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Flying Financial Service Holdings Limited

匯聯金融服務控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8030)

(I) DECISION OF THE LISTING COMMITTEE ON CANCELLATION OF LISTING

AND

(II) REQUEST TO THE LISTING REVIEW COMMITTEE TO REVIEW DECISION ON CANCELLATION OF LISTING

Financial adviser to the Company



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

References are made to (i) the announcements of the Company dated 4 June 2021, 28 June 2021 and 19 November 2021 in relation to, among others, the Resumption Guidance; (ii) the announcements of the Company dated 28 June 2021, 28 September 2021, 28 December 2021, 4 April 2022, 4 July 2022 and 3 October 2022 in relation to, among others, the quarterly update on the status of Resumption; (iii) the announcements of the Company dated 6 May 2022, 17 May 2022, 27 May 2022, 9 June 2022 and 10 June 2022 in relation to, among others, the listing committee decision on cancellation of listing (the “**GEM LC’s Decision**”) and the review request made by the Company; (iv) the announcements of the Company dated 9 August 2022 and 16 August 2022 in relation to, among others, the decision of the Listing Review Committee in relation to the Delisting Decision and the schedule of the Rehearing; (v) the announcements of the Company dated 29 July 2022, 12 October 2022 and 7 November 2022 in relation to, among others, the business update of the Company (collectively, the “**Previous Publications**”); and (vi) the third quarterly report of the Company for the nine months ended 30 September 2022 published on 11 November

2022 (the “**Third Quarterly Report 2022**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meaning as those defined in the Previous Publications and the Third Quarterly Report 2022.

DECISION OF THE REHEARING

The board of directors of the Company (the “**Board**”) regrets to inform the shareholders of the Company (the “**Shareholders**”) and potential investors that, on 17 November 2022, the Company received a letter (the “**LC Decision Letter**”) from the Stock Exchange stating that, after the Rehearing held on 18 October 2022 and having considered all the submissions (both written and oral) made by the Company and the Listing Division, the GEM Listing Committee decided that the Company had failed to maintain a sufficient level of operations and assets of sufficient value to support its operation under GEM Listing Rule 17.26. The GEM Listing Committee therefore decided to uphold a decision of the GEM Listing Committee dated 6 May 2022 to cancel the Company’s listing under GEM Listing Rule 9.14A (the “**17 November Decision**”).

Reasons for the 17 November Decision

Pursuant to and as extracted from the LC Decision Letter, the GEM Listing Committee arrived at its decision for the reasons, including but not limited to, as follows:

Business Scale of the Small Loan Platform

Before its trading suspension, the Company was engaged in the businesses of (a) Property Development Projects, (b) Operation of Financial Services Platform, (c) Loan and Financial Consultation Services and (d) Finance Lease Services.

The GEM Listing Committee was of the view that as a result of tightened regulatory requirements in the PRC in 4Q2019 and a very substantial disposal of the Company’s PRC subsidiaries (“**VSD**”) completed in June 2022, the Company now relies only on the operation of a small loan financial service platform established in 2020 (“**Small Loan Platform**”) to meet GEM Listing Rule 17.26. The GEM Listing Committee was of the view that the Small Loan Platform has an operating history of about two years and, until recently, maintained a minimal level of operations and was concerned about the viability and sustainability of the Small Loan Platform as its scale of operations continued to be small.

Business Model

For the six months ended 2022, the Small Loan Platform generated revenue of RMB27 million. For the purpose of the Rehearing, the Company submitted a Revised Forecast Memorandum dated 30 August 2022 (“**August Memorandum**”), indicating that the Small Loan Platform had generated an unaudited revenue of RMB34 million for the seven months ended 31 July 2022, and was estimated to generate revenues of RMB85 million for the year ended 31 December 2022 and RMB92 million for the year ended 31 December 2023.

The GEM Listing Committee was of the view that the Company attributed the improvement in the performance of the Small Loan Platform to one of its executive Director, Ms. Liu Yi’s (“**Ms. Liu**”) introduction of new customers to the Company.

However, the GEM Listing Committee was of the view that the Company has not demonstrated with sufficient detail how Ms. Liu has procured the new customers for the Company and could continue to procure sufficient customers to support the Company's financial performance in the long run. The GEM Listing Committee was concerned about the viability and sustainability of the business particularly given that any material change to or termination of the relationship between Ms. Liu and the Company would result in a material impact on the business performance of the Small Loan Platform.

The GEM Listing Committee also considered that the Company had not demonstrated with sufficient credibility and detail that the revenue generated in the short period during the six months ended 30 June 2022 was sustainable or was based on solid business strategies or model that could continuously secure sufficient customers and generate sufficient revenue and profits. In particular,

- (a) The Company indicated that the Small Loan Platform operated a B2B2C business in that it solicited enterprise customers which act as intermediaries to obtain loans (via the Company from money lenders) and then lend the loans to their own borrowing customers.

