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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

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.*

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

The board (the "**Board**") of Directors hereby submits the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2020, together with the comparative audited figures for the year ended 31 December 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	**2020** ***RMB'000***	2019 *RMB'000*
Revenue	4	**19,721**	104,390
Other income/(expenses), net	5	**12,675**	(3,022)
Employee benefit expenses		**(25,322)**	(48,847)
Other administrative expenses		**(28,552)**	(53,101)
Provision loss		**(16,306)**	–
Fair value changes in financial assets at fair value through profit or loss ("**FVTPL**")		**(362,272)**	(522,747)
Impairment loss on goodwill		**–**	(48,316)
Impairment loss on intangible asset		**–**	(19,810)
Loss allowance on financial assets		**(89,535)**	(108,272)
Equity-settled share-based payments		**–**	2,169
Finance costs	6	**(1,184)**	(7,330)
Loss before income tax expense	7	**(490,775)**	(704,886)
Income tax credit	8	**20,428**	5,624
Loss for the year		**(470,347)**	(699,262)
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**")		**13,829**	(10,648)
Item that may be reclassified subsequently to profit or loss:			
– Exchange differences on translating foreign operations		**965**	(4,083)
Other comprehensive income for the year		**14,794**	(14,731)
Total comprehensive income for the year		**(455,553)**	(713,993)

	Notes	**2020** *RMB'000*	2019 *RMB'000*
Loss for the year attributable to:			
Owners of the Company		**(468,725)**	(673,713)
Non-controlling interests		**(1,622)**	(25,549)
		(470,347)	(699,262)
Total comprehensive income for the year attributable to:			
Owners of the Company		**(455,972)**	(688,444)
Non-controlling interests		**419**	(25,549)
		(455,553)	(713,993)
Loss per share	9		
– Basic (RMB cents)		**(27.07)**	(38.91)
– Diluted (RMB cents)		**(27.07)**	(38.91)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**1,270**	7,442
Investment properties	10	**47,870**	49,140
Financial assets at FVTPL	11	**263,159**	625,431
Financial assets at FVOCI	11	**54,129**	40,300
Loans and accounts receivables	12	**5,242**	6,269
		371,670	728,582
Current assets			
Loans and accounts receivables	12	**10,055**	53,747
Deposits paid, prepayments and other receivables	13	**5,615**	55,475
Amount due from a non-controlling interest		**1**	1
Tax recoverable		**–**	38
Cash and cash equivalents		**7,324**	16,973
		22,995	126,234
Current liabilities			
Receipts in advance, accruals and other payables		**50,651**	30,985
Contract liabilities		**3,712**	2,466
Amount due to a shareholder		**11,506**	13,442
Dividend payable		**106**	113
Bank borrowings	14	**15,735**	2,154
Lease liabilities		**155**	5,176
Current tax liabilities		**11,097**	29,676
		92,962	84,012
Net current (liabilities)/assets		**(69,967)**	42,222
Total assets less current liabilities		**301,703**	770,804

	Notes	**2020**	2019
		RMB'000	*RMB'000*
Non-current liabilities			
Bank borrowings	14	**–**	12,206
Lease liabilities		**–**	1,369
		–	13,575
NET ASSETS		**301,703**	757,229
EQUITY			
Equity attributable to owners of the Company			
Share capital		**142,004**	142,004
Reserves		**147,475**	603,447
		289,479	745,451
Non-controlling interests		**12,224**	11,778
TOTAL EQUITY		**301,703**	757,229

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 Growth Enterprise Market ("**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 loans 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 (the "**BVI**").

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 announcement, the investigations 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 (note 10), 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 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 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 consolidated results are consistent with those adopted in the Group's audited financial statements for the year ended 31 December 2019.

All HKFRSs effective for the accounting periods commencing from 1 January 2020 and relevant to the Group, have been adopted by the Group in the preparation of the Group's 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.

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 during 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. In addition, the Group is involved in various litigations or claims as detailed in note 15 to this announcement.

The aforementioned conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern such that it may not be able to realise its assets and discharge its liabilities in the normal course of business.

In view of such circumstances, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain measures have been taken to mitigate the liquidity issues facing the Group, including, but not limited to, the following:

(i) In relation to the bank loans of RMB15,735,000, the Group is actively negotiating with the banks for debt restructuring exercises including payment terms, interest rate and collaterals so as to increase the liquidity of the Group;

(ii) The Group is negotiating with a shareholder of the Company for extension of his relevant borrowing, and such that no action will be taken by that shareholder to demand immediate repayment of the borrowing under negotiation;

(iii) The Group will implement operation plans to control costs and to generate adequate cash flows from operations; and

(iv) The Group is also negotiating with various financial institutions and identifying various options for financing the Group's working capital in the foreseeable future, including identification of potential investors to invest in various projects undertaken by the Group.

The Directors have reviewed the Group's cash flow projections prepared by management that covered a period of not less than twelve months from the end of the reporting period and considered that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the end of the reporting period, and therefore it is appropriate to prepare the consolidated financial information on a going concern basis.

Should the Group fail to achieve the above mentioned plans and measures, it might not be able to continue to operate as going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets as current assets. The effects of these adjustments have not been reflected in these consolidated financial statements.

3. SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decision.

The Group has four (2019: four) reportable and operating segments. The segments are managed separately as each business offers different services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

Investment in property development projects	Investments income and relevant consultation service income generated from LPs, which invest in property development projects and are accounted for as financial assets at FVTPL;
Operation of financial services platform	Provision of financial consultation services and financial services platform;
Provision of entrusted loan, pawn loan, other loan services, and financial consultation services	Provision of short-term and long-term loans and financial consultation services to borrowers and financial institutions; and
Finance lease services	Provision of long-term finance lease services.

Segment information about reportable segments:

(a) Business segments

	Investment in property development projects *RMB'000*	Operation of financial services platform *RMB'000*	Provision of entrusted loan, pawn loan, other loan services and financial consultation services *RMB'000*	Finance lease services *RMB'000*	Total *RMB'000*
For the year ended 31 December 2020					
Revenue from external customers	**823**	**15,410**	**3,471**	**17**	**19,721**
Reportable segment (loss)/profit	**(444,384)**	**(16,696)**	**(24,165)**	**496**	**(484,749)**
Items included in the measure of segment profit or loss or segment assets:					
Change in fair value of financial assets at FVTPL	**362,272**	**–**	**–**	**–**	**362,272**
Other expenses/(income), net	**105**	**(10,244)**	**(949)**	**(1,504)**	**(12,592)**
Depreciation of property, plant and equipment	**239**	**1,585**	**1,836**	**–**	**3,660**
Written off of property, plant and equipment	**86**	**–**	**697**	**–**	**783**
Impairment loss on property, plant and equipment	**27**	**–**	**221**	**–**	**248**
Gain on disposal of property, plant and equipment	**(128)**	**(370)**	**(1,191)**	**(1,449)**	**(3,138)**
Written off on deposits paid, prepayments and other receivables	**30**	**1,020**	**240**	**243**	**1,533**
Loss allowance on financial assets	**78,409**	**5,897**	**4,971**	**258**	**89,535**
Recovery of impairment of loans and other receivables	**–**	**(9,271)**	**(847)**	**–**	**(10,118)**
Addition of non-current assets	**–**	**2,041**	**28**	**–**	**2,069**
Salaries and wages	**1,179**	**10,177**	**11,647**	**53**	**23,056**
As at 31 December 2020					
Reportable segment assets	**235,978**	**61,586**	**47,954**	**265**	**345,783**
Reportable segment liabilities	**5,206**	**18,375**	**31,095**	**4,952**	**59,628**

