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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)

(I) FULFILLMENT OF RESUMPTION GUIDANCE; AND (II) RESUMPTION OF TRADING

Financial adviser to the Company



瓏盛資本有限公司
Draco Capital Limited

This announcement is made by Flying Financial Service Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 17.10(2)(a) of the Rules Governing the Listing of Securities on GEM (the “**GEM Listing Rules**”) of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the inside information provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

BACKGROUND

References are made to (i) the announcements of the Company dated 8 December 2020, 26 March 2021 and 18 June 2021, in relation to, among others, the Custodies; (ii) the announcements of the Company dated 4 June 2021 and 19 November 2021 in relation to, among others, the Resumption Guidance; (iii) the announcements of the Company dated 28 June 2021, 28 September 2021, 28 December 2021, 4 April 2022, 4 July 2022, 3 October 2022, 4 January 2023 and 3 April 2023 in relation to, among others, the quarterly update on the status of Resumption; (iv) the announcement of the Company dated 24 December 2021 and 22 February 2022 in relation to, among others, the formation of Independent Investigation Committee with the purpose to commission an independent investigation on the matter to be conducted by the PRC legal advisers regarding the Custodies and the respective key findings in the PRC Investigation Report; (v) the announcement of the Company dated 15 March 2022, 4 April 2022, 25 May 2022 and in relation to, among others, the formation of the Remedial Actions Committee and the respective key findings in

the PRC Further Investigation Report, the HK Legal Opinions and the Internal Control Review Report; (vi) the announcement of the Company dated 2 August 2022 in relation to, among others, the legal proceedings against the former executive Directors; (vii) the announcement of the Company dated 26 January 2022, 18 February 2022, 28 February 2022, 1 June 2022 and 29 June 2022 and the circular of the Company dated 10 May 2022 (the “**VSD Circular**”) in relation to the Disposal; (viii) the announcement of the Company dated 23 May 2022, 13 June 2022, 8 July 2022, 22 July 2022, 2 August 2022, 30 December 2022, 15 March 2023, 16 March 2023, 17 March 2023, 21 March 2023, 11 May 2023 and 7 June 2023 and the circular of the Company dated 8 July 2022 (the “**Reorg Circular**”) in relation to the proposed Capital Reorganisation, the connected transaction in relation to the Subscription of New Shares under the Specific Mandate, the application for Whitewash Waiver and its respective timetable; (ix) the annual report of the Company for the year ended 31 December 2020 published on 8 April 2021 (the “**Annual Report 2020**”); (x) the annual report of the Company for the year ended 31 December 2021 published on 30 June 2022 (the “**Annual Report 2021**”); (xi) the annual report of the Company for the year ended 31 December 2022 published on 16 April 2023 (the “**Annual Report 2022**”); (xii) the announcement of the Company dated 9 August 2022 and 13 September 2022 in relation to, among others, the agree-upon procedures engagement with Auditor and the respective findings; (xiii) the announcements of the Company dated 6 May 2022, 17 May 2022, 27 May 2022, 9 June 2022 and 10 June 2022 in relation to, among others, the Listing Committee decision on cancellation of listing and the review request made by the Company; (xiv) the announcement of the Company dated 9 August 2022, 16 August 2022 in relation to, among others, the decision of the Listing Review Committee in relation to the Delisting Decision, the schedule of the Rehearing; (xv) the announcement of the Company dated 21 November 2022 in relation to, among others, the decision of the Listing Committee in the Rehearing on Cancellation of Listing and the review request made by the Company; and (xvi) the announcements of the Company dated 21 February 2023 in relation to, among others, the decision of the Listing Review Committee to overturn GEM Listing Committee’s decision to cancel the listing of the Company’s Share on the GEM under GEM Listing Rule 9.14A (collectively, the “**Previous Publications**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meaning as those defined in the Previous Publications.

At the request of the Company, trading in the Shares on the Stock Exchange was halted with effect from 11:19 a.m. on 29 March 2021.

The Incident

With reference to the announcement of the Company dated 8 December 2020, 26 January 2021, 1 March 2022, 26 March 2021 and 18 June 2021 and the VSD Circular, it became aware on 8 December 2020 that two former Directors, namely Mr. Zheng Weijing (“**Mr. Zheng**”), the then chairman, the then chief executive officer and the then executive Director, and Ms. Guo Chanjiao (“**Ms. Guo**”), the then executive Director; and (iii) three former 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 pending investigation regarding certain suspected illegal absorption of public deposits (非法吸收公眾存款罪) (collectively, the “**Custodies**”).

As a result of the Custodies, certain assets of the Group had been seized by the Bureau during the year ended 31 December 2020. Such seized assets include, among others,

- (i) the Investment Properties, being the investment properties held by Qianhai Flying Financial PRC Service (Shenzhen) Limited (“**Qianhai Flying Financial**”), a former subsidiary of the Company in the PRC with the principal business of being an investment holding company;
- (ii) the Unlisted Equity Securities, being the investment in unlisted equity securities in a PRC company which conducted micro-lending business held by Shenzhen Flying Financial Internet Financial Services Corporation (“**SZ Flying Financial**”), a former subsidiary of the Company in the PRC principally engaged in the operation of the then financial service platform of the Group which ceased operation in the fourth quarter of 2019 (the “**Ceased Platform**”); and
- (iii) certain equity interests of certain property development projects which are among the investments in property development projects (including urban redevelopment projects) through certain limited partnerships (collectively, the “**LPs**”) held by Flying Investment Services (Shenzhen) Company Limited (“**Flying Investment**”), a former subsidiary of the Company in the PRC with the principal business of being an investment holding company.

(collectively, the “**Seized Assets**”).

For further details of the Seized Assets, please refer to the VSD Circular.

These assets were either directly owned by SZ Flying Financial, Qianhai Flying Financial or Flying Investment. The Seized Assets were subject to certain guarantees (the “**Guarantee Documents**”) provided by Qianhai Flying Financial, SZ Flying Financial and Flying Investment for certain unsettled repayments of funds to the lenders involved in the Ceased Platform (the “**Unsettled Repayment**”). The Ceased Platform was initially commenced as a peer-to-peer lending platform in the PRC where investors (who were also regarded as lenders) may lend money to unrelated peers through the Ceased Platform and the lenders/investors will receive part of the interest paid by the unrelated peers who have received financing or money provided by the lenders/investors. (collectively, the “**Incident**”)

A writ of civil summons (the “**Writ**”) has been issued against Mr. Zheng, Ms. Guo, Qianhai Flying Financial and 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 to a loan agreement in 2019; (ii) Ms. Guo, the Company, Qianhai Flying Financial and Flying Investment 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.

Since the discovery of the Custodies, the Board has been taking corresponding remedial actions to resolve the Incident and to fulfill the Resumption Guidance to resumption of trading of the Shares.