The GEM Listing Committee was of the view that the Company has not demonstrated clearly the detailed processes through which it solicited and secured the enterprise customers and money lenders (including disclosure of the identities and nature of the businesses of the money lenders).

- (b) The Small Loan Platform earned a service income when successfully matching an enterprise customer with a money lender. The GEM Listing Committee was of the view that the amount and basis of determining the service income or the processes through which the service income was determined/agreed was not clearly disclosed. Nor did the Company explain exactly the role and the work it performed to match its customers with the money lender(s) or what value-added services it provides during the process.
- (c) As described in the Company's submission, the enterprise customers were principally not engaged in the money lending business but did lend monies received to potentially multiple entities within their group structures.

The GEM Listing Committee was of the view that the Company only earned a one-off service income when successfully matching the enterprise customer with a money lender (instead of multiple fees per entity).

The GEM Listing Committee was of the view that the Company was not acting as a principal in the transactions and hence only earned an agency fee rather than earning regular interest income from the customer.

The GEM Listing Committee was of the view that it was questionable whether the Company's customers would regularly obtain repeat loans via the Company after being already introduced to a willing lender, and hence pay the service charges as suggested in the forecasts.

Profit Forecast

The Company had prepared a Forecast Memorandum dated 7 June 2022 (the “**June Memorandum**”) and presented the June Memorandum at the GEM LRC review hearing. Based on the June Memorandum, the Small Loan Platform was forecasted to generate revenue of RMB52 million for 2022. In the Company’s submission for the Rehearing, the Company produced the August Memorandum which revised the financial forecasts set out in the June Memorandum. The revised forecast showed an increase in the number of customers from eight in June 2022 to twenty nine in July 2022 and a 63% increase in the total forecasted revenues for 2022 and 2023 compared to those set out in the June Memorandum.

Further, in the June Memorandum, eight customers were expected to generate revenues for 2022 and 2023. However, based on the August Memorandum, two of them were not expected to generate any revenues for these two years. In addition, the respective revenues forecasted to be generated from the remaining six customers under the August Memorandum were substantially less than those set out in the June Memorandum.

The GEM Listing Committee was of the view that the following cast further doubt on the credibility of the financial forecasts set out in the August Memorandum:

- (a) The GEM Listing Committee was of the view that the Company has not explained the reasons for the substantial discrepancies between the June Memorandum and the August Memorandum as regards the revenue forecasted to be generated from the 21 new contracted customers.

The GEM Listing Committee was of the view that the Company claimed that these new customers were obtained by Ms. Liu, the Company’s sales team and third parties’ referrals within the period from June to August 2022, and their forecasted revenue was based on an agreed percentage of the contracted loan amount.

The GEM Listing Committee noted that the forecasted commission expenses for 2022 had increased from RMB19.1 million to RMB36.7 million (RMB18.7 million incurred commission expenses for January to July 2022 and was forecasted to incur another RMB18 million for August to December 2022). Commission expenses were related to the referral fees charged by third parties for the successful matching for the drawdown of borrowers.

The GEM Listing Committee was of the view that the growth rate of the Commission expenses (approximately 92%) was proportionally higher than the growth rate of the forecasted revenue (approximately 63%).

The GEM Listing Committee was of the view that while the Company explained that the increase was due to the commission paid to incentivise both third parties and its sales staff to procure more business for its Small Loan Platform, the Company only forecasted a minimal increase in employee benefit expenses (which mainly included the directors’ remuneration, salaries, and contribution to social welfare for management and administrative staff which were based on the contractual arrangement). The GEM Listing Committee was concerned that the Company may have underestimated its employee benefit expenses for 2022.

- (b) The forecasted revenue of RMB85.4 million for 2022 was projected based on the average monthly revenue during the seven months ended 31 July 2022. The GEM Listing Committee was of the view that it was questionable whether this methodology was appropriate, given that (i) the Company was supposed to earn a one-off service income when successfully matching a customer with a money lender (instead of earning regular interest income from the customer); and (ii) none of the enterprise customers appeared to be engaged in the money lending business.

The GEM Listing Committee was of the view that it was therefore questionable whether these enterprise customers would regularly obtain new loans via the Company and pay the service charges as suggested in the forecasts.

- (c) The GEM Listing Committee was of the view that the financial forecasts provided by the Company were not supported by “signed contracts and supportable customer demand” (as required under the Guidance Letter GL106-19)).

The GEM Listing Committee was of the view that although the Company had provided samples of six signed contracts with enterprise customers in its submission on 16 September 2022, the lack of information about the business model or plan, coupled with the Listing Division’s observations on the financial forecasts as explained above, caused the GEM Listing Committee to remain of the view that the credibility of the Company’s financial forecasts was questionable.

