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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8030)

UNAUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

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

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

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

*This announcement, for which the directors (the "**Directors**") of Flying Financial Service Holdings Limited (the "**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purposes of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief: (i) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; (ii) there are no other matters the omission of which would make any statement herein or this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

The board (the "**Board**") of Directors hereby submits the unaudited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2019, together with the comparative audited figures for the year ended 31 December 2018 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2019

	Notes	**2019** *RMB'000* **(Unaudited)**	2018 *RMB'000* (Audited)
Revenue	4	**97,936**	220,353
Other income, net	5	**7,726**	3,984
Employee benefit expenses	7	**(48,847)**	(68,120)
Administrative expenses		**(43,801)**	(71,629)
Fair value changes in financial assets at fair value through profit or loss		**(524,761)**	65,133
Impairment loss on goodwill	11	**(48,316)**	–
Impairment loss on intangible assets	12	**(14,858)**	–
Loss allowance on financial assets		**(48,305)**	(13,243)
Equity-settled share-based payments		**2,169**	(7,607)
Share of results of a joint venture		**–**	7,553
Finance costs	6	**(7,163)**	(15,127)
(Loss)/profit before income tax	7	**(628,220)**	121,297
Income tax credit/(expense)	8	**800**	(22,372)
(Loss)/profit for the year		**(627,420)**	98,925
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		**(8,791)**	999
Item that may be reclassified subsequently to profit or loss:			
– Exchange differences on translating foreign operations		**(3,704)**	6,990
Total comprehensive income for the year		**(639,915)**	106,914

	Notes	**2019** ***RMB'000*** **(Unaudited)**	2018 *RMB'000* (Audited)
(Loss)/profit for the year attributable to:			
Owners of the Company		**(608,819)**	102,575
Non-controlling interests		**(18,601)**	(3,650)
		(627,420)	98,925
Total comprehensive (expense)/income for the year attributable to:			
Owners of the Company		**(621,314)**	110,564
Non-controlling interests		**(18,601)**	(3,650)
		(639,915)	106,914
(Loss)/earnings per share	9		
– Basic *(Renminbi ("**RMB**") cents)*		**(35.16)**	5.92
– Diluted *(RMB cents)*		**(35.16)**	5.92

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 RMB'000 (Unaudited)	2018 RMB'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**9,272**	6,783
Investment properties	10	**49,140**	48,300
Goodwill	11	**–**	48,316
Intangible assets	12	**–**	22,286
Financial assets at fair value through other comprehensive income	13	**42,157**	62,348
Financial assets at fair value through profit or loss	13	**623,382**	1,244,509
Loans and accounts receivables	14	**6,269**	11,454
Other receivables	15	**16,320**	20,400
		746,540	1,464,396
Current assets			
Financial asset at amortised cost		**–**	5,343
Loans and accounts receivables	14	**69,755**	99,958
Deposits paid, prepayments and other receivables	15	**92,331**	34,468
Amount due from a non-controlling interest		**1**	1
Tax recoverable		**38**	37
Cash and cash equivalents		**19,567**	61,822
Restricted bank deposits		**–**	77,000
		181,692	278,629
Current liabilities			
Receipts in advance, accruals and other payables		**32,974**	75,171
Contract liabilities		**848**	–
Amount due to a shareholder		**13,442**	4,779
Dividend payable		**113**	111
Bank borrowings, secured	16	**2,154**	69,449
Corporate bond		**–**	55,506
Lease liabilities		**4,938**	–
Current tax liabilities		**29,547**	41,841
		84,016	246,857
Net current assets		**97,676**	31,772
Total assets less current liabilities		**844,216**	1,496,168

	Notes	**2019**	2018
		RMB'000	*RMB'000*
		(Unaudited)	(Audited)
Non-current liabilities			
Receipts in advance, accruals and other payables		**–**	3,071
Bank borrowings, secured	16	**12,206**	14,360
Lease liabilities		**949**	–
Deferred tax liabilities		**–**	5,572
		13,155	23,003
NET ASSETS		**831,061**	1,473,165
EQUITY			
Equity attributable to owners of the Company			
Share capital		**142,004**	142,004
Reserves		**670,557**	1,294,060
		812,561	1,436,064
Non-controlling interests		**18,500**	37,101
TOTAL EQUITY		**831,061**	1,473,165

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2019

1. GENERAL

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

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

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

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the preparation of the Group's unaudited condensed consolidated results are consistent with those adopted in the Group's audited financial statements for the year ended 31 December 2018.

All HKFRSs effective for the accounting periods commencing from 1 January 2019 and relevant to the Group, have been adopted by the Group in the preparation of the Group's unaudited condensed consolidated results. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's results and financial position.

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

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

HKFRS 16 – Leases

The impact of the adoption of HKFRS 16 "Leases" has been summarised below. The other new or amended HKFRSs that are effective from 1 January 2019 did not have any significant impact on the Group's accounting policies.

Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 "Leases" ("**HKAS 17**"), HK(IFRIC)–Int 4 "Determining whether an Arrangement contains a Lease", HK(SIC)-Int 15 "Operating Leases Incentives" and HK(SIC)-Int 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease". From a lessee's perspective, almost all leases are recognised in the statement of financial position as a right-of-use assets and a lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17.

The Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The following table summarises the impact of transition to HKFRS 16 on statement of financial position as of 31 December 2018 to that of 1 January 2019 as follows:

	RMB'000 *(Unaudited)*
Rights-of-use assets	
Closing balance under HKAS 17 at 31 December 2018	–
– Recognition of right-of-use assets under HKFRS 16	**12,118**
Opening balance under HKFRS 16 at 1 January 2019	**12,118**
Lease liabilities	
Closing balance under HKAS 17 at 31 December 2018	–
– Recognition of lease liabilities under HKFRS 16	**12,118**
Opening balance under HKFRS 16 at 1 January 2019	**12,118**

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 as at 31 December 2018 could be reconciled to the lease liabilities at the date of initial application recognised in the consolidated statement of financial position as at 1 January 2019:

	RMB'000
	(Unaudited)
Reconciliation of operating lease commitments to lease liabilities	
Operating lease commitments as of 31 December 2018	16,161
Less: short term leases for which lease terms end within 31 December 2019	(651)
Less: leases of low-value assets	(14)
Less: future interest expenses	(3,378)
Total lease liabilities as of 1 January 2019	12,118

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the consolidated statement of financial position as at 1 January 2019 is 12%.

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 reportable and operating segments (2018: four). 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 limited partnerships, which invest in property development projects and are accounted for as financial assets at fair value through profit and loss ("**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* (Unaudited)	Operation of financial services platform *RMB'000* (Unaudited)	Provision of entrusted loan, pawn loan, other loan services and financial consultation services *RMB'000* (Unaudited)	Finance lease services *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
For the year ended 31 December 2019					
Revenue from external customers	57,163	34,869	5,133	771	97,936
Reportable segment loss	(524,487)	(83,482)	(14,808)	(401)	(623,178)
Loss in fair value of financial assets at FVTPL	(527,862)	–	–	–	(527,862)
Other income, net	1,960	2,799	308	270	5,337
Depreciation of property, plant and equipment	4,080	418	1,619	792	6,909
Amortisation of intangible assets	–	2,476	–	–	2,476
Impairment loss on intangible assets	–	14,858	–	–	14,858
Impairment loss on goodwill	–	48,316	–	–	48,316
Loss allowance on financial assets	19,049	27,733	1,523	–	48,305
Income tax (credit)/expenses	13	(2,126)	304	151	(1,658)
Addition of non-current assets	6	210	759	–	975
As at 31 December 2019					
Reportable segment assets	679,580	98,526	62,000	3,600	843,706
Reportable segment liabilities	41,097	5,922	8,228	8,691	63,938
Impairment loss on intangible assets	–	14,858	–	–	14,858
Impairment loss on Goodwill	–	48,316	–	–	48,316

	Investment in property development projects *RMB'000* (Audited)	Operation of financial services platform *RMB'000* (Audited)	Provision of entrusted loan, pawn loan, other loan services and financial consultation services *RMB'000* (Audited)	Finance lease services *RMB'000* (Audited)	Total *RMB'000* (Audited)
For the year ended 31 December 2018					
Revenue from external customers	160,701	47,735	9,719	2,198	220,353
Reportable segment profit/(loss)	163,994	(13,801)	(3,483)	503	147,213
Change in fair value of financial assets at FVTPL	65,133	–	–	–	65,133
Other income, net	71	866	2,471	576	3,984
Depreciation of property, plant and equipment	649	922	304	5	1,880
Amortisation of intangible assets	–	3,302	–	–	3,302
Loss allowance of financial assets	1,377	11,384	251	245	13,257
Income tax (credit)/expenses	22,816	(537)	5	88	22,372
Addition/(disposals) of non-current assets	118,408	(2,131)	(3,382)	(6,912)	105,983
As at 31 December 2018					
Reportable segment assets	1,327,074	163,919	40,477	19,668	1,551,138
Reportable segment liabilities	58,945	30,935	17,101	14,037	121,018

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

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Revenue		
Revenue from external customers	**97,936**	220,353
Profit before income tax expense		
Reportable segment (loss)/profit	**(623,178)**	147,213
Interest income from investments	**146**	711
Gain on disposal of a subsidiary	**754**	132
Loss on modification of convertible bond	**–**	(1,270)
Fair value gain on investment properties	**840**	1,900
Depreciation of property, plant and equipment	**(122)**	(50)
Equity-settled share-based payments	**2,169**	(7,607)
Finance costs	**(7,163)**	(15,127)
Share of results of a joint venture	**–**	7,553
Unallocated corporate expenses	**(1,666)**	(12,158)
Consolidated (loss)/profit before income tax	**(628,220)**	121,297
Assets		
Reportable segment assets	**843,706**	1,551,138
Investment properties	**49,140**	48,300
Financial assets at amortised cost	**–**	5,343
Amount due from a non-controlling interest	**1**	1
Cash and cash equivalents	**504**	1,624
Restricted cash	**–**	77,000
Unallocated corporate assets	**34,881**	59,619
Consolidated total assets	**928,232**	1,743,025
Liabilities		
Reportable segment liabilities	**63,938**	121,018
Dividend payable	**113**	111
Bank borrowings	**14,360**	83,809
Corporate bond	**–**	55,506
Amount due to a shareholder	**13,442**	4,779
Unallocated corporate liabilities	**5,318**	4,637
Consolidated total liabilities	**97,171**	269,860

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

In the following table, revenue is disaggregated by primary geographical market, major products and service lines and timing on revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segment.