RESUMPTION GUIDANCE

With reference to the announcements of the Company dated 4 June 2021, 28 June 2021, 28 September 2021 and 19 November 2021, the Board received a letter from the Stock Exchange setting out the resumption guidance for the Company on 3 June 2021 and 18 November 2021 respectively, details of all the Resumption Guidance are as follows:

- (1) conduct an appropriate independent investigation into the custody of Mr. Zheng, Ms. Guo and three employees of the Group by the Nanshan Branch of Shenzhen Public Security Bureau since December 2020 pending investigation regarding certain suspected illegal absorption of public deposits conducted by a subsidiary of the Company, assess the impact on the Company's business operation and financial position, announce the findings and take appropriate remedial actions;
- (2) demonstrate that there is no reasonable regulatory concern about management integrity and/or the integrity of any persons with substantial influence over the Company's management and operations, which may pose a risk to investors and damage market confidence;
- (3) address the issues giving rise to the disclaimer of opinion on the annual results announcement of the Company for the year ended 31 December 2020 dated 31 March 2020, provide comfort that the disclaimer of opinion in respect of such issues would no longer be required and disclose sufficient information to enable investors to make an informed assessment of its financial positions as required under Rule 17.49B of the GEM Listing Rules;
- (4) demonstrate that the Company has in place adequate internal control systems to meet the obligations of the GEM Listing Rules;
- (5) demonstrate the Company's compliance with Rule 17.26 of the GEM Listing Rules; and
- (6) announce all material information for the Company's shareholders and investors to appraise the Company's position.

FULFILMENT OF THE RESUMPTION GUIDANCE

The Board is pleased to announce that all the Resumption Guidance have been fulfilled as at the date of this announcement, details of which are set out below.

- (I) Resumption Guidance (1) — conduct an appropriate independent investigation into the custody of Mr. Zheng, Ms. Guo and three employees of the Group by the Nanshan Branch of Shenzhen Public Security Bureau since December 2020 pending investigation regarding certain suspected illegal absorption of public deposits conducted by a subsidiary of the Company, assess the impact on the Company's business operation and financial position, announce the findings and take appropriate remedial actions; and**

Resumption Guidance (2) — demonstrate that there is no reasonable regulatory concern about management integrity and/or the integrity of any persons with substantial influence over the Company’s management and operations, which may pose a risk to investors and damage market confidence;

Independent investigation towards the Incident

Formation of the Independent Investigation Committee

In response to the Resumption Guidance (1) and (2) given by the Stock Exchange regarding the matters, the Board resolved on 20 December 2021 to form the Independent Investigation Committee, comprising Dr. Vincent Cheng, Dr. Miao Bo, Mr. Hsu Tawei and Mr. Tsao Hoi Ho, all are the then independent non-executive Directors. Mr. Tsao Hoi Ho has been appointed as the chairman of the Independent Investigation Committee. The purposes of forming the Independent Investigation Committee were to commission an independent investigation on the matters to be conducted by independent professional advisor(s) regarding the custody of Mr. Zheng, Ms. Guo and three employees of the Group by the Nanshan Branch of Shenzhen Public Security Bureau since December 2020 pending investigation regarding certain suspected illegal absorption of public deposits conducted by a subsidiary of the Company, as requested in the Resumption Guidance.

Following the formation of the Independent Investigation Committee, the Company has engaged Beijing Dentons Law Offices, LLP, the PRC legal advisers, to conduct an independent investigation in relation to the Custodies in the PRC.

Findings of the independent investigation

References are made to the announcement of the Company dated 22 February 2022, the key findings of the PRC legal advisers in relation to the Custodies including, but not limited to:

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**”) in relation to the matters of the Custodies. With reference to the October 2021 Judgement, SZ Nanshan District Court determined that, among others,

- (1) Mr. Zheng was the actual controller of SZ Flying Financial. Mr. Zheng had actually controlled the illegal fundraising activities of SZ Flying Financial (through online and offline channels) and was the decision maker of the use and allocation of the raised funds;
- (2) Ms. Guo was the general manager of SZ Flying Financial, who was responsible for the daily business of SZ Flying Financial including the organisation of the fundraising activities (through online and offline channels), the sales of private placement products, etc.;

- (3) the three former employees of the Group were responsible for the relevant matters of operation, finance and risk control at SZ Flying Financial, respectively;
- (4) the Company and SZ Flying Financial were not regarded as subject of crime. The criminal offence of illegal absorption of public deposits (the “**Offence**”) was individually committed by Mr. Zheng, Ms. Guo and the three former employees of the Group;
- (5) Mr. Zheng, Ms. Guo and the three former employees of the Group were all convicted of the Offence and sentenced to 18 months to 7 years of prison with monetary penalties. All of them confessed to committing the Offence;
- (6) With reference to the October 2021 Judgement, the Seized Assets will be distributed to the relevant investors in accordance with the applicable PRC law and regulations.

Conclusive view of the independent investigation

As stated in the announcement of the Company dated 22 February 2022, the key conclusive views of the PRC legal advisers in relation to the Custodies including, but not limited to:

- (1) With reference to the October 2021 Judgement, Mr. Zheng actually controlled the illegal fundraising activities of SZ Flying Financial. The proceeds of the illegal fundraising activities were used and allocated by Mr. Zheng. The Offence was individually committed and was not considered as corporate crime of the Company and SZ Flying Financial. In view of the October 2021 Judgement, the Company and the existing Directors shall not be responsible for criminal and civil liabilities in relation to the Offence;
- (2) The probability and feasibility for the Group to recover those Seized Assets (in whole or in part) would be extremely low with reference to the applicable PRC law, the Company’s confirmation and the October 2021 Judgement in relation to the Seized Assets; and
- (3) Mr. Zheng, Ms. Guo and the three former employees of the Group who are subject to the October 2021 Judgement shall not be eligible to be a director, supervisor, or senior management of a corporate following the sentencing in accordance with the applicable PRC law and regulations.

In addition, following the public search through the China Judgement Online website conducted by the PRC legal advisers, there is no records of any criminal proceeding in the PRC against the Group and the existing Directors of the Company as of the date of the report of the PRC legal advisers.

View of the Board

After considering the independent investigation, the Board agrees with the conclusive views of the PRC legal advisers and the Independent Investigation Committee.

The Board considered that the Custodies and the Offence committed by Mr. Zheng, Mr. Guo and the three former employees of the Group do not have material adverse impact to the Company's business operation and financial position. In this regard, the Board considered that:

- (i) the Offence was individually committed by two former directors of the Company (namely Mr. Zheng and Ms. Guo), and the three former employees of the Group, who do not have influence over the Company's existing management and operations; and
- (ii) the Seized Assets (as part of the seized assets to be distributed to the relevant investors in accordance with the applicable PRC law and regulations with reference to the October 2021 Judgement), are part of the assets of the Disposal Group (as defined in the Company's announcement dated 26 January 2022) concerning the Company's very substantial disposal transaction with reference to the terms and conditions of the Sale and Purchase Agreement dated 30 December 2021. The Company and the remaining subsidiaries (i.e. subsidiaries not in the Disposal Group) does not hold any of the Seized Assets. It is expected that the Seized Assets will not be held by the Group following the said disposal.