Level of assets

The GEM Listing Committee was of the view that based on the 2022 interim report of the Company, as at 30 June 2022, the Company had total assets of RMB51 million, almost all of which were cash or deposits paid/prepayments/other receivables. The GEM Listing Committee was of the view that the Company failed to demonstrate that it had assets of sufficient value to support the Company to carry out a business which was of substance, viable and sustainable. The GEM Listing Committee did not consider that the Company had sufficient assets to support its operations.

In light of the above, the GEM Listing Committee was of the view that Company has not demonstrated compliance with GEM Listing Rule 17.26.

OPINIONS OF THE BOARD TOWARDS THE 17 NOVEMBER DECISION

The Board regrets the 17 November Decision and considers that the GEM Listing Committee has not thoroughly taken into account of the evidence submitted by the Company for the purpose of the Rehearing on 30 August 2022 and 7 September 2022 (collectively, the “**Company Rehearing Submissions**”), in particular:

Financial Service Platform of the Group

As stated in the Company Rehearing Submissions, the Company has commenced its operation of financial service platforms since 2015. The Group’s financial service platforms initially offer professional financial services in the real estate market. Through the continuous development of such operation, the Group further launched its financial management service platform in 2018 to provide banking and deposit management services.

It had operated in compliance with the requirements of the regulatory department at material time. Besides, such platform has risk control module to prevent corporate customers from duplicate borrowing and to identify fraud and tax payment pattern and development data.

In view of the tightening regulatory environment in the PRC in 2019, the Group has put great efforts in consolidating and expanding its internet financial business segments and cooperated with internet small loan companies to develop internet small loan business.

Such 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 the Group's partners can be fulfilled through quick access to the technologies.

The aforesaid development of the Group's operation of financial service platforms since 2015 demonstrated that the Group is always attentive to the changing needs of the market and customers and responds rapidly in an ever-evolving technological environment.

The Company believes that it is one of the essential factors to the sustainability of its financial services platform. The Company considers that the consolidation and expansion of services provided by its financial service platforms in 2019 is another effective change based on the then existing resources of the Group's own financial platform under the changing regulatory situation, and that such consolidation and expansion of services only results in change in service provided by such platform while does not deviate from the Group's original principal business. The Company considers that such consolidation and expansion of services has safeguarded the interests of the Company and its shareholders as a whole.

Although the Group's operation has been affected in certain way due to the travel restrictions, social distancing and quarantine measures in connection with the outbreak of COVID-19, the Group still records revenue from the operation of such financial service platform of approximately RMB15.4 million and RMB19.7 million for the years ended 31 December 2020 and 2021 respectively and the revenue from the operation of such financial service platform represented major portions of the overall revenue during the years. The Company considers that such results has demonstrated the sustainability of its services platform.

Effect of the Incident and the VSD

Due to the affect of the Custodies, the Group's operation has been affected in certain way. Part of the investments and assets of the Disposal Group are subject to litigations and seizure.

Thus, in order to resolve the adverse impact brought by the Custodies to the Group and fulfill the Resumption Guidance, including but not limited to, addressing the issues giving rise to the disclaimer of opinion on the 2020 Annual Report of the Company, providing comfort that the disclaimer of opinion in respect of such issues would no longer be required and disclosing sufficient information to enable investors to make an informed assessment of its financial positions as required under Rule 17.49B of the GEM Listing Rules, the Company conducted the VSD so as to get rid of the then relevant subsidiaries involved in the Custodies.

The service of the Group's financial service platform was originally provided by subsidiaries of the Company which formed part of the Disposal Group. Due to the VSD, the Listing Division and the GEM Listing Committee did not take into account the income from the disposal group and consider that the Small Loan Platform recorded minimal revenue for the year ended 31 December 2020.

In the Company Rehearing Submissions, the Company has reiterated that the substances of the Group's operation of the financial services platform have stayed with the Remaining Group following the completion of the Disposal due to that the VSD has disposed assets and liabilities of the Disposal Group, while the financial service platform business, including operation staffs, database and operation system, customers, technical knowhow and potential customer contacts, have stayed with the Remaining Group after the disposal.

The appearances of minimal level of the historical operations of the Group's existing business operation are merely due to the results of the treatment of the respective accounting standards following the Disposal and did not reflect that the business operation of the financial services platform has stayed with the Remaining Group after the VSD, and that the Company considered the main business of the Group are the same before or after the VSD and therefore disagrees with the view that there has been any material change of the Group after the VSD.