	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**	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
Primary geographical markets										
Hong Kong	**–**	–	**–**	–	**887**	795	**–**	–	**887**	795
PRC	**57,163**	160,701	**34,869**	47,735	**4,246**	8,924	**771**	2,198	**97,049**	219,558
Total	**57,163**	160,701	**34,869**	47,735	**5,133**	9,719	**771**	2,198	**97,936**	220,353
Major revenue										
Investment income	**49,000**	112,254	**–**	–	**–**	–	**–**	–	**49,000**	112,254
Financial consultation services income	**8,163**	48,447	**–**	–	**747**	6,204	**–**	–	**8,910**	54,651
Platform services income	**–**	–	**34,869**	47,735	**–**	–	**–**	–	**34,869**	47,735
Interest income	**–**	–	**–**	–	**4,386**	3,515	**–**	–	**4,386**	3,515
Finance lease service income	**–**	–	**–**	–	**–**	–	**771**	2,198	**771**	2,198
	57,163	160,701	**34,869**	47,735	**5,133**	9,719	**771**	2,198	**97,936**	220,353
Timing of revenue recognition										
At a point in time	**49,000**	121,907	**8,848**	19,515	**3,883**	5,825	**–**	–	**61,731**	147,247
Transferred over time	**8,163**	38,794	**26,021**	28,220	**1,250**	3,894	**771**	2,198	**36,205**	73,106
	57,163	160,701	**34,869**	47,735	**5,133**	9,719	**771**	2,198	**97,936**	220,353

(d) Information about major customers

The Group's customer base is diversified and includes only the following customers with whom transactions have exceeded 10% of the Group's revenue:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Customer A	**21,062**	N/A
Customer B	**20,092**	N/A
Customer C	**N/A**	92,538
Customer D	**N/A**	30,545

N/A: The relevant comparative figures for the corresponding period in 2019 and 2018 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. All the group's revenue is derived from contracts with customers. Revenue recognised during the year are as follows:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Revenue from contract with customers within the scope of HKFRS 15:		
Financial consultation services income	**8,910**	54,651
Platform services income	**34,796**	47,735
	43,706	102,386
Revenue from other sources:		
Investment income from investments in property development projects through limited partnerships *(note 13(a)(i))*	**49,000**	112,254
Interest income	**4,459**	3,515
Finance lease service income	**771**	2,198
	54,230	117,967
	97,936	220,353

5. OTHER INCOME, NET

	Notes	2019 *RMB'000* (Unaudited)	2018 *RMB'000* (Audited)
Bank interest income		**1,083**	769
Interest income on financial asset measured at amortised cost		**146**	711
Dividend income from equity investments at fair value through other comprehensive income		**2,600**	–
Fair value gain on investment properties	10	**840**	1,900
Gain on disposal of a subsidiary		**754**	132
Recovery of bad debts previously recognised		**–**	2,213
Recovery of impairment on loans and accounts receivables previously recognised	14	**118**	745
Recovery of tax liabilities		**632**	–
Loss on modification of convertible bonds		**–**	(1,270)
Penalty income		**–**	662
Others		**1,553**	(1,878)
		7,726	3,984

6. FINANCE COSTS

	2019 *RMB'000* (Unaudited)	2018 *RMB'000* (Audited)
Effective interest on convertible bonds	**–**	11,351
Interest on bank borrowings	**2,364**	1,712
Effective interest on corporate bond	**3,792**	2,064
Interest on lease liabilities	**1,007**	–
	7,163	15,127

7. (LOSS)/PROFIT BEFORE INCOME TAX

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

	Notes	**2019** ***RMB'000*** **(Unaudited)**	2018 *RMB'000* (Audited)
Auditor's remuneration			
– Current year		**1,097**	1,317
– Under provision in prior year		**250**	182
Depreciation charge			
– Owned property, plant and equipment		**1,577**	1,930
– Right-of-use assets included within *(note (b))*			
– Other buildings leased for own use carried at cost		**5,310**	–
– Motor vehicles		**102**	–
Total minimum lease payments for leases previously classified as operating leases under HKAS 17		**–**	9,518
Lease payments not included in the measurement of lease liabilities	(b)	**665**	–
Impairment losses on goodwill	11	**48,316**	–
Impairment losses on intangible assets	12	**14,858**	–
Written off of property, plant and equipment		**–**	43
Fair value changes in financial assets at FVTPL		**524,761**	(65,133)
Loss allowance on financial assets		**48,305**	13,243
Amortisation of intangible assets	12	**2,476**	3,302
Employee benefit expenses including directors' remuneration		**48,847**	68,120
Salaries and wages		**41,685**	57,812
Pension scheme contributions			
– defined contribution plans		**7,162**	10,308
Equity-settled share-based payments	(a)	**(2,169)**	7,607

Notes:

(a) During the year ended 31 December 2019, equity-settled share-based payments on (i) directors and staff; and (ii) advisors under service contracts which were credited as a result of share options granted to them by the Company amounted to approximately RMB1,892,000 (2018: expensed RMB6,804,000) and approximately RMB277,000 (2018: expensed RMB803,000), respectively.