In view of Mr. Zheng and Ms. Guo are no longer director and management of the Company and with reference to the October 2021 Judgement and the Report, the Board considered that there is no evidence suggesting any reasonable regulatory concern about management integrity and/or the integrity of any persons with substantial influence over the Company's existing management and operations, which may pose a risk to investors and damage market confidence.

Retirement of the Directors at the material time during the period of the Incident

Mr. Zheng and Ms. Guo

As announced by the Company on 26 March 2021:

- (i) Mr. Zheng has tendered his resignation as the chairman, executive Director, Chief Executive Officer, authorised representative and compliance officer of the Company with effect from 26 March 2021 in view of, among others, his custody by the relevant PRC authorities. He has also resigned from all his other positions in the Group with effect from 26 March 2021.
- (ii) In view of the custody of Ms. Guo in December 2020, the Board considers that Ms. Guo has not been able to fulfill her duties as an executive Director. The Board further announces that it has resolved, among other matters, to temporarily suspend the executive and/or administrative duties and powers of Ms. Guo as an executive Director, a member of the nomination committee of the Company, and all of her other positions in the Group, as permitted by law with effect from 26 March 2021.

As announced by the Company on 28 June 2021, the office of Ms. Guo as an executive Director shall has been vacated pursuant to Article 102(iii) of the articles of association of the Company (the "**Articles**") with effect from 28 June 2021.

Article 102(iii) of the Articles provides that the office of a Director shall be vacated if the Director absents himself/herself from the meetings of the Directors during a continuous period of six months, without special leave of absence from the Directors, and his/her alternate Director, if any, shall not during such period have attended in his/her stead, and the Board resolves that his/her office be vacated.

Other members of the Board

As announced by the Company on 19 November 2020, the Company received a resignation from Mr. Leung Po Hon resigning from his position as an independent non-executive Director with effect from 19 November 2020.

As announced by the Company on 9 June 2022, among others, with effect from the resumption of trading in the Shares upon the fulfilment of the Resumption Guidance, if materialised and approved by the SFC and the Stock Exchange, (i) Mr. Zhang Gongjun shall resign as an executive Director; (ii) Dr. Vincent Cheng shall resign as an independent non-executive Director; and (iii) Dr. Miao Bo shall resign as an independent non-executive Director.

As announced by the Company on 23 February 2023, Dr. Vincent Cheng and Dr. Miao Bo have decided to move the effective date of their resignation to 23 February 2023 due to their personal consideration.

As announced by the Company on 7 June 2023, Mr. Zhang has resigned from his position as an executive Director, the Chairman and the Chief Executive Officer and the Authorised Representative of the Company and shall cease to be a member of each of the Nomination Committee and the Remuneration Committee of the Company due to his other business engagements which require more of his attention and dedication with effect from 8 June 2023.

The Remedial Actions Committee

As announced by the Company on 15 March 2022, the Board resolved on 15 March 2022 to form the Remedial Actions Committee, comprising two of the then executive Directors, namely, Ms. Wan Suyuan and Mr. Leung Man Kit, as well as two the then independent non-executive Directors, namely, Mr. Tsao Hoi Ho and Mr. Lau Jing Yeung William. Mr. Leung Man Kit has been appointed as the chairman of the Remedial Actions Committee.

The main purpose of forming the Remedial Actions Committee is to allow the members of the Remedial Actions Committee to recommend and facilitate the implementation of remedial actions (with advice of external professional parties) in relation to the loss (the “**Loss**”) incurred by the Company and/or the Seized Assets (including such Loss in relation to the Offence and/or such Loss as identified by the Company (if any)), without limitation to the remedial actions to recover the Loss and the remedial actions concerning corporate governance of the Company.

Findings of the PRC Further Investigation and HK Legal Opinion

Reference is made to the announcement of the Company dated 25 May 2022, after obtaining and reviewing the PRC Investigation Report, the Board resolved to appoint Dentons, the PRC legal advisers of the Company, to conduct the PRC Supplemental Investigation. Dentons issued the PRC Further Investigation Report on 17 May 2022.

On the other hand, the Board resolved to appoint CH Chambers and PMT, being independent professional law chamber and law firm in Hong Kong, as the independent professional advisor to provide Hong Kong legal opinions in relation to the Investigation Issues. Such appointment was made further to the requests received from the Stock Exchange in the Resumption Guidance. PMT and CH Chambers issued the HK Legal Opinions on 19 May 2022.

The key findings of PRC Further Investigation Report and the HK Legal Opinions include, but not limited to:

- (1) Based on the present information available and without undertaking any investigative action, there is no evidence as to whether the Other Board Members had actual knowledge of the illegal fundraising activities acted through SZ Flying Financial. Further, it was also no evidence as to whether the Other Board Members had actual knowledge of the Loan Guarantee;
- (2) As at the date of the HK Legal Opinions, there has been no Custodies instituted against any Other Board Members in relation to the Ceased Platform and/or the affairs of SZ Flying Financial. Further, each of the Other Board Members has confirmed that he or she was not involved in the Offence.
- (3) Given the circumstances that Mr. Zheng had dominant control over the corporate structure of the Company, and had actual control over SZ Flying Financial, it is possible that the Other Board Members had been circumvented in any criminal activities or unauthorized civil activities undertaken by the PRC subsidiaries of the Company. In this relation, there is no sufficient evidence to support that there has been breach of the Director's Duties on the part of the Other Board Members.
- (4) However, the Custodies and the lack of knowledge of the Group's operating subsidiaries exposed that the board of directors of the Company has not been capable of ensuring an effective internal control and risk management system within the Group. It is also questionable whether the internal audit of the Group has been undertaken effectively. The corporate governance practices of the Company, of which the board of directors are ultimately responsible, had been unsatisfactory.

View of the Remedial Actions Committee

The Remedial Actions Committee concurs with the findings of CH Chambers and PMT that the Other Board Members, being the one executive Director and the three independent non-executive Directors at the material time, have not been capable of ensuring an effective internal control and risk management system within the Group and

the internal audit of the Group has not been undertaken effectively at the material time. The corporate governance practises of the Company at the material time, of which the Other Board Members were ultimately responsible, had also been unsatisfactory.

