. It is expected that, following the Disposal, the Remaining Group would be able to have sufficient working capital to sustain its operations. The Company is also actively negotiating with potential investor(s) in relation to possible fund-raising activities for the purpose of repayment of indebtedness and further improving the working capital status of the Group. In the event of any fund-raising activities would be materialized, the Company will publish announcement(s) in compliance with the GEM Listing Rules, as and when appropriate.

In view of above, the Board considered that the Remaining Group can comply with GEM Listing Rule 17.26 in view of the level of business operation and assets to support its operation.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend to shareholders of the Company for the financial year ended 31 December 2021.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") comprises a total of three members, namely, Dr. Vincent Cheng (Chairman), Dr. Miao Bo, Mr. Hsu Tawei and Mr. Tsao Hoi Ho, all of whom are independent non-executive Directors. The duties of the Audit Committee include: managing the relationship with the Group's external auditor, reviewing the financial information of the Company, and overseeing the Company's financial reporting process, risk management and internal control systems. The Audit Committee reports its work, findings and recommendations to the Board after each meeting. The Audit Committee meets at least quarterly with the most recent meeting held on 31 March 2022. The unaudited annual results for the year ended 31 December 2021 have been reviewed by the Audit Committee.

REVIEW OF UNAUDITED ANNUAL RESULTS

The auditing process for the annual results for the year ended 31 December 2021 has not been completed due to mainland China government-imposed quarantines office closings and travel restrictions and other quarantine requirements to combat the COVID-19 outbreak, and the delay and disruptions caused (and still causing) by the COVID-19 outbreak to the return of certain bank confirmations from the banks in the PRC and the recent development of the Proposed Disposal (with reference to the announcement of the Company dated 26 January 2022) of the Company. The unaudited annual results contained herein have not been agreed by the Company's auditors. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants.

DELAY IN PUBLICATION OF AUDITED FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021 AND DESPATCH OF THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

Having considered the current progress of the audit work and the resources the Company's auditors had arranged accordingly, the Board expected that the audited annual results announcement and the annual report of the Company for the year ended 31 December 2021 would be published by May 2022. In addition, the Company will issue further announcement as and when necessary if there are other material developments in the completion of the auditing process.

The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

By order of the Board
Flying Financial Service Holdings Limited
Zhang Gongjun
Chairman and Chief Executive Officer

Hong Kong, 31 March 2022

As at the date of this announcement, the executive Directors are Mr. Zhang Gongjun (Chairman and Chief Executive Officer), Ms. Wan Suyuan and Mr. Leung Man Kit; and the independent non-executive Directors are Dr. Vincent Cheng, Dr. Miao Bo, Mr. Hsu Tawei, Mr. Tsao Hoi Ho and Mr. Lau Jing Yeung William.

This announcement will remain on the "Latest Company Announcements" page of the GEM website (www.hkgem.com) for at least 7 days from the date of its publication and on the website of the Company (www.flyingfinancial.hk).