(b) The Group has initially applied HKFRS 16 using the cumulative effect approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. Assets under the finance leases which were previously included in property, plant and equipment are also identified as a right-of-use assets. After initial recognition of right-of-use assets at 1 January 2019, the Group as lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information has not been restated. See note 2 to the consolidated financial statements.

8. INCOME TAX (CREDIT)/EXPENSE

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
PRC Enterprise Income Tax		
– Current year	**(1,007)**	23,374
– Over-provision in respect of prior years	**(24)**	(177)
Hong Kong Profits Tax		
– Current year	**–**	–
	(1,031)	23,197
Withholding tax	**850**	–
Deferred tax	**(619)**	(825)
	(800)	22,372

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% (2018: 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 enterprises 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 2019 and 2018. 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 2019 is calculated at 16.5% (2018: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime. For this subsidiary, the first Hong Kong dollars ("**HK$**") 2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2018.

The provision for Hong Kong Profits Tax for 2019 is taken into account a reduction granted by the Hong Kong SAR Government of 75% of the tax payable for the year of assessment 2018-19 subject to a maximum reduction of $20,000 for each business (2018: a maximum reduction of $30,000 was granted for the year of assessment 2017-18 and was taken into account in calculating the provision for 2018).

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 2019 and 2018.

9. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to owners of the Company of approximately RMB608,819,000 (2018: profit RMB102,575,000) and the weighted average number of approximately 1,731,433,000 (2018: 1,731,433,000) ordinary shares during the year.

(b) Diluted (loss)/earnings per share

The Company has one category of potential ordinary shares: share options. For the purposes of calculation of the diluted (loss)/earnings per share, the number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

The actual computation of diluted (loss)/earnings per share has not taken into account the conversion of the Company's outstanding share options since to do so would result in an increase in profit per share. The diluted (loss)/earnings per share is same as basic (loss)/earnings per share for the years ended 31 December 2019 and 2018 as the shares issuable in respect of the outstanding share options have an anti-dilutive effect on the basic (loss)/earnings per share.

10. INVESTMENT PROPERTIES

	2019 ***RMB'000*** **(Unaudited)**	2018 *RMB'000* (Audited)
Fair value		
At 1 January	**48,300**	46,400
Change in fair value *(note 5)*	**840**	1,900
At 31 December	**49,140**	48,300

All the investment properties of the Group are held under long-term land use right in the PRC. 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 valuation was determined by adoption of direct comparison method which basis on the principle of substitution, where comparison is made based on prices realized on actual sales and/or asking prices of comparable property. Comparable property of similar size, scale, nature, character and location are 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 is price per square meter.

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

Description	Valuation technique	Significant unobservable inputs	Range of unobservable input (probability-weighted average)	Relationships of unobservable inputs to fair value
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	RMB62,818/sqm – RMB65,950/sqm	Good orientation will result in corresponding higher value

During the year ended 31 December 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 year.

There were no changes to the valuation techniques during the period. The fair value measurement is based on the above properties' highest and best use, which does not differ from their actual use.

All investment properties are pledged to a bank borrowings and general banking facilities granted to the Group (note 16).

11. GOODWILL

	RMB'000 (Unaudited)
At 1 January 2018, 31 December 2018 and 1 January 2019	48,316
Impairment *(note 7)*	(48,316)
At 31 December 2019	–

Goodwill of approximately RMB nil (2018: RMB48,316,000) is attributable to the cash-generating unit of provision of financial service platform. During the year ended 31 December 2019, impairment loss on goodwill and intangible assets (note 12) of approximately RMB48,316,000 and RMB19,810,000 were recognised respectively. The goodwill was fully impaired during the year ended 31 December 2019.

The Directors considered that the goodwill and intangible assets attributable to the Profits Success Group were impaired as there is a tightening regulatory environment in the PRC in relation to internet finance platform business. The Group has strived to reform its operation of the internet finance platform in accordance with the local regulations, and the revenue from the internet financial services platform had a substantial decline during the year ended 31 December 2019 mainly resulted from the discontinued operation of internet finance platform services during the current year. It is expected that future performance will follow the actual situation in the current year. The Directors considered that the relevant goodwill and intangible assets were impaired as the anticipated cash flows to be generated from the future use of the assets would be substantially decreased.

12. INTANGIBLE ASSETS

	Customers relationship *RMB'000* (Unaudited)
Cost	
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	33,017
Amortisation and impairment	
At 1 January 2018	7,429
Amortisation *(note 7)*	3,302
At 31 December 2018 and 1 January 2019	10,731
Amortisation *(note 7)*	2,476
Impairment *(note)*	19,810
At 31 December 2019	33,017
Net book value	
At 31 December 2019	–
At 31 December 2018	22,286

Note: Impairment losses on intangible assets recognised in profit or loss (note 7) was offset by the relevant deferred tax liabilities arising from recognition of intangible assets.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 ***RMB'000*** **(Unaudited)**	2018 *RMB'000* (Audited)
Unlisted equity securities		
– Financial assets at FVTPL *(note a(i))*	**588,742**	1,211,129
– Financial assets at fair value through other comprehensive income ("**FVOCI**") *(note a(ii))*	**42,157**	62,348
Unlisted debt securities		
– Financial assets at FVTPL *(note b)*	**34,640**	33,380
	665,539	1,306,857

Notes:

(a) The amount comprised investments in limited partnerships and equity interests of an entity in the PRC at amount of approximately RMB588,742,000 (2018: RMB1,211,129,000) and RMB42,157,000 (2018: RMB62,348,000), respectively, as at 31 December 2019.