Following the issuance of the PRC Further Investigation Report and the HK Legal Opinions, the Remedial Actions Committee has recommended that the Board adopt the findings of the Investigation. Further, the Remedial Actions Committee has made recommendations (the “**Recommendations**”) to the Board in the following:

1. In respect of the GEM Listing Rules compliance matters, to seek advices from financial and legal advisers on alleged non-compliance matters as identified in the Investigation and report to relevant regulatory authorities if required;
2. In respect of asset recovery in relation to the Seized Assets, to obtain legal advice and take legal action to recover the Seized Assets including, but not limited to, taking legal actions against the Individuals Involved;
3. In respect of the enhancement of the internal control system, to:
 - (i) ensure the strict implementation of recommendations to the Company’s internal control system made by the internal control consultant;
 - (ii) conduct executive directors’ training, recruit new Board members and/or restructure the Board as appropriate, appoint an external compliance advisor, appoint a financial controller and strengthen internal support for group governance and compliance;
 - (iii) perform evaluation on staff who were previously involved in the subject matters of the Investigations to assess their ability, performance and level of involvement for their continued employment or termination and consideration of their suitability with the Group;
 - (iv) optimise and improve the corporate governance mechanism under the guidance of the Board of Directors, strengthen the authority management of major matters and the scope of matters reported to the Board of Directors for deliberation through quantitative and qualitative methods, and improve and expand the management to regularly report to the Board of Directors on business, financial and internal control status and other governance improvements;
 - (v) establish compliance committee comprising executive Director(s) and at least a non-executive Director, and to formulate, monitor and maintain the Group’s compliance requirements under the GEM Listing Rules and laws, and formulate a Whistleblowing Policy to encourage employees to report any violations and misconduct; and
 - (vi) to increase the financial controller’s participation in the business operation and investment decisions of the Group who would be required to report to the Board directly instead of to the chief executive officer.

The Board agreed with the Recommendations of the Remedial Actions Committee and has resolved that the Recommendations of the Remedial Actions Committee be implemented as soon as practicable.

For further details of the key findings of the PRC Further Investigation Report, the HK Legal Opinions and the Recommendations, please refer to the announcement of the Company dated 25 May 2022.

Legal proceedings against the former Directors

As announced by the Company on 2 August 2022, based on the aforesaid findings, after obtaining advice from its legal advisers, the Company has instigated legal proceedings in the High Court of Hong Kong against Mr. Zheng and Ms. Guo in respect of, among others, their breach of fiduciary duty and duty of care and having failed to act honestly in the best interest of the Company, to exercise due diligence, and to comply with relevant rules and regulations in executing the Guarantee Documents.

The Seized Assets provided by Mr. Zheng and/or Ms. Guo were assets owned by the Company and were subsequently seized by the Bureau as a result of Mr. Zheng and/or Ms. Guo's convictions of the criminal offence of illegal absorption of public deposits in the PRC. Nevertheless, it is transpired that there is no record of any meeting minutes or resolutions by the then Board at the material time the Guarantee Documents were entered into. As a result of the aforesaid breaches by Mr. Zheng and/or Ms. Guo, the Company has suffered loss and damage in sum of approximately RMB230,837,000, being the value of the Seized Assets as the material time. In the circumstances, the amount recoverable by the Company upon the breach of statutory and/or fiduciary duties by Mr. Zheng and/or Ms. Guo is measured by a sum that amounted to RMB230,837,000 plus applicable compound interest, if any. Meanwhile, the Company expressly reserves its rights to claim for further loss and damages arising as a result of Mr. Zheng and/or Ms. Guo's breach of their statutory and fiduciary duties.

The Remedial Action Committee and the Board consider that the aforesaid initiation of legal action is necessary for protecting the interests of the Group and the shareholders of the Company. The Board is also of the view that one of the top priorities of the Group at present is to act diligently to safeguard the interests of the shareholders, clients and employees of the Group.

As announced by the Company on 17 October 2022, as part of the Group's further actions to seek compensation from Mr. Zheng and/or Ms. Guo, on 17 October 2022, the Company filed a statement of claim to the High Court of Hong Kong in relation to the legal action instituted by the Company, as the plaintiff (the "**Plaintiff**") against Mr. Zheng (the "**1st Defendant**") and Ms. Guo (the "**2nd Defendant**") as the defendants (collectively, the "**Defendants**").

As a result of the breaches of duty by the Defendants, the Plaintiff claims the Defendants for the following:

- (a) RMB16,306,300 being the amount of the writ of civil summons against Mr. Zheng, Ms. Guo, Qianhai Flying and Flying Investment in October 2020 by the PRC officials subject to the agreement dated 18 September 2019 in which in breach of

fiduciary duty and/or in breach of trust, the 1st Defendant acting for and on behalf of the Plaintiff as the legal representative, procured the Plaintiff to enter into a guarantee agreement for a personal loan agreement in which he was the borrower for the amount of RMB15 million;

- (b) The Seized Assets subject to the Guarantee Documents which comprise, inter alia:
 - (i) RMB47,870,000 being the Plaintiff's investment properties;
 - (ii) RMB54,129,000 being the unlisted equity securities classified as financial assets;
 - (iii) RMB128,838,000 being the equity interest of the Plaintiff in certain property development projects;
- (c) Compound interest on the sums in respect of which the Defendants are accountable to the Plaintiff at such rates and for such period as the Court thinks fit; and
- (d) Pursuant to Section 48 of the High Court Ordinance, Cap 4 of the Laws of Hong Kong, the Plaintiff is entitled to and is now claiming interest from the Defendants on such sum as may be found due by the Defendants at whatever rate the Court shall direct from the date of commencement of this action to the date of payment or judgement rate to the date of payment in full or at such rate and for such period as the Court shall direct.

The Plaintiff further claims the Defendants for, among others, the following:

- (a) damages to be assessed;
- (b) a declaration that each of the 1st Defendant and/or 2nd Defendant is in breach of his/her duty of care under common law owed to the Plaintiff;
- (c) compound interest, and/or interest pursuant to Section 48 of the High Court Ordinance;
- (d) further and/or other relief; and
- (e) costs.

The Company will continue to use its best endeavours to recover the aggregate damage of approximately RMB247 million in relation to the Custodies from the Defendants for their breach of respective fiduciary duties and duty of care and having failed to act honestly in the best interest of the Company, to exercise due diligence, and to comply with relevant rules and regulations as former directors of the Company.

For further details of the legal proceedings against the Defendants, please refer to the announcements of the Company dated 2 August 2022 and 17 October 2022.

The Internal Control Review

Reference is made to the announcement of the Company dated 18 July 2022, as part of the Recommendations of the Remedial Actions Committee as well as assisting the Company in fulfilling the relevant Resumption Guidance, the Company has engaged GRC Chamber Limited (“GRC”) on 24 December 2021 as its independent internal control adviser to conduct a comprehensive review of the internal control system, policies and procedures of the Group in relation to the corporate governance and key business processes at entity and process levels for the period from 1 January 2021 to 28 February 2022, conducted the internal control follow-up review of the Group up to 14 July 2022 (the “**Internal Control Review**”), prepare the Internal Control Review Report and assist the management to improve the Group’s internal control system.

For further information on the Internal Control Review, please refer to the section headed “FULFILMENT OF THE RESUMPTION GUIDANCE — (III) Resumption Guidance (4) — demonstrate that the Company has in place adequate internal control systems to meet the obligations of the GEM Listing Rules” of this announcement.