Business Model

Among the Company Rehearing Submission, the Company has also updated the GEM Listing Committee regarding the business model of the Group's financial services platform since the expansion of its services in 2019 with details as below:

- (i) Through the business network of the management and/or the referral of the enterprise customers of the Group, the sales team of the Group will approach potential enterprise customers with financing needs;
- (ii) Enterprise customers with financing needs could also reach out the Group through the Group's internet platform and provide their information to the Company in order to obtain the Company's financing assistance counselling support services;
- (iii) The sales team of the Group will first conduct analysis on the enterprise customers' financing needs, asset capital and liability structure, basic creditworthiness, corporate quality, quality of collateral (if any), etc. with reference to the historical credit approval data from the Group's database;
- (iv) The Group will not further proceed the cases if such enterprise customers could not meet the respective creditworthiness standard in order to maintain the Group's reputation with the counterparties of the Group;
- (v) For those potential enterprise customers which sufficient creditworthiness, the Group's sales and analysis team will create customised loan solution plan for those customers with reference to the with reference to the historical credit approval data from the Group's and other database;

- (vi) The Group will then enter into agreement with the enterprise customers to formally obtain the Group's financing assistance counselling support services. Among the respective agreements will include, but not limited to, the Group's services charges calculating basis and aggregate loan amount target of the enterprise customers (as the case maybe);
- (vii) The Group will approach suitable money lending entities including, but not limited to, banks, financial institutions, micro-lending company in the PRC on behalf of the enterprise customers and provide the Group's analytical information to the respective money lending entities;
- (viii) During the due-diligence process of the respective money lending entities on the customers, the operating team of the Group will assist the enterprise customers in preparing those relevant information to ensure prompt response to those request and that the information meets the bank's requirements;
- (ix) The operating team of the Group will keep coordinating with money lending entities and the enterprise customers under different circumstances to secure a smooth execution of loan agreements, such as assistance in mortgage registration and issuance of guaranteed letters. It will also assist to materialise drawdown conditions, ongoing obligation and post-loan risk management regarding the loan agreements between the money lending entities and customers; and
- (x) Upon the successful drawdown of the loan, the Group will then charge the enterprise customers respective services fees as stated in the agreements entered into between the Group and the enterprise customers.

In addition, the Company also updated the GEM Listing Committee that the loan proceed received by the enterprise customers would be used as following circumstances including, but not limited to:

- (i) The enterprise customers would use the loan proceed in its specific project and/or as its general working capital;
- (ii) The enterprise customers would re-lend such loan proceed to finance its business affiliates;
- (iii) The enterprise customers would use the loan proceed to finance its counterparties, such as its suppliers and/or customers for procurement of raw materials and/or goods, settlement of receivables, etc.; and
- (iv) The enterprise customers would use the loan proceed to finance its customers for different investment, operation for entities invested, etc..

The Company considers that the enterprise customers lend monies received to potentially multiple entities within their group structures did not mean that those enterprise customers could be able to re-obtain the loans provided by suitable money lending entities including, but not limited to, banks, financial institutions, micro-lending company in the PRC. In addition, based on the norm of the financing industry in the PRC, the loan granted by the money lending entities usually with term of 1 year. After the end of the respective loan

agreements, the enterprise customers shall either repay the whole loan granted or negotiating for renewal with new terms and condition with the original and/or other money lending entities through a new application.

The circumstances of the business environment in the PRC are keep changing, as such, (i) it is not guarantee that those enterprise could be able to fulfill the requirements imposed by those money lending entities and could succeed on renewing the loans; and (ii) the renewal terms may not be the best offer those enterprise customers could be able to obtain in the market. Therefore, the services provided by the Group's financial services platform could assist them to fulfill the requirements need as well as search for a better offer through the Group's analytical platform.

Besides assisting the enterprise customers in the new application, the Company could also provide new financing solutions to those enterprise customers. The Company will provide updated market information to those enterprise customers with the support of the Group's database to assist them to renew such financing with favourable terms and conditions and/or channelling them to more suitable money lending entities.

On the other hand, the Company could also assist to update the enterprise customers' profiles which could support the re-assessment on the enterprise customers by the money lending entities.

In addition, since the liquidity and financing needs of corporations in the PRC has always been there and the development of those enterprise customers will also lead to further demand of financing, which could be revealed from different sources of news, while it is not uncommon of mismatching (e.g. unsuccessful loan applications or borrowers has obtained loan with higher interest rates as compared to the market rate, delay in the loan applications) between enterprise borrowers and money lending entities based on the experience and expertise on its operation of its financial service platform, the Company is of the views that the Group's financial services platform could certainly solve problems and provide solutions of money lending and provide value-added services to both the enterprise borrowers and the money lending entities.

For the enterprise borrowers, it is common that they did not understand their rating of its creditworthiness and could not reach suitable money lending entities. Also, they have no idea of different financing solutions and could not obtain applicable financing resources to support its operation. Those enterprise borrowers also did not understand the requirements of different money lending entities, which results in delay or even lapse of the loan application.