(i) As at 31 December 2019 and 2018, the Group invested in certain limited partnerships in the PRC and acted as a limited partner with capital contributions at a range of RMB6 million to RMB60 million (2018: RMB6 million to RMB60 million). The contribution represented 3.98% to 42.86% (2018: 3.9% to 40%) of the total contribution of the corresponding limited partnerships. The Group revoked its voting right on decision making over these limited partnerships and therefore, the directors are of the opinion that the Group did not have any control nor significant influence over these limited partnerships. These limited partnerships are engaged in property development projects in the PRC.

    The limited partnerships 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 2019, the Group recognised investment income of RMB49 million (note 4) (2018: RMB112 million) from 4 (2018: 6) of the limited partnerships. As at 31 December 2019, there was approximately RMB26 million (2018: RMB0.1 million) investment income receivables from these limited partnerships (note 14).

(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 in FY2017. Prior to the capital contribution, the Group invested in 40% of the equity interest 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 interest was diluted to 5%. As the Group no longer acts as a joint venturer, interest was changed from a joint venture to financial asset FVOCI. The fair value loss on the financial asset of approximately RMB8,791,000 (2018: fair value gain of approximately RMB999,000) was recognised in the other comprehensive income during the year.

    The Group invested in 10% of the equity interest of Shanghai Yiliang Technology Co., Ltd ("**Shanghai Yiliang**"), an entity incorporated in the PRC with limited liability. During the year ended 31 December 2019, the equity interest of the entity was disposed by the Group at the consideration of RMB11,400,000.

(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 which is secured by a loan receivable held by a trust company in the PRC. 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 2019 and 2018. The investment was therefore classified as a non-current asset as at 31 December 2019 and 2018. The ABS is a debt security and stated at fair value as at 31 December 2019 and 2018. The Group engaged an external expert to assess the fair value of the ABS as at 31 December 2019, by using the discounted cash flow valuation model. The gain in fair value at amount of approximately RMB3,101,000 (2018: loss of RMB2,192,000) was recognised in profit or loss during the year ended 31 December 2019. During the year ended 31 December 2019, the Group received an amount of approximately RMB1,841,000 (2018: RMB3,888,000) as partial settlements from the ABS.

14. LOANS AND ACCOUNTS RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Pawn loan receivables	**11**	81
Entrusted loan receivables	**1,314**	2,597
Financial consultation services income receivables	**8,741**	38,655
Investment income receivables	**26,000**	100
Platform services income receivables	**9,013**	34,515
Finance lease receivables	**1,900**	17,442
Other loan receivables	**51,313**	33,907
	98,292	127,297
Less: non-current portion		
Entrusted loan receivables	**–**	(893)
Finance lease receivables	**–**	(1,900)
Other loan receivables	**(6,269)**	(8,661)
	(6,269)	(11,454)
Less: loss allowance of loans and accounts receivables	**(22,268)**	(15,885)
Current portion	**69,755**	99,958

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

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0 to 30 days	**1,989**	37,456
31 to 90 days	**26,962**	3,747
91 to 180 days	**7,293**	10,039
Over 180 days	**62,048**	76,055
	98,292	127,297

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

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Neither past due nor impaired	**56,290**	85,927
0 to 30 days past due	**1,577**	5,907
31 to 90 days past due	**27,926**	11,140
91 to 180 days past due	**3,948**	13,439
Over 180 days past due	**8,551**	10,884
	98,292	127,297

15. DEPOSITS PAID, PREPAYMENTS AND OTHER RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Deposits paid *(note a)*	**1,126**	1,954
Prepayments	**1,941**	2,995
Other receivables *(note b)*	**137,462**	49,944
	140,529	54,893
Less: other receivables, non-current portion *(note b)*	**(16,320)**	(20,400)
Less: loss allowance on other receivables, in aggregate	**(31,878)**	(25)
Current portion	**92,331**	34,468

Notes:

(a) As at 31 December 2019, deposits paid comprised rental and various deposits amounting to RMB1,126,000 (2018: RMB1,954,000).

(b) As at 31 December 2019, other receivables mainly comprised (i) an earnest money to a third party for future deal of approximately RMB16.3 million (2018: RMB20.4 million); (ii) redemption amounts of four property development projects withdrawn during the year of approximately RMB57.0 million (2018: nil); (iii) a cash deposit in a trust company of approximately RMB22.1 million (2018: RMB11.7 million) in relations to the entrusted loan business (current portion); and (iv) cash advance to staff in amount of approximately RMB1.5 million (2018: RMB1.2 million) (current portion).

16. BANK BORROWINGS, SECURED

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current portion		
Bank borrowings due for repayment within one year *(notes a & b)*	**2,154**	69,449
Non-current portion		
Bank borrowing *(note a)*	**12,206**	14,360
	14,360	83,809

Notes:

(a) The bank borrowing of RMB14,360,000 (2018: RMB16,514,000) is secured by the Group's investment properties (note 10) and bore interest at the rate of 5.39% (2018: 5.39%) per annum for the year ended 31 December 2019.