Subscription

As announced by the Company on 23 May 2022, among others, the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 36,042,067 New Shares at the Subscription Price of HK\$0.72 per Subscription Share to the Subscriber.

As announced by the Company on 2 August 2022, among others, the respective resolutions regarding the Subscription were duly passed by way of poll at the corresponding extraordinary general meeting held on 2 August 2022. The Executive has, on 26 July 2022, granted the Whitewash Waiver, subject to the fulfilment of the conditions that (i) the Whitewash Waiver and the underlying transactions (i.e. the Capital Reorganisation and the Subscription) being separately approved by at least 75% and more than 50% respectively of the independent vote (as defined in Note 1 on dispensations from Rule 26 of the Takeovers Code) that are cast either in person or by proxy at a general meeting of the Company, to be taken on a poll; and (ii) unless the Executive gives prior consent, no acquisition or disposal of voting rights being made by the Subscriber and its concert parties between the announcement of the Subscription dated 23 May 2022 and the completion of the Subscription.

As shown in the section headed “CHANGES TO THE SHAREHOLDING STRUCTURE AS A RESULT OF THE CAPITAL REORGANISATION AND THE SUBSCRIPTION” in the Reorg Circular, upon the completion of the Subscription, the Subscriber will then hold 36,042,067 New Shares, representing approximately 51.00% of the then issued share capital of the Company as enlarged by the Subscription and adjusted for the effect of the Capital Reorganisation (assuming there will be no other change in the number of issued Existing Shares and New Shares between the date of the respective announcement and the completion of the Subscription, save for the Capital Reorganisation and the Subscription).

Meanwhile, upon the completion of the Subscription, Mr. Zheng will then hold 8,167,395 New Shares, representing approximately 11.56% of the then issued share capital of the Company as enlarged by the Subscription and adjusted for the effect of the Capital Reorganisation (assuming there will be no other change in the number of issued Existing Shares and New Shares between the date of the respective announcement and the completion of the Subscription, save for the Capital Reorganisation and the Subscription). As announced by the Company on 7 June 2023, the completion of the Subscription took place on 7 June 2023 in accordance with the terms and conditions of the Subscription Agreement.

Given the fact that the Subscriber (which is not connected with or acting in concert with Mr. Zheng, Ms. Guo Chanjiao and three former employees of the Group who committed the offence of illegal absorption of public deposits) will be the controlling shareholder of the Company. The Board believed that in such circumstances, the Subscription could facilitate and strengthen investor confidence that the Company's management and operation would not be subject to any substantial influence of Mr. Zheng (who has integrity concerns).

Conclusion

In light of the above, the Board could (i) reiterate the causes and effect of the Incident; (ii) address the concerns from the Stock Exchange in respect of the Incident; and (iii) put in place feasible remedy and compensation solutions efficiently to compensate the Company and the Shareholders, which are considered acceptable by the Board and the Independent Investigation Committee and the Remedial Action Committee and in the interests of the Company and Shareholders as a whole.

The Board are of the view that (i) the aforesaid independent investigations conducted by Dentons, CH Chambers and PMT are sufficient to conclude the material facts in relation to the Custodies; (ii) the Independent Investigation Committee and the Remedial Action Committee, through the investigations conducted by Dentons, CH Chambers and PMT, were able to assess the impact on the Company's business operation and financial position; (iii) the Company has taken appropriate remedial actions for the Incident based on the investigations conducted by Dentons, CH Chambers and PMT; (iv) the Directors at the material time during the period of the Incident have been resigned or shall resign as Director with effect from the resumption of trading in the Shares; and (v) the dilution of the shareholding of Mr. Zheng upon the completion of the Subscription, which took place on 7 June 2023. Therefore, the Company is of the view that Resumption Guidance (1) and (2) have been fulfilled.

- (II) Resumption Guidance (3) address the issues giving rise to the disclaimer of opinion on the Annual Results Announcement, provide comfort that the disclaimer of opinion in respect of such issues would no longer be required and disclose sufficient information to enable investors to make an informed assessment of its financial positions as required under Rule 17.49B of the GEM Listing Rules**

Disclaimer of Opinion

As disclosed in sections headed “Disclaimer of Opinion” and “Basis for Disclaimer of Opinion” in the independent auditors’ report contained on pages 106 to 111 of the Annual Report 2020, BDO Limited (“**BDO**”), the then auditors of the Company did not express an audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2020 as a result of certain matters.

Below is the disclaimer of opinion as extracted from the Annual Report 2020:

(1) Scope limitation — valuation of investments in limited partnerships

In the absence of the relevant supporting documents, including the correspondences with and the financial information of the limited partnerships (i.e. the LPs, which form parts of the Seized Assets and being held by Flying Investment, which was included in the Disposal Group) which formed the basis for the preparation of the discounted cash flow in measuring the fair value of investments in the limited partnerships as at 31 December 2020, BDO is of the view that they have not been provided with sufficient evidence to satisfy themselves as to the reasonableness of the Directors’ estimation of the fair value of the Group’s investments in the LPs.

(2) Scope limitation — valuation of assets-backed securities

As described in note 17(b) to the financial statements in the Annual Report 2020, on 29 December 2016, the Group entered into an agreement with an independent third party to subscribe for certain assets-backed securities (“**ABS**”) in the PRC for a consideration of approximately RMB40 million. The ABS was held by Qianhai Flying Financial which was included in the Disposal Group.

BDO is of the view that they have not been provided with sufficient evidence, including the correspondences with and financial information of the ABS, to satisfy themselves as to the reasonableness of the Directors’ estimation of the fair value of the Group’s investment in the ABS.

(3) Scope limitation — PRC bank related balances, PRC loans and accounts receivables, PRC other payable and disclosure

In absence of the relevant PRC companies’ seals which were taken into custody of the Bureau for the confirmation purpose, BDO is of the view that, with no alternative audit procedures, they were unable to determine whether the information relating to the Group’s PRC bank balances, borrowings, entrusted loans, pledged assets and guarantee documents issued in favour of the PRC banks,

if any, loans and accounts receivables and other payables held by the Group's PRC subsidiaries as at 31 December 2020 have been properly accounted for and disclosed in the consolidated financial statements.

(4) Scope limitation relating to going concern

During the year ended 31 December 2020, the Group incurred a net loss of RMB470,347,000 and had a net operating cash outflow of RMB7,118,000 for the year ended 31 December 2020. As at 31 December 2020, the Group's current liabilities exceeded its current assets by RMB69,967,000 while its cash and cash equivalents amounted to RMB7,324,000 only. As at 31 December 2020, bank borrowings of RMB15,735,000 were immediately repayable. In addition, the Group is involved in various litigations or claims as detailed in note 39 to the consolidated financial statement.

The above-mentioned circumstances indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern. The Directors have prepared a cash flow forecast which takes into account of certain assumptions as set out in note 3(c) to the consolidated financial statements in the Annual Report 2020. Based on the directors' assessment, the Group is able to continue as a going concern and it is appropriate to prepare the consolidated financial statements on a going concern basis.