	Investment in property development projects *RMB'000*	Operation of financial services platform *RMB'000*	Provision of entrusted loan, pawn loan, other loan services and financial consultation services *RMB'000*	Finance lease services *RMB'000*	Total *RMB'000*
For the year ended 31 December 2019					
Revenue from external customers	57,163	19,495	26,961	771	104,390
Reportable segment loss	(579,820)	(113,862)	764	(1,666)	(694,584)
Items included in the measure of segment profit or loss or segment assets:					
Change in fair value of financial assets at FVTPL	522,747	–	–	–	522,747
Other (expense)/income, net	(1,035)	5,877	(160)	(270)	4,412
Depreciation of property, plant and equipment	4,032	470	1,793	821	7,116
Amortisation of intangible assets	–	2,476	–	–	2,476
Impairment loss on goodwill	–	48,316	–	–	48,316
Impairment loss on intangible assets	–	19,810	–	–	19,810
Impairment loss on property, plant and equipment	–	–	319	–	319
Gain on disposal of property, plant and equipment	–	–	757	–	757
Gain on disposal of right-of-use assets	–	–	106	–	106
Impairment loss on right-of-use assets	–	–	742	1,368	2,110
Loss allowance on financial assets	79,493	22,608	5,843	(330)	107,614
Addition of non-current assets	40	675	2,176	–	2,891
Salaries and wages	21,853	13,977	10,145	159	46,134
As at 31 December 2019					
Reportable segment assets	694,754	66,891	38,886	2,280	802,811
Reportable segment liabilities	41,141	5,761	8,857	8,799	64,558

(b) Reconciliation of reportable segment revenues, loss before income tax expenses, assets and liabilities

	2020 *RMB'000*	2019 *RMB'000*
Revenue		
Revenue from external customers	**19,721**	104,390
Loss before income tax expense		
Reportable segment loss	**(484,749)**	(694,584)
Gain/(loss) on disposal of a subsidiary	**47**	(249)
Fair value (loss)/gain on investment properties	**(1,270)**	840
Depreciation of property, plant and equipment	**–**	(14)
Equity-settled share-based payments	**–**	2,169
Unallocated finance costs	**–**	(6,156)
Unallocated corporate expenses	**(4,803)**	(6,892)
Consolidated loss before income tax expense	**(490,775)**	(704,886)
Assets		
Reportable segment assets	**345,783**	802,811
Investment properties	**47,870**	49,140
Amount due from a non-controlling interest	**1**	1
Cash and cash equivalents	**931**	412
Unallocated corporate assets	**80**	2,452
Consolidated total assets	**394,665**	854,816
Liabilities		
Reportable segment liabilities	**59,628**	64,558
Amount due to a shareholder	**11,506**	13,442
Dividend payable	**106**	113
Bank borrowings	**15,735**	14,360
Unallocated corporate liabilities	**5,987**	5,114
Consolidated total liabilities	**92,962**	97,587

(c) Geographic information and disaggregation of revenue from contracts with customers

In the following table, segment revenue of the Group's reportable segments are disaggregated by primary geographical market, major products and service lines and timing of revenue recognition.

For the year ended 31 December	Investment in property development projects		Operation of financial services platform		Provision of entrusted loan, pawn loans, other loan services and financial consultation services		Finance lease services		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Primary geographical markets										
PRC	**823**	57,163	**15,410**	19,495	**2,648**	26,074	**17**	771	**18,898**	103,503
Hong Kong	**–**	–	**–**	–	**823**	887	**–**	–	**823**	887
Total	**823**	57,163	**15,410**	19,495	**3,471**	26,961	**17**	771	**19,721**	104,390
Revenue										
Investment income	**–**	49,000	**–**	–	**–**	–	**–**	–	**–**	49,000
Financial consultation services income	**823**	8,163	**–**	–	**370**	23,465	**–**	–	**1,193**	31,628
Platform services income	**–**	–	**15,410**	19,495	**–**	–	**–**	–	**15,410**	19,495
Interest income	**–**	–	**–**	–	**3,101**	3,496	**–**	–	**3,101**	3,496
Finance lease service income	**–**	–	**–**	–	**–**	–	**17**	771	**17**	771
	823	57,163	**15,410**	19,495	**3,471**	26,961	**17**	771	**19,721**	104,390
Timing of revenue recognition										
At a point in time	**–**	49,000	**15,410**	15,162	**370**	23,101	**–**	–	**15,780**	87,263
Transferred over time	**823**	8,163	**–**	4,333	**3,101**	3,860	**17**	771	**3,941**	17,127
	823	57,163	**15,410**	19,495	**3,471**	26,961	**17**	771	**19,721**	104,390

The Group's non-current assets (excluding financial assets) are predominantly attributable to a single geographical region, which is the PRC. Therefore, no analysis of non-current assets by geographical region is presented.

(d) **Information about major customers**

The Group's customer base is diversified. Revenue of the Group includes the following revenue earned from counterparties with whom transactions have exceeded 10% of the Group's revenue, all of which were derived from revenue by the operation of financial services platform segment for the year ended 31 December 2020. (2019: Investment in property development projects):

	2020	2019
	RMB'000	*RMB'000*
Counterparty A	**N/A**	21,062
Counterparty B	**N/A**	20,092
Counterparty C	**3,396**	N/A
Counterparty D	**3,366**	N/A

N/A: The relevant comparative figures for the corresponding period in 2020 and 2019 representing revenue from the relevant customers did not exceed 10% of the Group's revenue.

4. REVENUE

Revenue, which is also the Group's turnover, represents the income from its principal activities. Revenue recognised during the year are as follows:

	2020	2019
	RMB'000	*RMB'000*
Revenue from contract with customers within the scope of HKFRS 15:		
Financial consultation services income	**1,193**	31,628
Platform services income	**15,410**	19,495
	16,603	51,123
Revenue from other sources:		
Investment income from investments in property development projects through limited partnerships *(note 11(a)(i))*	**–**	49,000
Interest income	**3,101**	3,496
Finance lease service income	**17**	771
	3,118	53,267
	19,721	104,390

5. OTHER INCOME/(EXPENSES), NET

	Notes	2020 RMB'000	2019 RMB'000
Bank interest income		**29**	1,073
Interest income on financial asset measured at amortised cost	(a)	**–**	21
Dividend income from equity investments at FVOCI		**–**	2,600
Fair value (loss)/gain on investment properties	10	**(1,270)**	840
Gain/(loss) on disposal of a subsidiary		**47**	(249)
Bad debts of loans and accounts receivables		**–**	(9,478)
Recovery of impairment on loans and accounts receivables previously recognised		**10,118**	–
Gain on disposal of property, plant and equipment		**3,138**	757
Others		**613**	1,414
		12,675	(3,022)

Note:

(a) Interest income from investments included interest income from financial asset at amortised cost.

6. FINANCE COSTS

	Note	2020 RMB'000	2019 RMB'000
Interest on bank borrowings	14	**793**	2,364
Effective interest on corporate bond		**–**	3,792
Interest on lease liabilities		**391**	1,174
		1,184	7,330

7. LOSS BEFORE INCOME TAX EXPENSE

	Notes	**2020**	2019
		RMB'000	*RMB'000*
Auditor's remuneration		**912**	1,265
Depreciation charge			
– Owned property, plant and equipment		**1,153**	1,577
– Right-of-use assets included within			
– Other buildings leased for own use carried at cost		**2,507**	5,452
– Motor vehicles		**–**	101
Short-term leases expenses		**2,349**	665
Legal and professional fees		**8,321**	9,441
Technical service fees		**4,745**	6,553
Impairment loss on property, plant and equipment		**248**	319
Impairment loss on right-of-use assets		**–**	2,110
Written off of property, plant and equipment		**783**	–
Written off of deposits paid, prepayments and other receivables		**1,533**	–
Amortisation of intangible assets		**–**	2,476
Employee benefit expenses including directors' remuneration		**25,322**	48,847
Salaries and wages		**23,438**	41,685
Pension scheme contributions – defined contribution plans	(b)	**1,884**	7,162
Equity-settled share-based payments	(a)	**–**	(2,169)

Note:

(a) During the year ended 31 December 2019, reversal of equity-settled share-based payments was recognised in respect of (1) directors and staff and (2) advisors under service contracts amounting to RMB1,954,000 and RMB215,000 respectively, which was recognised in respect of share options granted to them by the Company. The reversal of expense in relation to the share options under 2018 Scheme was due to the failure to satisfy the vesting conditions.