On the other hand, it is a general problem that the money lending entities might not have enough resources to approach potential enterprise borrowers. The assessment process and credit analytical process of those money lending entities may also be clumsy which lead to the failure of those loan application. The policies and/or internal control of those money lending entities also restrict the individuals in those entities in assisting potential clients to fulfil the respective requirements efficiently.

The aforesaid mismatch and problems as mentioned above could be resolved through the Group's analytical platform. As such, the Company is of the view that the Group not only could continue to attract new enterprise customers to engage the Group's financial services, and that it could also establish long term business relationship with its enterprise customers.

The Group's employees

The Company is of the view that the GEM Listing Committee's concern about the operation of the Group's financial services platform being reliant on Ms. Liu is unjustified. Among the Company Rehearing Submissions, the Company has clearly stated that the Company has appointed Ms. Liu as executive director on 23 May 2022 as she has experience in serving micro-credit and money lending companies. Through the business network of Ms. Liu, and through the business team cold call/cold visit, or cooperative financial channels such as banks and other existing customers or third parties recommendations, the sales team maintains a pipeline of potential customers, the Company succeed in expanding the customers base and further support the growth of the operation of the Group's financial services platform. However, the Company attributes the growth in business to the appointment of Ms. Lui shall not be mis-interpreted as materially reliant on Ms. Liu, which is in fact not the case. The Company believes that such misinterpretation completely neglects the well-developed financial service platform of the Group and negates the dedication of the Group's experienced sales, analytical, operation and research and development team.

In the Company Rehearing Submissions, the Company has stated that following the completion of the VSD, the subsidiary of the Company currently responsible for the operation of the Group's financial services platform is Shenzhen Huidun Technology Company Ltd.* (深圳市匯盾科技有限公司) (“**Shenzhen Huidun**”). Among the 24 employees of the Group responsible for the operation of the Shenzhen Huidun as at the date of the Company Rehearing Submissions, 21 of them are originally responsible for the operation of the financial services platform in the Disposal Group. These 21 employees have been employed with the Group for 3 to 10 years.

The employee of the Group who is leading the sales team of the Group's financial services platform has been working in the Group for 5 years with 22 years of experience in the industry. The employee of the Group who is leading the analytical team of the Group's financial services platform has been working in the Group for 10 years with legal professional qualification granted by the Ministry of Justice of the PRC and Fund Practitioner Qualification granted by China Securities Investment Fund Association. The employee of the Group who is responsible for the operation of the Group's financial services platform has been working in the Group for 5 years and with 11 years of experience in the industry. The employee of the Group who is responsible for the research and development of the Group's financial services platform has been working in the Group for 7 years and with 10 years of experience in the industry. Given that the Group has commenced its operation of financial service platform since 2015 which is managed by officers with expertise in the business, the Company considers that the operation of financial service platform is mature, and given that the key personnels of the operation team as mentioned above has demonstrated long term commitment to the Group and that the customers have stickiness with the Group's lending platform service as mentioned above, it is the Group's view that the Group has no material reliance on Ms. Liu.

With reference to the annual report 2021 of the Company published on 30 June 2022, the Group records revenue from the operation of the financial service platform of approximately RMB15.4 million and RMB19.7 million for the year ended 31 December 2020 and 2021 respectively. Such financial performance of the operation of the Group's financial services platform demonstrates that the sales team of the Group's financial services platform is playing great effort to introduce new customers while the professional services provided by the analytical team of the Group's financial services platform could satisfy the demands from the enterprise customers, which shall definitely be another evidence to support the viability and sustainability of the Group's existing business.

Due to the Custodies and the reorganising the Group's business operation structure resulted from the VSD, the operations of the Group's financial service platform has been temporarily affected. The Company considers that the appointment of Ms. Liu has successfully reboot and revitalised the team and put the operation of the Group's financial service platform back on track. Meanwhile, the Company is of the view that due to the maturity level, viability and sustainability of the Group's financial service platform as mentioned above, any material change to or termination of the relationship between Ms. Liu and the Company would not result in any material impact on its business performance.