The appropriateness of the consolidated financial statements prepared on a going concern basis largely depends on whether those plans and measures as detailed in note 3(c) can be successfully implemented.

However, in respect of the following plans and measures: (i) negotiating with banks for a debt restructuring; (ii) negotiating with a shareholder of the Company for an extension of his lending; and (iii) obtaining new financing to enhance the Group's liquidity, the Directors have not provided BDO with information that BDO considered sufficient to evaluate whether the above mentioned plans and measures are feasible.

Due to the limitations on the scope of work of BDO, they were unable to obtain sufficient appropriate evidence to determine whether the Directors' conclusion that the Group is able to continue as a going concern and the consolidated financial statements prepared on a going concern basis are appropriate.

Change of Auditors

With reference to the Company's announcement dated 24 December 2021, BDO has resigned as auditor of the Company with effect from 23 December 2021 as the Company and BDO could not reach a consensus on the audit fee of the Company for the year ending 31 December 2021.

With the recommendation from the audit committee of the Company, the Board has resolved to appoint Elite Partners CPA Limited (the “**Auditors**”) as the new auditor of the Company with effect from 24 December 2021 to fill the casual vacancy following the resignation of BDO and to hold office until the conclusion of the next annual general meeting of the Company.

Resolved on Disclaimer of Opinion

The Company has taken the following measures in response to the audit modification, including (i) 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 for consideration of HK\$15 million subject to the terms and conditions of the Sale and Purchase Agreement; and (ii) on 23 May 2022, the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 36,042,067 New Shares at the Subscription Price of HK\$0.72 per Subscription Share to the Subscriber.

The Disposal

With reference to the VSD Circular, the Target Companies included Expand Wealth Limited, Profit Success Technology Limited and Expand Thrive Limited. Together the Target Companies and their respective subsidiaries formed the Disposal Group, among which included Qianhai Flying Financial, Flying Investment, and SZ Flying Financial.

With reference to the announcement of the Company dated 29 June 2022, the completion of the Disposal took place on 29 June 2022. Following the completion of the Disposal, the Disposal Group ceased to be subsidiaries of the Company and the Company ceased to have any interests in the Disposal Group and accordingly did not hold any interests in the Seized Assets. The financial results, respective assets and liabilities of the Disposal Group, including but not limited to the Group’s previous investments in the LPs and ABS, would no longer be consolidated into the Group’s financial statements.

Meanwhile, with reference to the announcements of the Company dated 9 August 2022 and 13 September 2022, pursuant to the findings of the respective agree-upon procedures report issued by the Auditors on 9 August 2022, following the completion of the Disposal, no Group’s bank balance was held by subsidiary of which Ms. Guo was the legal representative and/or director since 2 July 2022.

Based on the above, the aforementioned disclaimer opinion (1) and (2) on the consolidation financial statements for the year ended 31 December 2020 would be resolved.

The Agree-Upon Procedures Engagement with the Auditors

As announced by the Company on 9 August 2022 and 13 September 2022, in order to provide more supportive evidence to the shareholders and potential investors of the Company as well as the Stock Exchange in relation to the progress of the fulfilment of

the Resumption Guidance, the Board has therefore engaged the Auditors on 6 August 2022 to conducted the agree-upon procedures engagement in accordance with the Hong Kong Standard on Related Services (HKSRS) 4400 (Revised) “Agreed-Upon Procedures Engagements” (“**HKSRS 4400 (Revised)**”) for the purpose of assisting the Group in determining, among others, whether the Group’s bank balances are not held by the group entities which legal representative is Ms. Guo.

The Auditors have issued the respective agree-upon procedures report (the “**AUP Report**”) on 9 August 2022. The respective findings in the AUP Report including, but not limited to:

- (1) The Auditors have obtained and reviewed the detailed breakdown of the Group’s bank balances as at 30 June 2022, and agreed to agree the balances to the consolidated management accounts for the six months ended 30 June 2022; and
- (2) The Auditors performed company search on the Company’s subsidiaries which have bank balances as at 30 June 2022. Except for the bank balance of RMB569 which held by Hui Lian Yuan Jing Investment Management (Beijing) Co., Ltd.* (匯聯遠景投資管理(北京)有限公司) (“**Hui Lian MGT**”), a wholly-owned subsidiary of the Company, no Group’s bank balances as at 30 June 2022 was held by a subsidiary of which Ms Guo was the legal representative and/or director.

From the company search records of the Auditors, Ms. Guo is the legal representative and the sole director of Hui Lian MGT as at 30 June 2022 and up to the date of the AUP Report.

According to the instrument of transfer of Forever Intelligent Enterprises Limited (“**Forever Intelligent**”), a direct wholly owned subsidiary of the Company as at 30 June 2022, the Company disposed of the entire equity interest of Forever Intelligent to the independent third party which is not a subsidiary of the Company on 2 July 2022. Hui Lian MGT is an indirect wholly owned subsidiary of Forever Intelligent. After the disposal of Forever Intelligent by the Company, Hui Lian MGT has not been a subsidiary of the Company since 2 July 2022.

After the issuance of the AUP Report, the Company has made further inquiries to the Auditors regarding the status of resolving Disclaimer C. Based on the communication with the Auditors, the Board considers, and the Auditors concur, that the respective issues giving rise to the aforementioned disclaimer opinion (3) on the consolidation financial statements for the year ended 31 December 2020 have been satisfactorily addressed as follows:

- (i) the issues giving rise to the respective disclaimer opinion was due to the auditor’s inability to obtain certain confirmations from PRC banks due to the absence of Ms. Guo’s personal seal;
- (ii) following the completion of the Disposal on 29 June 2022, the Target Companies ceased to be subsidiaries of the Company and the Company ceased to have any interests in the Disposal Group;

- (iii) no Group's bank balance was held by subsidiary of which Ms. Guo was the legal representative and/or director since 2 July 2022 pursuant to the findings of the AUP Report;
- (iv) as such, the issues giving rise to the respective disclaimer opinion will not further affect the Auditors to perform the necessary audit procedures in relation to the Company's bank balances in the PRC for the year ending 31 December 2022 and the subsequent years; and
- (v) except for the audit modification on (1) the opening balances and comparative figures to be stated in the consolidated financial statements of the Group for the year ending 31 December 2022, and (2) the comparative figures to be stated in the consolidated financial statements of the Group for the year ending 31 December 2023, there would not be other audit modifications in respect of the matters referred to above. In respect of the Group's consolidated financial statement for the year ending 31 December 2022 and 2023, any audit modifications should solely relate to the comparability of 2021 and 2022 figures. Accordingly, the issues giving rise to the Disclaimer C will not have any continuing effect on the Group's consolidated financial statements for the year ending 31 December 2024 and the subsequent years.