(b) During the year ended 31 December 2020, the Ministry of Human Resources and Social Security ("**MHRSS**") issued an announcement regarding the administration of Chinese social security contributions during the period of prevention and containment of the spread of COVID-19 (Renshetingmingdian 2020 No. 7, hereinafter referred to as "Announcement No. 7"), to ensure appropriate measures are stipulated by local Social Security Bureau ("**SSB**"). Several local SSBs also released their respective local practices for the administration of social security contributions in response to Announcement No. 7. In addition to Announcement No. 7, the Standing Committee of the State Council met on 18 February 2020 and decided to reduce or waive employer obligations on social security contributions for a specified period of time to ease the burden of enterprises during the year ended 31 December 2020.

8. INCOME TAX CREDIT AND DEFERRED TAX LIABILITIES

	2020	2019
	RMB'000	*RMB'000*
PRC Enterprise Income Tax		
– Provision in current year	**–**	778
– Over-provision in respect of prior years	**(20,428)**	(1,686)
Hong Kong Profits Tax		
– Current year	**–**	–
	(20,428)	(908)
Withholding tax	**–**	856
Deferred tax	**–**	(5,572)
	(20,428)	(5,624)

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% (2019: 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.

Certain subsidiaries of the Group in the PRC were approved as qualified small and thin-profit enterprise with an annual taxable income of RMB500,000 or less, and accordingly, they were subject to a reduced preferential corporate income tax rate of 10% for the years ended 31 December 2020 and 2019. The PRC corporate income tax for the relevant subsidiaries of the Company filing for this preferential tax treatment has been provided for at their respective prevailing tax rates during the year. Upon receipt of notification, the relevant subsidiaries of the Company will be entitled to corporate income tax rate of 10% and corresponding tax adjustments will be accounted for.

The provision for Hong Kong Profits Tax for 2020 is calculated at 16.5% (2019: 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 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 2019.

Withholding tax was calculated at 5% of the dividends declared in respect of profits earned by a PRC subsidiary to its intermediate holding company incorporated in Hong Kong during the years ended 31 December 2020 and 2019.

9. 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 RMB468,725,000 (2019: RMB673,713,000) and the weighted average number of approximately 1,731,433,000 (2019: 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 2020 and 2019 as the shares issuable in respect of the outstanding share options have an anti-dilutive effect on the basic loss per share.

10. INVESTMENT PROPERTIES

	2020	2019
	RMB'000	*RMB'000*
Fair value		
At 1 January	**49,140**	48,300
Change in fair value *(note 5)*	**(1,270)**	840
At 31 December	**47,870**	49,140

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

At 31 December 2020, the Group's investment properties with a carrying value of RMB47,870,000 (2019: RMB49,140,000) were pledged to secure certain bank borrowing of the Group (note 14).

As at 31 December 2020 and 2019, the investment properties held by the Group were valued by a qualified valuer namely RHL Appraisal Limited, an independent firm of chartered surveyors who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment properties being valued. The valuation was carried out in accordance with the International Valuation Standards Council ("**IVSC**").

The Group's investment properties were seized by the Bureau and pledged pursuant to the Guarantee Documents for the settlement of the Unsettled Repayment Funds.

As at 31 December 2020 and 2019, the valuation was determined by adoption of direct comparison method which was based on the principle of substitution, where comparisons were made based on prices realised on actual sales and/or asking prices of comparable property. Comparable properties of similar size, scale, nature, character and location were analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of market value. The significant input into this valuation approach was price per square meter.

Information about fair value measurement using significant unobservable inputs (level 3) is provided below.

Description	Valuation technique	Significant unobservable inputs	Relationships of unobservable inputs to fair value	Range of unobservable input (probability-weighted average) 2020
Investment properties in the PRC	Market approach	Price per square meter ("**sqm**") using market direct comparable which has been adjusted to reflect the time of transaction, size, location, amenities	Good orientation will result in corresponding higher value	RMB61,194/sqm – RMB64,246/sqm

Description	Valuation technique	Significant unobservable inputs	Relationships of unobservable inputs to fair value	Range of unobservable input (probability-weighted average) 2019
Investment properties in the PRC	Market approach	Price per square meter ("**sqm**") using market direct comparable which has been adjusted to reflect the time of transaction, size, location, amenities	Good orientation will result in corresponding higher value	RMB62,599/sqm – RMB66,065/sqm

During the years ended 31 December 2020 and 2019, there were no transfers into or out of Level 3 or any other level. The Group's policy is to recognise transfers between levels of the fair value hierarchy as at the end of the reporting period in which they occur. There were no transfers between Level 1, 2 and 3 during the years.

The fair value measurement was based on the above properties' highest and best use, which does not differ from their actual use.

11. FINANCIAL ASSETS AT FVTPL/FINANCIAL ASSETS AT FVOCI

	2020	2019
	RMB'000	*RMB'000*
Financial assets at FVTPL		
– unlisted equity securities *(note a(i))*	**231,351**	590,791
– unlisted debt securities *(note b)*	**31,808**	34,640
	263,159	625,431
Financial assets at FVOCI		
– unlisted equity securities *(note a(ii))*	**54,129**	40,300

Notes:

(a) The amounts comprised investments in LPs and equity interests of an entity in the PRC at amounts of approximately RMB231,351,000 (2019: RMB590,791,000) and RMB54,129,000 (2019: RMB40,300,000), respectively, as at 31 December 2020.

(i) As at 31 December 2020, 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 (2019: RMB6 million to RMB60 million) for each LP. The contributions represented 1.9% to 42.5% (2019: 4.0% to 42.9%) of the total contributions of the corresponding LPs. 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 LPs are without an investment life and they do not have a fixed maturity date. 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.

During the year ended 31 December 2020, the Group recognised investment income of nil (note 4) (2019: RMB49 million from 4 of the LPs). As at 31 December 2020, there was gross carrying amount of approximately RMB26 million (2019: RMB26 million) investment income receivables from these LPs (note 12).

(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 gain on the financial asset of approximately RMB13,829,000 (2019: fair value loss of approximately RMB10,648,000) was recognised in the other comprehensive income during the year ended 31 December 2020.

During the year ended 31 December 2019, 10% of the equity interest of Shanghai Yiliang Technology Co., Ltd. Invested by the Group had been fully disposed at the consideration of RMB11,400,000.

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. The carrying amounts of the Group's investments in these LPs amounted to RMB128,838,000 as at 31 December 2020.

(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 2020 and 2019. The investment was therefore classified as a non-current asset as at 31 December 2020 and 2019. The ABS is a debt security and stated at fair value as at 31 December 2020 and 2019. Loss in fair value of RMB2,832,000 during the year ended 31 December 2020 (2019: Gain in fair value of RMB3,101,000). During the year ended 31 December 2020, there were no the return received by the Group (2019: RMB1,841,000) as reimbursement of the investment principal.