The Company provides further information of business plan and strategies, as follows:

- (i) It is a decent environment for the Company's lending platform business in view of that the medium- and long-term liquidity has been injected into the banking system in various ways by The People's Bank of China to maintain reasonable and sufficient liquidity, which has provided a suitable liquidity environment. To grasp development opportunities under such environment, the Company has been focusing on driving up the market share and revenue as an expansion strategy; and
- (ii) To further explore the business opportunities of monetizing the big data capability and establish an open platform with peer companies to cooperate in the areas of data acquisition and anti-fraud; and
- (iii) In addition, the Company endeavor to continuously extend and upgrade the lending platform services to attract more potential customers and enhance customers' overall activeness in our platform through deeper interactions with each customer throughout its business cycle and further increase the market penetration; and
- (iv) The Company plans to expand the scale of the lending platform services through a more convenient application process and a more efficient precision marketing; and
- (v) The Company strive to expand the customer base. Specifically, the operation team will help potential customers establish their credit profiles and streamline the process of loan application made through the platform to assist potential customers to become contracted new customers and even customers of multiple loans. In addition, the operation team will continue to maintain a conservative credit assessment standard; and
- (vi) The Company endeavor to improve precision marketing strategies to identify customers' evolving financial needs. The Company will utilize various promotion to reach out to and incentivise customers with potential financing needs to try out the lending platform services.

Profit Forecast

The Company considers that the profit forecasts were appropriately prepared in all material aspect after considering the business model, status of business operation and economic environment at the juncture of the preparation and the concerns of GEM Listing Committee are responded as follows:

- (i) As stated in the Company Rehearing Submissions, the Company previously submitted to the GEM Listing Committee on 16 September 2022:
 - (a) Per unaudited financial figures of the Company, up to the end of August 2022, the revenue has reached approximately RMB45 million for the eight months ended 31 August 2022 (for the seven months ended 31 July 2022: approximately RMB34 million), representing approximately 86% of the forecast revenue for the whole year of 2022 in June Memorandum and that the management of the Company considered that the revenue figure would soon exceed the forecast revenue for the whole year of 2022 per June Memorandum; and
 - (b) The Company considers that the management of the Company shall update the forecast income by customers according to the latest change in potential demand of each customer as noted by the management to reflect the latest picture (accordingly, forecast should be updated from time to time to reflect customer's demand, financing status promptly and timely and therefore minor changes from time to time are not unreasonable); and
 - (c) To the best understanding of the Company, the fast-growing revenue of the Group in 2022 is due to that (i) the corporates and/or end customers would seek for enough liquidity given the continuous impact by COVID-19 in PRC (in most cases corporates will need extra liquidity and funding to weather this unprecedented pandemic and economic winter); (ii) in order to stabilize the economy, the People's Bank of China has cut the loan market interest rate for a few times this year to stimulate borrowing and investment activities; (iii) with the appointment of new management of the Company, the operation of the Company has been strengthened through cooperation among various team. The sales team approaches for potential customers (sales team approaches potential customers via (i) referrals from external small and medium-sized enterprises ("SME") financing intermediaries through their regular meetings; (ii) various online media including specific themed WeChat group, Business Networking Mobile App/Platform in the PRC such as Zdao* (找到), MaiMai* (脉脉), those are of similar to LinkedIn), the analytics team stays close to the market to provide the most appropriate analysis (based on their internal database and financial analysis models with various parameters source of income, repayment capability assessment, spending pattern, prevailing economy conditions of respective city) to the customers, the channelling team maintains good relationships (via regular meetings and market intelligence update in terms of borrower demand/pattern and lending criteria) with money lending entities along the way to assist customers succeed in obtaining loans (from assisting customers to collect and collate documents required for loan application, preliminary loan terms assessment and negotiation with lenders), and the operations and research and development team keeps the Group's financial services platform functioning and

updated (most importantly, accumulate volume and relevant data for the platform) and has attracted some new customers; (iii) given the size of loan market of PRC reaches trillions of Renminbi nowadays, the Company still has a huge room for development; and (iv) after the Company has made it clear that the litigation involved with the previous directors is not related to the existing management team, the Company has solved trust issue with customers and there were over 20 new contracted customers as submitted in August Memorandum; and

- (d) Among the Rehearing, it has been clarified that all 8 customers in the June Memorandum were expected to generate revenue for these two years and were included in August Memorandum revenue forecast figures; and the Directors consider that the management of the Company shall update the forecast income by customers according to the latest change in potential demand to reflect the latest picture; and
 - (e) the Company considered that the August Memorandum is supported by signed contracts and supportable customer demand and the credibility of the Company's financial forecasts shall not be questionable. Samples of signed contracts with enterprise customers was enclosed to the Company Rehearing Submissions and agree-upon procedures engagement in accordance with the Hong Kong Standard on Related Services (HKSRS) 4400 (Revised) "Agreed-Upon Procedures Engagements" was carried out to assist the Group in determining whether such revenue is supported by relevant service agreements/sales contracts and payment records in all material aspect. Such information has also been announced by the Company on its announcement dated 9 August 2022.
- (ii) The Company has also provided the following information through publishing update announcements:
- (a) As announced by the Company on 12 October 2022, in relation to the increase in revenue of the Group for the seven months ended 31 July 2022, the procedures performed by the Auditor and the findings of the October AUP Procedures on confirming the Group's revenue for the seven months ended 31 July 2022 is supported by relevant service agreements/sales contract and sales invoice in all material aspect.
 - (b) As announced by the Company on 7 November 2022 (Inside Information — Business Update), with reference to the most recent unaudited consolidated management accounts of the Group for the ten months ended 31 October 2022 (the "**Ten Months 2022**"), the Group expects to record consolidated revenue amounted to approximately RMB62.1 million.