Based on the foregoing, the Company considers that regarding the aforementioned disclaimer opinion (3) on the consolidation financial statements for the year ended 31 December 2020, the Company has addressed the respective issues giving rise to the respective disclaimer opinion, provided comfort that the respective disclaimer opinion would no longer be required and has disclosed sufficient information to enable investors to make an informed assessment of its financial positions as required under Rule 17.49B of the GEM Listing Rules.

The Subscription

In the meantime, as announced by the Company on 2 August 2022, among others, the respective resolutions regarding the Subscription were duly passed by way of poll at the corresponding extraordinary general meeting held on 2 August 2022. The Executive has, on 26 July 2022, granted the Whitewash Waiver, subject to the fulfilment of the conditions that (i) the Whitewash Waiver and the underlying transactions (i.e. the Capital Reorganisation and the Subscription) being separately approved by at least 75% and more than 50% respectively of the independent vote (as defined in Note 1 on dispensations from Rule 26 of the Takeovers Code) that are cast either in person or by proxy at a general meeting of the Company, to be taken on a poll; and (ii) unless the Executive gives prior consent, no acquisition or disposal of voting rights being made by the Subscriber and its concert parties between the announcement of the Subscription dated 23 May 2022 and the completion of the Subscription.

As announced by the Company on 7 June 2023, following the completion of the Subscription, which took place on 7 June 2023 before the resumption of trading in the Shares upon the fulfilment of the Resumption Guidance, the net proceeds of the Subscription by the Company will amount to approximately HK\$23.95 million.

Having considered that the net proceeds of the consideration of the Disposal and the Subscription amounted to approximately HK\$12.40 million and HK\$23.95 million respectively, if there is no indication that material uncertainty is existed which may cast significant doubt on the Group's ability to continue as a going concern, a disclaimer opinion will not be expressed and the aforementioned disclaimer opinion (4) on the consolidation financial statements for the year ended 31 December 2020 would be resolved.

Remaining Qualified Opinion

As disclosed in sections headed "QUALIFIED OPINION" and "BASIS FOR OPENING AND QUALIFIED OPINION" in the independent auditors' report contained on pages 107 to 108 of the Annual Report 2022, the Auditors express a qualified opinion on the consolidated financial statements of the Group for the year ended 31 December 2022. The auditor's report on the consolidated financial statements of the Group for the year ended 31 December 2021 included in the Annual Report 2021 (the "**2021 Financial Statements**") contained qualification on the limitation of audit scope relating to the certain bank balances in the PRC ("**Qualification**"). Details of which has been set out in the auditor's report for 2021 Financial Statements dated 30 June 2022.

As the 2021 Financial Statements formed the basis for the corresponding figures presented in the current year's consolidated financial statements, any adjustments found to be necessary in respect of the Qualification would have an effect on (i) the opening balances on the consolidated financial position of the Group as at 31 December 2022; (ii) corresponding figures in the consolidated financial statements for the year ended 31 December 2022; and (iii) the related disclosures thereof in the consolidated financial statements of the Group for the year ended 31 December 2022.

As mentioned above, except for the audit modification on (1) the opening balances and comparative figures to be stated in the consolidated financial statements of the Group for the year ending 31 December 2022; and (2) the comparative figures to be stated in the consolidated financial statements of the Group for the year ending 31 December 2023, there would not be other audit modifications in respect of the matters referred to above. In respect of the Group's consolidated financial statement for the year ending 31 December 2022 and 2023, any audit modifications should solely relate to the comparability of 2021 and 2022 figures. Accordingly, the issues giving rise to the Qualification will not have any continuing effect on the Group's consolidated financial statements for the year ending 31 December 2024 and the subsequent years.

Conclusion

Accordingly, the Company is of the view that Resumption Guidance (3) has been fulfilled.

(III) Resumption Guidance (4) — demonstrate that the Company has in place adequate internal control systems to meet the obligations of the GEM Listing Rules

The Internal Control Review

Reference is made to the announcement of the Company dated 18 July 2022, to assist the Company in fulfilling the relevant Resumption Guidance, the Company has engaged GRC on 24 December 2021 as its independent internal control adviser to conduct a comprehensive review of the internal control system, policies and procedures of the Group in relation to the corporate governance and key business processes at entity and process levels for the period from 1 January 2021 to 28 February 2022, conducted the internal control follow-up review of the Group up to 14 July 2022, i.e. the Internal Control Review, prepare the Internal Control Review Report and assist the management to improve the Group's internal control system. The main purpose of the Internal Control Review is to assist the Board and the management of the Group to review and improve the internal control system designed and implemented by the management of the Group in accordance with the Corporate Governance Code, the relevant listing rules of the Stock Exchange (especially Chapter 17, Chapter 19, Chapter 20, Appendix 15, etc. of the GEM Listing Rules), and the relevant rules of the SFC (especially Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)), and to evaluate the procedures formulated by the Group as to whether the procedures, systems and monitoring measures are sufficient to enable the Board to make an appropriate assessment of the financial position and prospects of the Group.

The Internal Control Review Report assesses the adequacy and effectiveness of the Group's overall internal control system, identifies internal control weaknesses, and provides recommendations to the Group. GRC conducted the internal control follow-up review and issued the Internal Control Review Report on 14 July 2022.

Objectives and scope of the Internal Control Review

The key objectives of the Internal Control Review are to assess and identify significant weaknesses in the relevant procedures, systems and controls of the Group, and to report findings and make recommendations for the enhancement of the internal control of the Group.

The scope of work of the Internal Control Review is to evaluate the existing policies, procedures or control in relation to the corporate governance and financial reporting cycle under the internal control framework issued by the Committee of Sponsoring Organisation of the Treadway Commission to identify weaknesses in the relevant procedure, make recommendations for improvement and assess whether the Company has taken adequate remedial measures to rectify the weaknesses by performing the internal control follow-up review of the Group. The Internal Control Review covers the corporate governance aspect and the operational aspect of the Group.

Please refer to the announcement of the Company dated 18 July 2022 for details of the key findings of the Internal Control Review.

Results of the Internal Control Review

As at the date of the Internal Control Review Report, the Group has (i) fully adopted and implemented the recommendations made by GRC; and (ii) rectified the relevant deficiencies in the Group's internal control system.

Based upon the results of the Internal Control Review, GRC is of the view that the deficiencies identified by GRC in the Group's internal control system have been remediated and those newly adopted or modified measures and policies of the Company can be considered to be effectively designed and implemented from the perspective of managing the associated risks commensurate with the existing operations and scale of the Group upon the date of the Internal Control Review Report.

Opinions Of the Remedial Action Committee and the Board

Having considered the Internal Control Review Report and the remediated actions taken by the Group, the Remedial Action Committee and the Board are of the view that the enhanced internal control measures implemented by the Company based on the recommendations made by GRC are adequate and sufficient to address the key findings of the Internal Control Review Report and the Company has in place adequate internal controls and procedures to meet obligations under the GEM Listing Rules.