12. LOANS AND ACCOUNTS RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Pawn loan receivables	**11**	11
Entrusted loan receivables	**1,327**	1,313
Financial consultation services income receivables	**6,956**	9,972
Investment income receivables	**26,000**	26,000
Platform services income receivables	**3,868**	7,763
Finance lease receivables	**258**	1,900
Other loan receivables	**46,362**	51,300
	84,782	98,259
Less: non-current portion		
Other loan receivables	**(5,242)**	(6,269)
	79,540	91,990
Less: loss allowance of loans and accounts receivables	**(69,485)**	(38,243)
Current portion	**10,055**	53,747

Based on the commencement date of the loans as stated in the relevant contracts, the ageing analysis of the gross carrying amounts of the Group's loans and accounts receivables is as follows:

	2020	2019
	RMB'000	*RMB'000*
0 to 30 days	**–**	2,154
31 to 90 days	**–**	26,988
91 to 180 days	**2,954**	9,253
Over 180 days	**81,828**	59,864
	84,782	98,259

Ageing analysis of the gross carrying amounts of the Group's loans and accounts receivables, before impairment allowance, is as follows:

	2020	2019
	RMB'000	*RMB'000*
Neither past due nor impaired	**20,555**	31,994
0 to 30 days past due	**–**	1,550
31 to 90 days past due	**2,588**	27,953
91 to 180 days past due	**–**	3,947
Over 180 days past due	**61,639**	32,815
	84,782	98,259

Impairment losses in respect of loans and accounts receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amounts is remote, in which case the impairment losses are written off against loans and accounts receivables directly.

13. DEPOSITS PAID, PREPAYMENTS AND OTHER RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Deposits paid *(note a)*	**905**	1,125
Prepayments	**1,181**	2,033
Other receivables *(note b)*	**137,529**	138,256
	139,615	141,414
Less: other receivables, non-current portion	**–**	–
	139,615	141,414
Less: loss allowance on other receivables, in aggregate	**(134,000)**	(85,939)
Current portion	**5,615**	55,475

Notes:

(a) As at 31 December 2020, deposits paid comprised rental and various deposits amounting to RMB905,000 (2019: RMB1,125,000).

(b) As at 31 December 2020, the gross carrying amount of other receivables mainly comprised (i) the consideration concerning the disposal of financial assets measured at FVTPL of approximately RMB48.5 million (2019: RMB48.5 million); (ii) earnest money paid to third parties for the future acquisition of Chongqing Beibu New District Baosheng Small Loan Co., Ltd of approximately RMB20.4 million (2019: RMB20.4 million); (iii) loan to independent third party of approximately RMB36.9 million (2019: RMB35.1 million); iv) sale of loan receivables to factoring companies of approximately RMB15.6 million (2019: RMB26 million) in relation to the financial service platform operation; and (v) cash advances to staff in amount of approximately RMB1.5 million (2019: RMB1.5 million).

14. BANK BORROWINGS

	2020	2019
	RMB'000	*RMB'000*
Secured *(note a)*	**12,745**	14,360
Unsecured and guaranteed *(note b)*	**2,990**	–
	15,735	14,360
Analysed into:		
Current	**15,735**	2,154
Non-current	**–**	12,206
	15,735	14,360

Note a:

The Group's bank borrowing of RMB12,745,000 (2019: RMB14,360,000) is secured by the Group's investment properties (note 10) and bore interest at the rate of 5.39 % (2019: 5.39%) per annum for the year ended 31 December 2020.

During the year, 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. Up to the date of approval for issuance of this announcement, the negotiations are still in progress. The directors of the Company are confident that their negotiations with the lender will ultimately reach a successful conclusion.

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 Chanjiao, an executive director of the Company 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 Chanjiao was held in custody by the Bureau as detailed in note 1, pursuant to the loan agreement, the bank borrowing of RMB2,990,000 became immediately repayable.

The bank borrowings are scheduled to be repaid as follows:

	2020 *RMB'000*	2019 *RMB'000*
On demand or within one year	**3,578**	2,154
More than one year, but not exceeding two years	**3,719**	2,154
More than two years, but not exceeding five years	**6,462**	6,462
After five years	**1,976**	3,590
	15,735	14,360

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

15. LITIGATIONS, CLAIMS AND DISPUTES

1. As mentioned in the Company's announcement dated 26 March 2021, a writ of civil summons has been issued in PRC against Mr. Zheng, Ms. Guo, two PRC subsidiaries of the Company (namely, Qianhai Flying Financial PRC Service (Shenzhen) Limited and Flying Investment Service (Shenzhen) Company Limited) and the Company in October 2020 in relation to the repayment of certain loans and interest accrued thereon (the "Writ"). 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, 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 in favour of the claimant under the Writ to secure the Claimed Amount. Mr. Zheng has actively liaised with the claimant to resolve the matter. As of the date of this announcement, no settlement has been concluded in respect of the writ. The directors of the Company, having taken into consideration the advices from the Group's PRC legal counsels, believe it is probable that the Group has to bear the Claimed Amount, accordingly, a provision for loss under the guarantee of RMB16,306,300 has been provided for the year ended 31 December 2020 and included in other payables as at 31 December 2020.

2. As of the date of this announcement, the Investigation by the Bureau is still ongoing. Based on current information available and advices from the Group's PRC legal counsels, the directors of the Company are view that the potential claims that might arise from the Unsettled Repayment Funds might be settled by proceeds from limited to the Seized Assets under the Guarantee Documents and assets owned by SZ Flying Internet Financial which mainly included (i) one of the Seized Assets; (ii) amount due from group companies of approximately RMB1,990,000 and (iii) and other assets of approximately RMB426,000 as at 31 December 2020. As the Investigation is still in progress and no decision has been made by the court or Bureau, the directors of the Company, taken advices from the Group's PRC legal counsels, are of the view that a reliable estimate of the amount of the obligations of the Group under the Guarantee Documents cannot be made and accordingly no provision has been recognised in the consolidated financial statements as at and for the year ended 31 December 2020.

16. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the reporting date, there are some changes in the board of directors of the Company as follows:

(i) Mr. Hsu Tawei has been appointed as an independent non-executive director, a member of the audit committee, the chairman of the remuneration committee and a member of the nomination committee of the Company with effect from 1 March 2021. Details of which are set out in the Company's announcements dated 1 March 2021.

(ii) Mr. Zheng has resigned from his office as an chairman, executive director, chief executive officer (the "**CEO**"), authorised representative and compliance officer of the Company with effect from 26 March 2021. Details of which are set out in the Company's announcements dated 26 March 2021.

(iii) Ms. Guo has been temporarily suspended the executive and/or administrative duties and powers as an executive director, a member of the nomination committee of the Company, and all of her other positions in the Group with effect from 26 March 2021. Details of which are set out in the Company's announcements dated 26 March 2021.

(iv) Mr. Zhang Gongjun, an executive Director, has been redesignated as the chairman, CEO, authorised representative and compliance officer of the Company to replace Mr. Zheng with effect from 26 March 2021. Details of which are set out in the Company's announcements dated 26 March 2021.

SCOPE OF WORK OF INDEPENDENT AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in this announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this announcement.

EXTRACT FROM INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the consolidated financial statements of the Group for the year ended 31 December 2020.

Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of Flying Financial Services Holdings Limited (the "**Company**") and its subsidiaries (together the "**Group**"), which comprise the consolidated statement of financial position as at 31 December 2020 and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the "Basis for Disclaimer of Opinion" section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

A) Scope limitation on the valuation of investments in limited partnerships

As disclosed in note 17(a)(i) to the consolidated financial statements, the Group invested in certain limited partnerships (the "**LPs**") in the People's Republic of China (the "**PRC**") and acted as a limited partner. These LPs are engaged in investment in property development project companies in the PRC. The investments in the LPs are unlisted equity securities and accounted for as financial assets at fair value through profit or loss ("**FVTPL**") with fair value of RMB231,351,000 as at 31 December 2020.

The directors of the Company estimated the fair value of investments in LPs as at 31 December 2020 using the discounted cash flow technique based on the information obtained from the LPs. By applying the discounted cash flow technique, the directors of the Company estimated the fair value of investments in LPs to approximately RMB231,351,000 as at 31 December 2020 and recognised a fair value loss of RMB215,026,000 in the consolidated statement of profit or loss and other comprehensive income.