(b) As at 31 December 2018, the bank borrowing of approximately HKD76,645,000 (equivalent to approximately RMB67,295,000), is secured by restricted bank deposits of RMB77,000,000 placed by the Group in the bank. Interest is charged at 3-month HIBOR + 1.2% per annum at the date of withdrawal and reassessed every three months. The balance was fully settled in August 2019.

The above banking facilities of the loans are subject to the fulfillment of covenants relating to minimum requirement of pledged bank deposits and compliance of the bank's administrative requirements, as are commonly found in lending arrangements with financial institutions in the PRC. If the Group was to breach the covenants, the drawn down facility would become repayable on demand.

The Group regularly monitors the compliance with these covenants and the scheduled repayments of the loans and does not consider it probable that the bank will exercise its discretion to demand repayment for so long as the Group continues to meet these requirements. As at 31 December 2019, none (2018: none) of the covenants relating to drawn down facilities had been breached.

The bank borrowings are scheduled to be repaid as follows:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
On demand or within one year	**2,154**	69,449
More than one year, but not exceeding two years	**2,154**	2,154
More than two years, but not exceeding five years	**6,462**	6,462
After five years	**3,590**	5,744
	14,360	83,809

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

17. EVENTS AFTER THE REPORTING PERIOD

Since the outbreak of the novel coronavirus ("**COVID-19**") in January 2020 across the PRC, the Group has actively responded to and strictly implemented various regulations and requirements of the PRC government authorities at all levels for epidemic prevention and control. The Company and its subsidiaries have resumed work since February 2020 and implemented strict internal control measures for epidemic prevention.

The Group expects that the COVID-19 situation will have a certain temporary impact on the Group's business and operation, and the degree of impact depends on the progress and duration of epidemic prevention and control and the implementation of local prevention and control policies. The Group will continue to pay close attention to the development of the COVID-19 and evaluate and actively respond to its impact on the financial position and operating results of the Group. As of the date of this announcement, no significant adverse impact on the Group's operation has been found.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group has been committed to developing itself as an influential real estate financial service provider in China 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 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 downturn cycle of the industry.

For the year ended 31 December 2019, the revenue of the Group, loss before tax and loss for the year attributable to the owners of the Company amounted to approximately RMB97.9 million, RMB628.2 million and RMB608.8 million, respectively. In 2019, performance of our investment in property development projects was further adversely affected by the cyclical downtrend of the real estate industry in China, which resulted in a significant decrease in related investment income, financial consultation services income and fair value of the investments. In addition, the transformation of internet finance platform also resulted in the full impairment of goodwill and intangible assets. Due to the above reasons, the Group recorded a significant loss in its results.

As at 31 December 2019, the cash balance of the Group (including cash and cash equivalents and restricted cash) amounted to approximately RMB19.6 million, which represented a decrease of approximately 85.9% as compared to the previous year. The decrease was mainly due to the redemption of corporate bonds and the repayments of bank borrowings of approximately RMB55.5 million and RMB69.4 million respectively by the Group during the year. The Group recorded a net asset of approximately RMB831.1 million, which represented a decrease of approximately 43.6% as compared to the previous year. The debt to equity ratio and gearing ratio of the Group were approximately 1.7% and 1.5%, representing year-on-year decrease of approximately 7.7% and 6.5%, 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 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 sources of revenue of the Group in 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, not for speculation"(房住不炒) has become the main tone 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 showed a significant slow growth. In the fourth quarter of 2019, the real estate industry recorded a negative growth rate in saleable area, which has put great downward pressure on the industry. 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 2019. 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 the date of this announcement, most of the pipeline property development projects which the Group has invested in are located in Shenzhen and Dongguan city; both of them are cities in Greater Bay Area. The other investments projects of the Group are also located in Guangdong and other provinces. In light of the locations of the property development projects and anticipated strong growth of gross economic product of China in next few years, the Group believes that these projects could generate stable and fair returns to the Group in the years ahead. As at 31 December 2019, the fair value of investment in property development held by the Group amounted to approximately RMB588.7 million.

Fin-tech platform

In 2019, in compliance with regulatory requirements, the financial service platform business of the Group underwent transformation while the online financing intermediary business ceased operation. The Group has put great effort in transforming its internet finance business segments 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 business needs of many partners and enable the industry for further development. The financial technology service platform have 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 downturn cycle of the industry.

Provision of loan services, financial consultation services, finance lease and factoring 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 and short-term factoring 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.

In 2019, the Group's business in these two segments mainly served its existing customers, and the performance during the year was in line with expectation.

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 organisational structure of the Group, the number of staff of the Group decreased from 281 to 169 and the number of departments decreased from 28 to 13. 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 2019. Against the backdrop of cyclical downtrend of the industry and the outbreak of COVID-19 during the Chinese Lunar New Year of 2020, the Group was determined to focus on the development pipeline projects and build up its internal strength. All senior management members and its staff are confident and expecting a prosperous future.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2019, the Group recorded a turnover of approximately RMB97.9 million, representing a decrease of approximately 55.6% from approximately RMB220.4 million in the previous year, primarily due to the effects of development progress of property projects and sales cycle. In the year under review, there were 13 property development projects.