For further details of the key findings of, inter alia, the material deficiencies identified by GRC throughout the Internal Control Review, corresponding rectification recommendations, the Company's response and the remediation status, please refer to the announcement of the Company dated 18 July 2022.

Conclusion

Accordingly, the Company is of the view that Resumption Guidance (4) has been fulfilled.

(IV) Resumption Guidance (5) — demonstrate the Company's compliance with Rule 17.26 of the GEM Listing Rules

The Company is an investment holding company whose subsidiaries were previously principally engaged in (i) property development investment; (ii) loan, lease and financial consultation services; and (iii) operation of a financial services platform, before the completion of the Disposal. Following the completion of the Disposal, the Remaining Group is principally engaged in operation of a financial services platform. This involved the provision of financial consultation services through an online platform. The Company, however, ceased to operate the platform after the regulatory environment in the PRC changed. The Company had since transformed this business into a financial technology services platform for an online small loan business (the "Small Loan Platform").

The Company had operated a financial service platform since 2015 that offered professional financial services in the real estate market. These services had been further developed and in 2018, the Company launched a financial management service platform providing banking and deposit management services. Following the tightening regulations in the PRC, the Company used its expertise to develop small loan businesses through the internet. The Company considers that this development towards offering a platform for small loans was a change in service offerings by the financial service platform of the Group.

For the operation of the Small Loan Platform as its current business, the Company acts as an intermediary connecting customers to financial institutions or lenders for the purpose of arranging financing for these customers. The Company maintains a portfolio of enterprise customers. The Company analyses the credit status of its customers and their financing needs and then connects them with potential lenders. The Company is of the view that there was demand for its services as the market in China featured a number of different financial institutions and lenders and the relevant interest rates would differ between those institutions and also the different cities. Going forward, the Company plans to expand its customers base from corporates to individuals.

Once a loan was successfully applied for and paid out, the Company would receive a service fee. The Company explained that this service fee would be between 0.5% to 5% of the loan principal. As stated in the Annual Report 2022, the Company's revenue for the year ended 31 December 2022 amounted to approximately RMB76.7 million. The loan principal taken out by the customers of the Company during the same time amounted to approximately RMB1.8 to 2 billion. The service fee it charged was not dependent on whether or not its customers ultimately repaid the loan they had obtained through the assistance of the Company. The Company therefore did not share any of the default risks with the ultimate lender.

The Company's ability to attract customers for its Small Loan Platform was due to the Company's service infrastructure and the Company's expertise. The increase in customers and revenue during the year ended 31 December 2022 was the work of the Company's team of experts. Meanwhile, as an intermediary service provider, the Company operated an asset-light business. The Company's net asset position amounted to approximately RMB15.5 million. The Company considers that it has sufficient assets to support its operation.

As stated in the announcement of the Company dated 21 February 2023, on 8 February 2023, the Listing Review Committee ("**LRC**") heard ("**LRC Review Hearing**") an application by the Company for a review of the decision of the GEM Listing Committee ("**LC**"), set out in a letter dated 17 November 2022, to cancel the listing of the Company's shares on the GEM under GEM Rule 9.14A (the "**2nd LC Decision**").

On 17 February 2023, the Company received a letter from the Stock Exchange notifying the Company that having carefully considered all the facts and evidence, and all the submissions presented by the Company and the Listing Division, the LRC decided to overturn the 2nd LC Decision (the "**LRC Decision**").

As stated in the LRC Decision, among others, having considered all the submissions and evidence presented, the LRC concluded that as at the time of the LRC Review Hearing, the Company had sufficiently demonstrated that its business was of substance and viable and sustainable under GEM Rule 17.26 to warrant a continued listing of its shares.

The LRC considered that the Company had demonstrated it had a sufficient scale of operations, a necessary number of staff members, a substantial loan portfolio from which its revenue was derived, and, even for the number of customers, the LRC considered that the number of enterprise customers of the Group, while relatively small, fell outside of the scope of paragraph 13(a) of GL106–19. The LRC therefore considered the Company’s business to be of substance.

Finally, as the Company operated an asset-light business and was generating sufficient revenue, the LRC considered that the Company had sufficient assets to support its continued operation.

In summary and upon a qualitative review of all the relevant facts and circumstances before it, including the concerns of the Listing Division and the LC, the LRC was of the view that as of the time of the Hearing the Company had, on balance, demonstrated that its business had substance and was viable and sustainable with reference to GEM Rule 17.26.

The Listing Review Committee therefore decided to overturn the Listing Committee’s decision set out in a letter dated 17 November 2022 to cancel the Company’s listing pursuant to GEM Rule 9.14A.

The Board welcomes the LRC Decision and wishes to appreciate the Listing Review Committee for reaching the LRC Decision which allows the Company to resume the trading of its shares on the Stock Exchange. In light of the above, the Company is of the view that Resumption Guidance (5) has been fulfilled.

(V) Resumption Guidance (6) — announce all material information for the Company’s shareholders and investors to appraise the Company’s position

Since the suspension of trading in the shares of the Company on 29 March 2021, the Company has, in accordance with the requirements of the GEM Listing Rules, informed the market of the material information and the latest situation of the Company, among others, the results of the investigations conducted by Dentons, CH Chambers and PMT on the Incident, the completion of the Internal Control Review, the agree-upon procedures engagement with the Auditors and the respective findings, the entering the Sale and Purchase Agreement and the Subscription Agreement, the arrangement of the Capital Reorganisation, the business update of the Group, the status on fulfilment of the Resumption Guidance and financial results of the Company by publishing announcements from time to time.

On the above basis, the Company is of the view that Resumption Guidance (6) has been fulfilled.

RESUMPTION OF TRADING

For the reasons set out above, the Company is of the view that it has fulfilled all the requirements set out in the Resumption Guidance and fully complied with the GEM Listing Rules to the Stock Exchange's satisfaction.

At the request of the Company, trading in the Shares on the Stock Exchange was halted with effect from 11:19 a.m. on 29 March 2021. As all the Resumption Guidance have been fulfilled, the Company has made an application to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. 8 June 2023.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the Shares. When in doubt, shareholders of the Company and potential investors are advised to seek advice from professional or financial advisers.

By the Order of the Board
Flying Financial Service Holdings Limited
Liu Yi
Executive Director

Hong Kong, 7 June 2023

As at the date of this announcement, the executive Directors are Mr. Zhang Gongjun (Chairman and Chief Executive Officer) and Ms. Liu Yi; and the independent non-executive Directors are Mr. Hsu Tawei, Mr. Kam Hou Yin, John and Ms. Chong Kan Yu.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose 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, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; and there are no other matters the omission of which would make any statement herein or in this announcement misleading.

This announcement will remain on the "Latest Company Announcements" page of the website of the Stock Exchange at www.hkexnews.hk for a minimum period of seven days from the date of its publication and on the Company's website at www.flyingfinancial.hk.