During the course of our audit, the directors of the Company have not provided us with the relevant documents or information, including the correspondences with and the financial information of the LPs to support the cash flow estimation in measuring the fair value of investments in LPs as at 31 December 2020. There were no alternative audit procedures that we could perform to satisfy ourselves as to whether the fair value of the Group's investments in the LPs as at 31 December 2020 was reasonably estimated.

Any adjustments to the fair value of the investments in LPs as at 31 December 2020 found necessary would affect (i) the fair value of financial assets at FVTPL of as at 31 December 2020; (ii) the fair value changes in FVTPL for the year ended 31 December 2020; (iii) the presentation in the consolidated statement of cash flows for the year ended 31 December 2020; and (iv) the related disclosures in the consolidated financial statements.

B) Scope limitation on the valuation of assets-backed securities

As disclosed in note 17(b) to the consolidated financial statements, 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 units subscribed by the Group represented 10.5% of the entire units of the ABS. The investment in ABS is unlisted debt securities and accounted for as financial assets at FVTPL with fair value of RMB31,808,000 as at 31 December 2020.

The directors of the Company estimated the fair value of the investment in ABS as at 31 December 2020 by using the discounted cash flow technique based on the information of the ABS obtained from the trust company. By applying the discounted cash flow technique, the directors of the Company estimated the fair value of the Group's investments in ABS to approximately RMB31,808,000 as at 31 December 2020 and recognised a fair value loss of RMB2,832,000 in the consolidated statement of profit or loss and other comprehensive income.

During the course of our audit, the directors of the Company have not provided us with the relevant documents or information, including the correspondences with and the financial information of the ABS prepared by the trust company, to support the cash flow estimation used in measuring the fair value of ABS as at 31 December 2020. There were no alternative audit procedures that we could perform to satisfy ourselves as to whether the fair value of the Group's investments in the ABS as at 31 December 2020 was reasonably estimated.

Any adjustments to the fair value of investments in ABS as at 31 December 2020 found necessary would affect (i) the fair value of FVTPL as at 31 December 2020; (ii) the fair value changes in financial assets at FVTPL for the year ended 31 December 2020; (iii) the presentation in the consolidated statement of cash flows for the year ended 31 December 2020; and (iv) the related disclosures in the consolidated financial statements.

C) Scope limitation on PRC bank related balances, PRC loans and accounts receivables, PRC other payables and disclosures

As at 31 December 2020, the Group's PRC subsidiaries had bank balances of approximately RMB6,960,000 placed in various PRC banks and segregated clients' accounts of approximately RMB3,755,000, bank borrowings of approximately RMB15,735,000 from PRC banks, bank facilities of RMB3,000,000 and as detailed in notes 21 and 24, respectively, to the consolidated financial statements. In addition, the Group's PRC subsidiaries had loans and accounts receivables and other payables of approximately RMB9,237,000 and RMB36,671,000 respectively as at 31 December 2020.

During our audit of the Company's consolidated financial statements for the year ended 31 December 2020, we were unable to send confirmation requests to the banks and other counterparties of the above-mentioned items to confirm the existence and balances of the various bank balances and the other accounts since the confirmation requests need to be authorised by the PRC subsidiaries evidenced by applying company seals. As detailed in note 1 to the consolidated financial statements, the company seals of the Group's PRC subsidiaries were taken into custody by the Nanshan Branch of the Shenzhen Public Security Bureau in the PRC.

Given this limitation of our audit work and there was no alternative audit procedures that we could perform to satisfy ourselves as to the existence, completeness and accuracy in respect of the information relating to the Group's 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, we were unable to determine whether the above mentioned financial statement items have been properly accounted for and/or disclosed in the consolidated financial statements. Any adjustments to the balances and disclosures relating to the above mentioned financial statement items that might have been found necessary may have a consequential impact on the Group's consolidated financial position as at 31 December 2020, the consolidated financial performance and the presentation in the consolidated statement of cash flows for the year ended 31 December 2020 and the related disclosures in the consolidated financial statements.

D) 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. 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) negotiated with banks for a debt restructuring; (ii) negotiated with a shareholder of the Company for extension of his lending; and (iii) obtain new financing to enhance the Group's liquidity, the directors of the Company have not provided us with information that we consider sufficient to evaluate whether the above mentioned plans and measures are feasible.

Due to the limitations on our scope of work as stated above, we 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 is appropriate.

Should the Group fail to continue as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets as current assets. The effects of these adjustments have not been reflected in the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group has been committed to developing itself as an influential real estate financial service provider in the PRC and has been putting great efforts in providing financial services to the real estate sector for many years. Leveraging on our experience and expertise in serving as leading real estate developers, our service coverage has been expanded to developers of different scales. We are honored to be able to fulfill the business needs of our business partners and support their continuous growth. During the year, the Group focused on the development of pipeline property development projects and provided services to our partners with our experiences and technologies through our financial service platform. Our core customer base continued to expand. We strived to mitigate compliance risks and reduce operating costs of the Group through business transformation, in order to maintain stable growth and retain our strengths during the downward cycle of the industry.

As at 31 December 2020, the revenue of the Group, loss before income tax expense and loss for the year attributable to the owners of the Company amounted to approximately RMB19.7 million, RMB490.8 million and RMB468.7 million, respectively. In 2020, performance of our investment in property development projects was further adversely affected by the cyclical downtrend of the real estate industry in the PRC, which resulted in a significant decrease in related investment income, financial consultation services income and fair value of the investments. Secondly, due to the repayment abilities of the Group's customers and business partners affected by economic environment of the PRC, the Group had to make substantial provision on loss allowance for the accounts receivables and other receivables. In addition, the Group had faced unprecedented challenges, including the China-USA trade war and the outbreak of coronavirus disease ("**COVID-19**"). The Group's operation has been affected in certain ways due to the travel restrictions, social distancing and quarantine measures in connection with the outbreak of COVID-19, as the Group has been taking all practicable measures to cope with the potential transmission of COVID-19 by striving for the highest caution standard to protect the health and safety of our staff, business partners and customers.

As at 31 December 2020, the cash and cash equivalents of the Group amounted to approximately RMB7.3 million, which represented a decrease of 56.8% as compared to the previous year. The decrease was mainly due to lack of sufficient operating income to meet the outgoing expenses during the year. The Group recorded a net asset of RMB301.7 million, which represented a decrease of approximately 60.9% as compared to the previous year. The debt to equity ratio and gearing ratio of the Group were approximately 5.2% and 4.0%, representing year-on-year increase of approximately 3.3 percentage point and 2.3 percentage point, respectively.

Investment in Property Development Projects

The Group's "investment in property development projects" segment was an extension of the Group's financial solution provider business leveraging on its experience in the financial services industry and also its understanding of the operational environment of the real estate industry via the provision of financial services to property developers of various sizes and other players along the real estate development value chain or their stakeholders in prior years.

Investment in property development projects was the main source of revenue of the Group in the past few years. In this segment, the Group's business and revenue mainly include investment income and financial consultation services income.

Since 2018, regulatory authorities have tightened real estate policies to curb asset bubbles and prevent financial risks and the principle of "houses are for living in, not for speculation" (房住不炒) has become the core direction of public opinion of the industry. The real estate industry highly relies on assets and the application of financial instruments and is materially affected by the policies. In 2019, the real estate industry decelerated. There were policies and regulations imposed by the China Banking and Insurance Regulation Commission in second half of 2019 to further crackdown the financing channels of property developers. In 2020, due to the impact of the global pandemic, China's economic grew slowed as it navigated through risks and challenges. After the imposition of the "three red lines", the real estate industry was under mounting pressure. In order to cope with the impact of the cyclical down trend of the real estate industry, the Group focused on the development of pipeline property development projects in 2020. The Group explored other business opportunities along the business value chain and aimed to control business risks with prudent operation through reducing cash expenditure relating to investment.