In terms of sales breakdown, revenue from financial consultation services for the year under review amounted to approximately RMB8.9 million, representing a year-on-year decrease of approximately 83.7%, while revenue from investment in property development projects was approximately RMB49.0 million, representing a year-on-year decrease of approximately 56.3%. Revenue from financial service platforms amounted to approximately RMB34.8 million, representing a year-on-year decrease of approximately 27.1%. Revenue from finance leasing, which involved direct leasing business and sale and leaseback that focused on the real estate construction sector, amounted to approximately RMB0.8 million for the year under review, representing a year-on-year drop of approximately 64.9%.

Finance costs

During the period under review, interest expenses of the Group decreased by approximately 52.6% to approximately RMB7.2 million from approximately RMB15.1 million in the previous year, which mainly comprised the redemption of the convertible bonds during the year.

Other income, net

The Group's other income, net mainly comprised dividend income from equity investments at fair value through other comprehensive income, fair value gain on investment properties, interest income on financial asset measured at amortised cost, recovery of impairment on loans and accounts receivables previously recognised, loss on modification of convertible bond, gain on disposal of a subsidiary, and bank interests.

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 RMB92.6 million, representing year-on-year decrease of approximately 33.7%. The decrease was due to an 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 RMB524.8 million was recognised as fair value loss in profit or loss.

In 2019, the PRC government's economic policy continued to curb the development of asset bubbles to prevent financial crisis. Due to the decreased sales performance and deferred payback period of our invested property development projects in 2019, the sales forecasts for our property development projects for 2020 and onwards have been adjusted downwards, leading to the significant decrease in the fair value of such property investment projects at the end of 2019.

As of the year ended 31 December 2019, loss in fair value of other equity investments of the Group in other comprehensive income was RMB8.8 million.

Impairment loss on goodwill and intangible asset

During the period under review, impairment loss on goodwill and intangible asset arising from acquisition of a financial service platform company was approximately RMB63.2 million. The Group has carried out strategic transformation of internet finance service platform in the fourth quarter of 2019 to downscale and gradually terminate the operation of online financing intermediary business.

Loss allowance on financial assets

During the period under review, impairment loss on loans and accounts receivables and other receivables aggregated approximately RMB48.3 million (2018: approximately RMB13.2 million) due to the increase in credit risk of certain customers during the year.

Loss/profit 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 RMB608.8 million, which was primarily due to (i) fair value loss in financial assets at fair value through profit or loss of approximately RMB524.8 million, (ii) impairment loss on goodwill and intangible asset of approximately RMB63.2 million and (iii) loss allowance on financial assets of approximately RMB48.3 million. For the year ended 31 December 2018, profit attributable to the owners of the Company was approximately RMB102.6 million.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2019, the Group's bank balances and cash amounted to approximately RMB19.6 million (2018: approximately RMB138.8 million), and the Group's borrowings amounted to approximately RMB14.4 million (2018: approximately RMB139.3 million). The gearing ratio representing the total borrowings of the Group divided by the total assets of the Group was approximately 1.5% (2018: approximately 8.0%). As at 31 December 2019, approximately 15.0% (2018: approximately 89.7%) of the Group's borrowings would be due within one year, while approximately 85.0% (end of 2018: approximately 10.3%) of the Group's borrowings would be due after one year. Approximately 0% and 100% (2018: approximately 88.1% and 11.9%) of the Group's borrowings were denominated in HK$ and RMB, respectively, with approximately 0% and 100% (2018: approximately 39.8% and 60.2%) of the Group's borrowings carrying interests at fixed and floating rates, respectively.

During the year end 31 December 2019, the Company had repaid its bank borrowings and corporate bond of approximately RMB125.0 million.

As at 31 December 2019, investment properties of the Group with an aggregate carrying amount of approximately RMB49.1 million were pledged for banking facilities (2018: investment properties and bank deposits of approximately RMB48.3 million and RMB77.0 million, respectively).

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

BUSINESS OUTLOOK

Looking forward to 2020, the real estate industry seeks for a balanced development under constraints and adheres to the principle of "houses are for living, not for speculation (房住不炒)". The general overheating prevention framework of region-specific regulatory policies may sustain for a longer period. Under the severe impact of the COVID-19, downward pressure of the economy has prompted the government to adopt stimulus policies. As the central bank of China has recently implemented various measures to strengthen the liquidity of capital assets, it is expected that the economy will rebound. To cope with the cyclical change of the real estate market, the Group will act more prudently to improve operation efficiency and to deleverage. In 2020, the Group will further develop its business of the three segments below.

Further development of existing property development projects

The results of the Group in the past has proven the profitability of its investment in property development business. However, due to the industrial cycle, the Group will focus on the development of its existing projects in the coming year so as to secure a higher safety margin for its business operation. The Group will explore business needs of development projects and seek business opportunities from the business value chain, including supply chain factoring business and financing consultation services. In addition, with diversified financing channels, the Group will strengthen its cash flow and minimise cash expenses for investments. To ensure that operating risk will be controllable in the counter cycle, the Group will adopt a more prudent operating model and seek merger, acquisition and disposal opportunities for existing projects amid industry growth and changes, so as to achieve a higher capital return.