(iii) Further information is provided by the Company, as follows:

- (a) Through the business team cold call/cold visit, or cooperative financial channels such as banks and other existing customers or third parties recommendations, the sales team maintains a pipeline of potential customers. As at 31 October 2022, there are more than 50 potential customers in the pipeline and through the Company's sales team and operation team's ongoing contact and follow-up communications, part of the pipeline is expected to become the Company's newly contracted customers; and
- (b) In the past two quarters, there were continuous lock-downs and movement restrictions of different parts of PRC due to COVID-19, including Shanghai, Beijing, Anhui, Henan, Wuhan, Shenzhen, Zhejiang, Hainan, Sichuan, Yunnan, etc. which affect various enterprises' operation, investment and financing activities, and the Company have experienced relevant change in customers' demand for loan: (i) Some customers would lower their loan requirement generally because certain business expansion and development plan and/or investment plan have been delayed, (ii) while other customers would demand for more loan amount and facilities to maintain reasonable and sufficient liquidity under more challenging business environment and/or seek for development opportunities in view of rebound of economy in the future; and
- (c) The Company maintains sustainable and viable connection with money lending entities including, but not limited to, banks, financial institutions, micro-lending company in the PRC via consistently feeding lenders with (i) regular, precise and timely market intelligence update to lenders; (ii) actionable, quality and ready-to-go customers with realistic expectation of financing terms in the meantime help them to filter out a large volume of unrealistic, unactionable and unfinanceable leads. Generally speaking, SME borrowers in PRC has a much lower level of financial literacy compared to those in Hong Kong and more hand-held service and assistance are much more needed from end-to-end as they tend to devote themselves in business development and day to day operation while rely on platform/service providers to follow up the entire loan process. In contrary to the market norm of the Hong Kong money lending market that borrower doesn't pay service fee, for loan transactions in PRC, fees are paid by the borrower to the platform rather than the lender. The front-line staff will get noted when the loan quota of money lending entities is not fully utilized by the Company's current customers then other suitable potential customers will be referred for the loan amount and become the Company's newly contracted customers, and thus the Company's overall forecast revenue figures is with certain stability and comfort level; and

- (d) It is a decent environment for the Company's lending platform business in view of that the medium- and long-term liquidity has been injected into the banking system in various ways by The People's Bank of China to maintain reasonable and sufficient liquidity, which has provided a suitable liquidity environment. To grasp development opportunities under such environment, the Company has increased its commission expense to drive up the market share and revenue as an expansion strategy; and
- (e) While the bonus to the Company's staff would be considered at year end depending on the overall revenue and profitability of the Group as a whole and it would be conservative at this stage given that the overall employee benefit expenses are expected to increase in year 2022 as compared to year 2021 and that financial resources would be currently focused on expansion of the Company. While upon completion of resumption of listing, the management of the Company would consider employee share option scheme or share award scheme as an alternative way to incentivise dedicated staff with long term contribution to the Group. In this way, the management of the Company considers that the employee benefit and the Company's long term development goal could be bound together and that the employee benefit expense is in line with the expectation; and
- (f) The Company's operating subsidiary usually entered into agreement with its customers with a term from one year to three years and would consider the income derived from such agreement of the provision of lending platform service is continuous service income instead of one-off service income, given that, as set out in the Company Rehearing Submissions:
 - (i) based on the norm of the financing industry in the PRC, the loan granted by the money lending entities usually with term of 1 year. After the end of the respective loan agreements, the enterprise customers shall either repay the whole loan granted or negotiating for renewal with new terms and condition with the original and/or other money lending entities through a new application; and
 - (ii) besides assisting the enterprise customers in the new application, the Company could also provide new financing solutions to those enterprise customers. The Company will provide update market information to those enterprise customers with the support of the Group's database to assist them to renew such financing with favourable terms and conditions and/or channelling them to more suitable money lending entities; and
 - (iii) on the other hand, the Company could also assist to update the enterprise customers' profiles which could support the re-assessment on the enterprise customers by the money lending entities; and
 - (iv) the Company has enterprise customers engaging in (i) micro-loan business within the administrative jurisdiction of Shenzhen, and (ii) asset management, investment management, investment consulting, financial consulting, equity investment, investment consulting and financial intermediary services; and