In the first half of 2020, with the impact of the outbreak of COVID-19 in the PRC, the majority of the construction and sale activities of the Group's property development projects were suspended and/or postponed. As a result, revenue from the Group's investments in property development projects recorded a significant decline during the year and, due to the expected delay in the cashflow derived from the sale activities of the Group's property development projects and the less than expected repayment to be received from the limited partnerships arising from certain disposal of the equity interests in project companies, a significant fair value loss of the relevant property investment projects was also recorded in 2020. In order to cope with the impact of the cyclical downtrend of the real estate industry, the Group focused on the development of pipeline property development projects in 2020. For the year ended 31 December 2020, there was no investment income generated from the property development projects of the Group. The Group explored other business opportunities along the business value chain and aimed to control business risks with prudent operation through reducing cash expenditure relating to investment.

As at 31 December 2020, the fair value of investment in property development projects held by the Group amounted to approximately RMB231.4 million.

Fin-tech Platform

In 2020, the Group has put great effort in transforming its internet finance business segment and cooperated with internet small loan companies to develop internet small loan business. The service of our financial technology service platform, "匯聯科技", was expanded to cover more property developers. Leveraging on our experience and expertise of serving leading property developers, we have fulfilled the business needs of many partners and enabled the industry for further development. The financial technology service platform has established comprehensive business process and technology system covering customer acquisition, risk identification, risk assessment, loan distribution channel, payment channel and big data analysis through cooperating with Tencent Cloud and other licensed institutions. Business needs of our partners can be fulfilled through quick access to the technologies. The platform facilitates asset-light operation with low risk through technology services and consolidates the position of the Group as a real estate financial service provider and its original aspiration to grow with core customers during the downward cycle of the industry.

With the impact of COVID-19, however, restrictions in travelling have greatly slowed down the communication and cooperation with potential customers, which hindered the development of the financial service platform and affected the financial performance of this segment.

Provision of loan services, financial consultation services, finance lease services

Under these two business segments, the Group provides short-term and long-term financial consultation services, entrusted loans, pawn loans and other loans to borrowers and financial institutions. The Group also provides long-term finance lease services. The Group tailored different types of financial products for its customers depending on their individual circumstances and funding needs in order to resolve the financing needs of the customers.

Cost Reduction and Internal Control

To cope with the industry downturn of its principal business, the Group further reduced its costs and strengthened its internal control. During the year, through optimising human resources and streamlining organizational structure of the Group, the number of staff of the Group decreased from 158 to 90 and the number of departments decreased from 14 to 9. The operation efficiency and per capita efficiency were further enhanced. In addition, the Group refined its business operation and improved its rules and regulations after assessment and supervision of the internal control of various business segments. Our internal control system was improved through supervising the implementation of remedial measures for the loopholes found during our inspection.

In general, the Group focused on its business and adhered to its prudent approach in operation in 2020. Against the backdrop of cyclical downtrend of the industry and the outbreak of COVID-19, the Group was determined to focus on the development of pipeline projects and to build up its internal strengths. All senior management members and our staff are confident and expecting a prosperous future.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2020, the Group recorded a turnover of approximately RMB19.7 million, representing a decrease of approximately 81.1% from approximately RMB104.4 million in the previous year, primarily due to the effects of development progress of property development projects and downward sales cycle. In the year under review, there were 12 property development projects.

In terms of revenue breakdown, revenue from financial consultation services for the year under review amounted to approximately RMB1.2 million, representing a year-on-year decrease of approximately 96.2%. Revenue from financial service platforms amounted to approximately RMB15.4 million, representing a decrease of approximately 21.0%. Revenue from interest income and finance lease service income for the year under review amounted to approximately RMB3.1 million, representing a year-on-year decrease of approximately 26.9%. For the year under review, there were no investment income from property development projects (2019: approximately RMB49.0 million).

Finance Costs

In the year under review, interest expenses of the Group decreased by approximately 83.8% to RMB1.2 million from RMB7.3 million in the previous year, which mainly resulted from the decrease in bank borrowings and corporate bond of the Group during the year.

Other Income/(Expenses), Net

The Group's other income/(expenses), net mainly comprised bad debts written off of loans and accounts receivables, dividend income from equity investments at fair value through other comprehensive income, 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, and bank interest income.

Administrative and Employee Benefit Expenses

Administrative and employee benefit expenses of the Group mainly comprised salaries and employee benefits, rental expenses, and marketing and advertising fees. In the year under review, administrative and employee benefit expenses of the Group was approximately RMB53.9 million, representing year-on-year decrease of 47.2%. The decrease was due to implementation of cost control of the Group.

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 RMB362.3 million (2019: RMB522.7 million) was recognised as fair value loss in profit or loss.

In particular, three limited partnerships in which the Group is one of the limited partners have disposed of their respective equity interests in three project companies during the year ended 31 December 2020 due to the expected continuous delay in the construction and sale activities of the relevant property development projects. Based on the latest information available to the management of the Group, it is estimated that the repayment to be received from the limited partnerships arising from such disposals would be significantly less than that originally expected by the Group. As such, a fair value loss of approximately RMB240.7 million was recognised for the relevant property development projects during the year ended 31 December 2020.

In addition, the Group has withdrawn its equity interest in a limited partnership which had invested in a property development project during the year ended 31 December 2020, due to the expected continuous delay in the construction and sale activities of the relevant property development project. Based on the latest information available to the management of the Group, the relevant property development project would incur a significant loss, so the Group did not expect no any repayment to be received from the project. As a result, a further fair value loss of approximately RMB144.4 million was recognised for the relevant property development project during the year ended 31 December 2020.

Loss Allowance on Financial Assets

In the year under review, impairment loss on loans and accounts receivables and other receivables aggregated approximately RMB89.5 million (2019: approximately RMB108.3 million) due to the increase in credit risk of certain customers.

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 RMB468.7 million (2019: RMB673.7 million), which was primarily due to (i) lack of investment income from property development projects and platform services income during the year, (ii) fair value loss of in financial assets at fair value through profit or loss approximately RMB362.3 million, and (iii) loss allowance on financial assets of approximately RMB89.5 million.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2020, the Group's bank balances and cash amounted to approximately RMB7.3 million (2019: approximately RMB17.0 million), and the Group's borrowings amounted to approximately RMB15.7 million (2019: approximately RMB14.4 million). The gearing ratio representing the total borrowings of the Group divided by the total assets of the Group was approximately 4.0% (2019: approximately 1.7%). As at 31 December 2020, 100% (2019: approximately 15.0%) of the Group's borrowings would be due within one year, while none (end of 2019: approximately 85.0%) of the Group's borrowings would be due after one year. As at 31 December 2020, the Group's borrowings were denominated in RMB (2019: same), with approximately 19.0% and 81.0% (2019: approximately 0% and 100%) of the Group's borrowings carrying interests at fixed and floating rates, respectively.

As at 31 December 2020, investment properties of the Group with an aggregate carrying amount of approximately RMB47.9 million (2019: RMB49.1 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.

ENVIRONMENTAL, SOCIAL AND CORPORATE RESPONSIBILITIES

As a responsible corporation, the Group is committed to maintaining the highest environmental and social standards to ensure sustainable development of its business. The Group has complied with all relevant laws and regulations in relation to its business including health and safety, workplace conditions, employment and the environment. The Group understands a better future depends on everyone's participation and contribution. It has encouraged employees, customers, suppliers and other stakeholders to participate in environmental and social activities which benefit the community as a whole.

The Group maintains strong relationships with its employees, has enhanced cooperation with its suppliers and has provided high quality products and services to its customers so as to ensure sustainable development.

Please also refer to the Environmental, Social and Governance Report contained in the annual report for further details of the Group's environmental performance and relationship with its employees, suppliers and customers.