For the year ended 31 December 2019, Country Garden remained one of the business partners of the Group's entire property investment and development projects. The Group has cooperated with Country Garden in more than 20 projects over the years and their investment and business operation strategies are similar and complementary to each other. The Group has also developed a set of well-developed industry model and gained extensive experiences through such cooperation and is looking into cooperation opportunities with other property developers where appropriate. The Group believes to expand its business network could increase possible investment opportunities for the Group.

The property development projects previously invested by the Group were mainly concentrated in the Greater Bay Area. In light of the special economic policies in such area, the increase in investment amount will reflect in the assets price of the area. Other investment projects of the Group are located in Guangdong and other provinces. Negative economic growth is expected in such provinces due to the impact of the COVID-19. However, based on the current economic stimulus measures and investment plans of the state and local governments, economic indicators are expected to achieve a turnover in the second half of 2020 and economic growth will also reflect on the price of bulk assets. As such, it is anticipated that the value of existing investment in property development projects of the Group will be realised in a fair manner in 2020.

Provision of supply chain factoring and financial consultation services

In 2020, we will proactively expand our supply chain factoring and financial consultation business. With an aim to acquire quality customers, customised financial arrangements will be introduced to meet the investment or finance requirements of target customers. Currently, we have liaised with certain potential partners and have entered into business negotiation. Under the transition of economic cycle, it is expected that the income of the supply chain factoring and financial consultation business will further increase in the coming financial year.

Enhancement of fin-tech capabilities output

Capitalising on years of practical experience in serving leading property developers and technological achievements, our fin-tech platform will provide technological services and system services to target customers, so as to facilitate industry empowerment and to consolidate the Group's market position as a real estate financial service provider. The Group will accompany its core customers in times of downward industry cycle and achieve mutual growth. Moreover, by utilising the transformation of internet finance platform, the Group will further cooperate with the internet small loan platform and jointly develop internet small loan business. Adhering to the development principle of compliance, the Group will ensure the stable and healthy operation of the platform and provide comprehensive online finance solutions for credit business of its target customers.

The Group will continue to increase its investment in technological research and development and develop systemic solutions for no-contact services to satisfy the business needs of end-users arsing from changes of consuming habits.

Conclusion

In view of the economic and industrial cyclical characteristics as well as the operational strategies and the resource allocation adopted by the Group, it is expected that revenues generated from each of business segments of the Group will be more even, which, in a long run, enable the Group to cope with the economic and industrial cyclical volatilities more effectively and bring steady returns for its shareholders.

On the other hand, the Group will continue to adhere to the principles of "authorisation management and priority management" to improve its internal management efficiency. The Group will attach more importance to the compliance management to ensure the smooth transformation of the internet financial business. In addition, in order to cope with the cyclical impact of the industry and improve profitability, the Group will promote the awareness of cost control and improve cash flow management and employee efficiency to achieve higher profitability.

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 has withdrawn 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 for 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.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend to shareholders of the Company for the financial year ended 31 December 2019.

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 2019.

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 2019.

CONTINGENT LIABILITIES

As at 31 December 2019, the Group had no significant contingent liabilities (2018: nil).

CHARGES ON GROUP ASSETS

As at 31 December 2019, investment properties of the Group with an aggregate carrying amount of approximately RMB49.1 million were pledged for bank facilities (2018: investment properties and bank deposits with an aggregate carrying amounts of approximately RMB48.3 million and RMB77.0 million respectively).

CAPITAL COMMITMENTS

As at 31 December 2019, the Group had no significant capital commitments (2018: nil).

FOREIGN EXCHANGE EXPOSURE

The Group is mainly exposed to the fluctuations 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 2019, the Group had a total of 169 staff (2018: 281). Total staff costs (including Directors' emoluments) were approximately RMB48.4 million for the year ended 31 December 2019 (2018: approximately RMB68.1 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 2019.

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 deviation from the code provision of A.2.1 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. Mr. Zheng Weijing acts 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. Zheng Weijing. 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.

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 2019.

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 2019.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") comprises a total of three members, namely, Dr. Vincent Cheng (Chairman), Mr. Leung Po Hon and Dr. Miao Bo, 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 unaudited annual results for the year ended 31 December 2019 have been reviewed by the Audit Committee.

REVIEW OF UNAUDITED ANNUAL RESULTS

The auditing process for the annual results for the year ended 31 December 2019 has not been completed due to mainland China government-imposed quarantines, office closings and travel restrictions to combat the COVID-19 outbreak, which affect all financial and operational personnel of the Company and its business partners. The unaudited annual results contained herein have not been agreed by the Company's auditors. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants.

DELAY IN PUBLICATION OF AUDITED FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019 AND DESPATCH OF THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Having considered the current progress of the audit work and the resources the Company's auditors had arranged accordingly, the Board expected that the audited annual results announcement and the annual report of the Company for the year ended 31 December 2019 would be published by mid-May 2020. In addition, the Company will issue further announcement as and when necessary if there are other material developments in the completion of the auditing process.

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

By order of the Board
Flying Financial Service Holdings Limited
Zheng Weijing
Chairman and Chief Executive Officer

Hong Kong, 31 March 2020

As at the date of this announcement, the executive Directors are Mr. Zheng Weijing (Chairman and Chief Executive Officer), Mr. Zhang Gongjun and Ms. Guo Chanjiao; and the independent non-executive Directors are Dr. Vincent Cheng, Mr. Leung Po Hon and Dr. Miao Bo.

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).