- (v) the loan proceed by the enterprise customers would be used in the following circumstances including, but not limited to:
 - (a) The enterprise customers would use the loan proceed in its specific project and/or as its general working capital; and
 - (b) The enterprise customers would re-lend such loan proceed to financing its business affiliates; and
 - (c) The enterprise customers would use the loan proceed to finance its counterparties, such as its suppliers and/or customers for procurement of raw materials and/or goods, settlement of receivables, etc.; and
 - (d) The enterprise customers would use the loan proceed to finance its customers for different investment, operation for entities invested, etc.; and
- (vi) Given that there is always financing needs of the enterprise customers for their different operations and the development of those enterprise customers will also lead to further demand of financing, the Company is of the view that long term business relationship could be established with those enterprise customers and would create continuous service income; and
- (vii) It is not uncommon that the Company's customers will request for multiple loans with multiple banks and with renewals, and that the Company maintain and update the customers borrowing information from time to time for potential loan matching which create stickiness for the service demand with the Company's lending platform.

As mentioned above, the sales team maintains a pipeline of potential customers. As at 31 October 2022, there are more than 50 potential customers in the pipeline and when the loan quota of money lending entities is not fully utilized by the Company's current customers (e.g. decrease in expected loan amount of some customers due to unforeseeable circumstances), other suitable potential customers will be referred to take up the available quota of loan amount and become the Company's newly contracted customers, and thus the Company's overall forecast revenue figures is with certain stability and comfort level. In preparation of the forecasted revenue, the management of the Company reviewed and discussed the figures with operation team and checked if any adverse factors would affect the feasibility of forecast figures at that juncture. The Company is of the view that the methodology in coming up the forecasted revenue was appropriate.

The Company may seek respective professional parties advice, among others, to further endorse the profit forecast (accordingly, the sustainability and viability of the Group's business) when necessary.

Level of assets

- (i) On 11 November 2022, the Company published the third quarterly results for the nine months ended 30 September 2022. For the three months ended 30 September 2022, the Company has attained profit for the period of RMB4.2 million (three months ended 30 September 2021: RMB1.4 million), and for the nine months ended 30 September 2022, excluding one-off professional fee related to resumption and loss on disposal of subsidiaries, the Company achieved profit for the period of RMB 13.4 million; and
- (ii) On 8 July 2022, the Company published circular related to (1) Proposed Capital Reorganisation; (2) Connected Transaction in relation to Subscription of New Shares under Specific Mandate; (3) Application for Whitewash Waiver. The gross proceed of the Subscription of New Shares amounted to HK\$25.95 million. On 2 August 2022, the Company published an announcement that the resolutions in relation to the circular mentioned above were duly passed at the extraordinary general meeting and that the Executive has, on 26 July 2022, granted the Whitewash Waiver, subject to the fulfilment of conditions as stated in the announcement.

Given that (a) the main business of the Group is operation a service business which is asset-light in nature, (b) the Group recorded net asset position of RMB5.7 million based on the 2022 interim report as at 30 June 2022, (c) excluding the one-off expenses, the group's business generate net profit in 2022 as mentioned above and the business is at a self-sustainable status and (d) the Company will have proceeds of HK\$25.95 million in relation to Subscription of New Shares as mentioned above, the Company considers that it has sufficient assets to support its operation.

REVIEW REQUEST OF THE 17 NOVEMBER DECISION

Under Chapter 4 of the GEM Listing Rules, the Company has the right to have the 17 November Decision referred to the Listing Review Committee of the Stock Exchange (the “**Listing Review Committee**”) for review within seven business days from the date of issue of the 17 November Decision (i.e., on or before 28 November 2022) (the “**LRC Review**”). If the Company decides not to request to have the LRC Review, the last day of listing of the Company's shares will be on 1 December 2022 and the listing of its shares will be cancelled with effect from 9:00 a.m. on 2 December 2022.

After seeking professional advice and with due consideration, the Company has submitted an application requesting the 17 November Decision be referred to the Listing Review Committee for review on 21 November 2022.

The Company hereby reminds the Shareholders and potential investors of the Company that the outcome of the LRC Review is uncertain. Shareholders who have any queries about the implications of the delisting of the Company's shares are advised to seek appropriate professional advice.

Further announcement(s) will be made by the Company in respect thereof as and when appropriate.

Shareholders who have any queries about the implication of the Stock Exchange's notice of proceeding to cancel the Company's listing are advised to seek appropriate professional advice.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was halted with effect from 11:19 a.m. on 29 March 2021 and will remain suspended until the Company fulfils the Resumption Guidance.

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

By the Order of the Board
Flying Financial Service Holdings Limited
Leung Man Kit
Executive Director

Hong Kong, 21 November 2022

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

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; and there are no other matters the omission of which would make any statement herein or in this announcement misleading.

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