BUSINESS OUTLOOK

Over the past few years, the Group has experienced significant changes in the political environment, including the increasingly stringent regulations for the real estate industry in China, which have affected the valuation and returns of the Group's property investment projects. There were also changes in the relevant polices in the PRC in relation to internet finance.

Although the Group's business was impacted by the political environment in China, China's economy is still on the upward trend. The Group has state-issued licenses for pawnbroking, finance leasing and factoring, and we have successfully cooperated with internet microfinance companies. In addition, our well-connected corporate partners also have licenses for the disposal of non-performing assets, insurance sales, and auction.

In the coming year, we will continue to have a mix of old and new businesses. On one hand, we will continue to carry on the business of our financial technology service platform, "匯聯科技", which has been expanded for further development. On the other hand, we will strive to explore new businesses. Currently, we have chosen the high-end medical aesthetics market segment in the comprehensive healthcare industry. With the combination of our license advantages and existing clientele, we are making steady progress and are looking forward to a good start. For financial services in the real economy, we will focus on equipment and commodity finance leasing, which will be a good indication of the scale of our businesses.

PRINCIPAL RISKS AND UNCERTAINTIES

Risks related to the Property Market in the PRC

The Group's investments in property development projects are largely dependent on the performance of property market in the PRC. A number of factors would affect the property market in the PRC, including changes in governmental policies, legal environment, social economy and consumers' confidence and preferences. Default on the part of the Group's business partners in the property development projects may also have significant and negative impact on the result of the Group's investments.

The Group pays attention to and monitors closely the property development projects to ensure smooth progress and the compliance of the terms and conditions of the cooperation agreements by its business partners.

Transformation of the Financial Services Platform

The financial services platform of the Group has undergone strategic transformation according to the requirements of relevant policies and withdrew from the existing development businesses in an orderly and compliant manner. The financial services platform of the Group has also proactively cooperated with internet small loan platforms to develop internet small loan business as part of the transformation, which might last for a relatively longer period of time and be exposed to uncertainties such as loss of customers, increased costs and change of policies. The Group shall oversee the transformation dynamically and make timely adjustments during the process in order to ensure the success of such transformation.

Risks related to Cyber Security

The Group handles significant amount of personal data and credit information of its customers, which is susceptible to cyber threats. The Group's operations, reputation and financial performance could be adversely impacted if the Group suffers from cyber-attacks that disrupt its operations.

The Group makes extensive use of multiple channels to keep informed of emerging cyber security threats to identify and implement measures intended to mitigate the occurrence and/or consequences of such risks.

MAJOR INVESTMENTS

During the year ended 31 December 2020, as one of the ordinary and usual course of business of the Group, the Group continued to invest in property development projects through investments in certain limited partnerships, which engaged in business of property development in the PRC.

The Group held investments in property development projects classified as financial assets at fair value through profit and loss ("**financial assets at FVTPL**") of approximately RMB231,351,000 as at 31 December 2020, which individually constituted 10% or more of the total amount of the financial assets at fair value (including financial assets at FVTPL and financial assets at fair value through other comprehensive income) as at 31 December 2020 and represented 5% or more of the total assets of the Group as at 31 December 2020. Further details are set out below:

Description of investments	**Location**	**Expire date**	**Land size of the project**	**Cost of investment**	**Fair value/ carrying amount as at 31 December 2020**	**Fair value gain/(loss) for the year ended 31 December 2020**	**Dividend received from the investment for the year ended 31 December 2020**	**% to total amount of financial assets at fair value**	**% to total assets**
			m^2	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*		
Investment in Partnership_ Shenzhen_1603	Longgang District, Shenzhen	2021	N/A*	40,000	36,597	4,307	–	11.5%	9.3%
Investment in Partnership_ Shenzhen_1605	Longgang District, Shenzhen	2021	N/A*	40,000	36,597	4,307	–	11.5%	9.3%
Investment in Partnership_ Chongqing_1801	Banan District, Chongqing	2022	N/A*	45,000	37,668	4,225	–	11.9%	9.5%
Investment in Partnership_ Chongqing_1802	Wanzhou District, Chongqing	2022	N/A*	37,990	31,809	3,568	–	10.0%	8.1%
Investment in Partnership_ Guangdong_1802	Zengcheng District, Guangdong	2021	33,664	25,000	55,645	7,608	–	17.5%	14.1%

* Urban redevelopment projects. Relevant land has not been acquired.

As at 31 December 2020, for the remaining 7 investments in property development projects, the ranges of:

– their fair values individually ranged from approximately nil to RMB16,741,000;

– percentage to total amount of the financial assets of fair value individually ranged from approximately 0% to 5.3%;

– percentage to total assets individually ranged from approximately 0% to 4.2%.

Looking ahead, the Board is of the view that as a result of the PRC's economy's relatively rapid growth and greater demand for commodity housing in the first and second-tier cities, the real estate industry is expected to maintain a momentum of long- term development given its indispensable role in the national economy. On the other hand, with the control measures such as region-specific regulatory policies and category-specific guidance implemented by the government, the real estate market shall see its development pace slowed down for adjustment, which intensified market segregation and accelerated consolidation of enterprises.

The Group had invested in property development projects (including urban redevelopment projects) in, among others, Shenzhen, Dongguan, Fujian, Xiangyang, Wuhan, Kunming, Guangdong and Chongqing. The Group will closely monitor the changes of policies and market dynamics in different places and adjust the investment direction and strategies of the Group in accordance with the characteristics of different places and projects in due time. The Group is actively looking for investment and development opportunities of Guangdong-Hong Kong-Macao Greater Bay Area and is committed to bringing the underlying value of the urban redevelopment projects, with a view to securing the returns to the shareholders of the Company.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend to shareholders of the Company for the financial year ended 31 December 2020.

LITIGATIONS, CLAIMS AND DISPUTES

1) As mentioned in the Company's announcement dated 26 March 2021, a writ of civil summons have been issued against Mr. Zheng Weijing ("**Mr. Zheng**"), Ms. Guo Chanjiao ("**Ms. Guo**"), two PRC subsidiaries of the Company (namely, Qianhai Flying Financial PRC Service (Shenzhen) Limited and Flying Investment Service (Shenzhen) Company Limited) 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 an guarantee in 2019 in favour of the claimant under the Writ to secure the Claimed Amount. As of the date of this announcement, no judgement has been concluded in respect of the writ. The Directors, taken advices from the Group's PRC legal counsels, it is probable that the Group has to bear the Claimed Amount accordingly, a provision loss of RMB16,306,300 has been provided for the year ended 31 December 2020.

2) 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 (the "**Bureau**") in the People's Republic of China (the "**PRC**") pending 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, 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 announcement, the investigations 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 approximately RMB47,870,000, unlisted equity securities classified as financial assets at FVOCI of approximately RMB54,129,000 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 approximately RMB128,838,000 (collectively, the "**Seized Assets**"). The Seized Assets owned by several PRC subsidiaries of the Company which are subject to certain guarantees (the "**Guarantee Documents**") provided by these PRC subsidiaries of the Company for the Unsettled Repayment Funds. As mentioned in the same announcement, the Seized Assets were pledged pursuant to the Guarantee Documents for the settlement of the Unsettled Repayment Funds in November 2019.

   Based on current information available and advices from the Group's PRC legal counsels, the Directors are view that the potential claims might arise from the Unsettled Repayment Funds would be limited to the Seized Assets under Guarantee Documents and assets owned by SZ Flying Internet Financial mainly included (i) one of the Seized Assets; (ii) amount due from group companies of approximately RMB1,990,000 and (iii) and other assets of approximately RMB3,426,000 as at 31 December 2020. As the Investigation is still in progress and no decision has been made by the court or Bureau, the Directors, taken advices from the Group's PRC legal counsels, are of the view that the amount of the claims cannot be measured with sufficient reliability.

THE GROUP'S RESPONSE TO THE BASIS OF DISCLAIMER OF OPINION

The following paragraphs set out the Group's response to the basis of disclaimer of opinion:

(i) 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, 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, the Auditors are 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 limited partnerships.

The Group had obtained sufficient information from the limited partnerships and the project companies to estimate the fair value of investments in limited partnership. However, the Group was unable to provide sufficient supporting document and information to prove to the Auditors that the relevant information was provided by the limited partnerships and the project companies.

The Group would proactively require the relevant party/(ies) to provide proof of authorization for the correspondence.

(ii) Scope limitation – valuation of assets-backed securities

The Auditors are of the view that they have not been provided sufficient evidence, including the correspondences with and the financial information of the assets-backed securities, to satisfy themselves as to the reasonableness of the Directors' estimation of the fair value of the Group's investment in the assets-backed securities.

The Group had obtained sufficient information from the trust company to estimate the fair value of the investment in the assets-backed securities. However, the Group was unable to provide sufficient supporting document and information to prove to the Auditors that the relevant information was provided by the trust company.

The Group would proactively require the relevant party/(ies) to provide proof of authorization for the correspondence.

(iii) 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, the Auditors are 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 favor 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.

The Group had endeavoured to negotiate with the Bureau to provide stamping on the relevant confirmations during the course of audit but in vain. The Group, together with its legal counsel, would continue to communicate with the Bureau for the release of the seals of the relevant PRC companies of the Group so as to facilitate the stamping of the relevant confirmations as required by the Auditors.

(iv) Scope limitation relating to going concern

The Group was unable to provide the Auditors with information that they consider sufficient to evaluate whether the below mentioned plans and measures are feasible.

The financial technical service platform, 匯聯科技, and other platform services of the Group continue to generate steady income which could help to ongoing operation of the Group.

The Group is negotiating with the potential investors in regarding the fund rising plans. The Group would proactively to approach relevant parties to achieve the fund rising plans.

In relation to the bank loans of RMB15,735,000, the Group is actively negotiating with the banks for the debt restructure exercise so that it will no longer be repayable on demand of the lender.

The Group is negotiating with a shareholder of the Company for extension of his relevant borrowing so that no action will be taken by that shareholder to demand immediate repayment of the borrowing.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

There was no material acquisition or disposal of subsidiaries and affiliated companies during the year ended 31 December 2020.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS AND EXPECTED SOURCES OF FUNDING

There was no specific plan for material investments or capital assets as at 31 December 2020.

CONTINGENT LIABILITIES

For the contingent liabilities of the Group as at 31 December 2020, please refer to point 2 of the "LITIGATION, CLAIMS AND DISPUTES" section in Management Discussion And Analysis (2019: nil).

CHARGES ON GROUP ASSETS

As at 31 December 2020, investment properties of the Group with an aggregate carrying amount of approximately RMB47.9 million (2019: RMB49.1 million) were pledged for a bank borrowing.

CAPITAL COMMITMENTS

As at 31 December 2020, the Group had no significant capital commitments (2019: nil).

FOREIGN EXCHANGE EXPOSURE

The Group is mainly exposed to the fluctuation of HK$ against RMB as its certain bank balances are denominated in HK$ which is not the functional currency of the relevant group entities. The Group has not made other arrangement to hedge against the exchange rate risk. However, the Directors and the management will continue to monitor the foreign exchange exposure and will consider utilising applicable derivatives to hedge out the exchange risk when necessary.

TREASURY POLICIES

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluation of the financial conditions of its customers. To manage liquidity risk, the Directors closely monitor the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2020, the Group had a total of 90 staff (2019: 158). Total staff costs (including Directors' emoluments) were approximately RMB25.3 million for the year ended 31 December 2020 (2019: RMB48.8 million). Remuneration is determined with reference to market conditions and the performance, qualifications and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include share option scheme, and contributions to statutory mandatory provident fund schemes and social insurance together with housing provident funds to its employees in Hong Kong and the PRC respectively.

The emoluments of the Directors are reviewed by the remuneration committee of the Board, having regard to the relevant Director's experience, responsibility, workload and the time devoted to the Group, the Group's operating results and comparable market statistics.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2020.

CORPORATE GOVERNANCE

The Board is of the view that the Company has met the code provisions set out in the Corporate Governance Code (the "**Code**") as set out in Appendix 15 to the GEM Listing Rules, except for the deviations from the code provisions of A.2.1 and A.5.1 of the Code as set out below:

Pursuant to the code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. During the year ended 31 December 2020, Mr. Zheng Weijing acted as both the chairman and the chief executive officer of the Company, and since 26 March 2021, Mr. Zhang Gongjun has acted as both the chairman and the chief executive officer of the Company. As of the date of this announcement, the roles of the chairman and the chief executive officer of the Company are not separate and both are performed by Mr. Zhang Gongjun. The Company is in the process of identifying a suitable person to act as the chief executive officer and shall make the announcement as and when appropriate. Since the Directors meet regularly to consider major matters affecting the operations of the Company, the Directors consider that this structure will not impair the balance of power and authority between the Directors and the management of the Company and believe that this structure will enable the Company to make and implement decisions promptly and efficiently.

As disclosed the announcement of the Company dated 19 November 2020, Mr. Leung Po Hon resigned as an independent non-executive Director. He also ceased to act as the chairman of the remuneration committee, and the member of each of the audit committee and the nomination committee of the Board with effect from 19 November 2020. Following the resignation of Mr. Leung, the Company failed to comply with Rule 5.05(1) of the GEM Listing Rules as its number of independent non-executive Directors fell below three; Rule 5.28 of the GEM Listing Rules as the audit committee of the Board had less than three members; and Rule 5.34 of the GEM Listing Rules as the remuneration committee of the Board was not chaired by an independent non-executive Director and did not comprise a majority of independent non-executive Directors as members.

Following the resignation of Mr. Leung, the Company deviated from A.5.1 of the Code as the nomination committee of the Board did not comprise a majority of independent non-executive Directors as members.

On 1 March 2021, the Company appointed Mr. Hsu Tawei as an independent non-executive Director, the chairman of the remuneration committee and a member of each of the audit committee and nomination committee of the Board. The Company then re-complied with the requirements under Rules 5.05(1), 5.28 and 5.34 of the GEM Listing Rules and A.5.1 of the Code.

The Company will continue to review its corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly tightened regulatory requirements and to meet the rising expectations of shareholders and investors.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has also made specific enquiry with all Directors, and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors during the year ended 31 December 2020.

COMPETING INTERESTS

None of the Directors, controlling shareholders of the Company and their respective close associates (as defined in the GEM Listing Rules) had any interests in any business which compete or may compete with the business of the Group or any other conflicts of interest which any person may have with the Group as at 31 December 2020.

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 and Mr. Hsu Tawei, 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 2020. The audited annual results for the year ended 31 December 2020 have been reviewed by the Audit Committee.

DELAY IN PUBLICATION AND DESPATCH OF THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

Pursuant to Rules 18.03 of the GEM Listing Rules, the Company shall publish and despatch its annual report (the "**2020 Annual Report**") for the year ended 31 December 2020, not later than 3 months after the end of its financial year, i.e. 31 March 2021. As additional time is required for the Company to finalise the 2020 Annual Report, the publication and despatch of the 2020 Annual Report will be delayed. The Board expected that the 2020 Annual Report would be published by 9 April 2021.

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

Hong Kong, 31 March 2021

As at the date of this announcement, the executive Directors are Mr. Zhang Gongjun (Chairman and Chief Executive Officer) and Ms. Guo Chanjiao (duties suspended); and the independent non-executive Directors are Dr. Vincent Cheng, Dr. Miao Bo and Mr. Hsu Tawei.

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).