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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)

VERY SUBSTANTIAL DISPOSAL IN RELATION TO THE DISPOSAL OF THE COMPANY'S SHAREHOLDING INTERESTS IN THE RELEVANT SUBSIDIARIES

THE DISPOSAL

The Board announces that on 30 December 2021, the Company (as the Vendor) entered into the Sale and Purchase Agreement with the Purchaser pursuant to which the Vendor has agreed to dispose of and the Purchaser has agreed to acquire the Sale Shares of the Target Companies for consideration of HK\$15 million subject to the terms and conditions of the Sale and Purchase Agreement. Upon Completion, the Company will cease to hold any interests in the Disposal Group.

GEM LISTING RULES IMPLICATIONS

As more than one of the applicable percentage ratios exceeds 75%, the Disposal constitutes a very substantial disposal on the part of the Company under the GEM Listing Rules and will be subject to Shareholders' approval at the EGM.

A circular containing, among other matters, further details of the Disposal and a notice to convene the EGM will be despatched to the Shareholders on or before 18 February 2022, as the Company expects that it requires more time to prepare the necessary information for inclusion in the circular.

THE DISPOSAL

The Board announces that on 30 December 2021, the Vendor entered into the conditional Sale and Purchase Agreement with the Purchaser pursuant to which the Vendor has agreed to dispose of and the Purchaser has agreed to acquire the Sale Shares of the Target Company for consideration of HK\$15 million subject to the terms and conditions of the Sale and Purchase Agreement. Upon Completion, the Group will cease to hold any interests in the Disposal Group.

Sale and Purchase Agreement

Date:	30 December 2021
Parties:	(1) the Vendor (2) the Purchaser
Assets to be disposed:	Pursuant to the Sale and Purchase Agreement, the Vendor has agreed to dispose and the Purchaser has agreed to acquire the Sale Shares of the Target Companies, subject to the terms and conditions of the Sale and Purchase Agreement.
Conditions Precedent:	<p>The Sale and Purchase Agreement includes the following conditions precedent;</p> <ul style="list-style-type: none">(i) the Shareholders' approval for the Disposal having been obtained by the Company;(ii) a valuation report having been obtained by the Company (as the Vendor) to the satisfaction of the Company in relation to the Sale Shares of the Target Companies;(iii) the Purchaser completed the due diligence exercise on the Target Companies; and(iv) the parties have obtained all necessary approvals, permits, consents and authorisations for the transactions contemplated under the Sale and Purchase Agreement, whether as required by laws, regulatory regulations or otherwise.

If the above conditions shall not have been satisfied on or before the Long Stop Date, the terms and conditions (except for those specified otherwise) of the Sale and Purchase Agreement shall terminate and no Party shall have any claim against the other.

As at the date of this announcement, none of the conditions above have been fulfilled.

Consideration:	<p>The consideration is HK\$15 million (the “Consideration”), determined following arm’s length negotiations between the Vendor and the Purchaser, having regard to, among other factors:</p> <ul style="list-style-type: none"> (i) the preliminary view of Eidea Professional Services Company Limited (the “Valuer”), an independent valuer engaged by the Company, as to the fair value of the Sale Shares of the Target Companies; and (ii) the factors as stated under the section below headed “Reasons for and Benefits of the Disposal”.
Payment of Consideration:	<p>The Consideration shall be paid by the Purchaser to the Vendor at Completion on the Completion Date by way of cash in the sum of HK\$15 million by bank or wire transfer or in other manner as the Vendor may agree, subject to the fulfillment of the conditions precedent of the Sale and Purchase Agreement.</p>
Completion:	<p>Completion is expected to take place on the third (3rd) Business Day after the conditions precedent as set out in the Sale and Purchase Agreement being satisfied (or such other date as the Parties may agree).</p> <p>Upon Completion, the Target Companies will cease to be subsidiaries of the Company and the Company will cease to have any interests in the Disposal Group.</p>

FURTHER INFORMATION OF THE PRELIMINARY VIEW OF THE VALUER

The valuation has been conducted on a fair value basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, 30 September 2021 (the “**Valuation Date**”). Subject to the final valuation report of the Valuer, the preliminary view of the Valuer in relation to the fair value of the Sale Shares of the Target Companies was RMB9,851,000.

In assessing the assets of the Target Companies, asset-based approach is adopted by the Valuer. Asset-based approach is a type of business valuation that focuses on a company’s net asset value, or the fair value of its total assets minus its total liabilities. Different type of asset would employ different kind of valuation approach as appropriate on a case-by-case basis. The Valuer provides an opinion of value on each item of assets and liabilities. Fair value of the assets would be obtained from the aggregate of the values of all the assets minus liabilities.

In the circumstance, the Valuer noted from the PRC legal opinion provided by the Company's PRC legal advisers that some of the investments and assets held by the relevant PRC subsidiaries of the Target Companies are subject to litigations and are being seized, sealed up, distrained or frozen as at the Valuation Date and as per the PRC legal opinion, the probability and feasibility for the Company to recover whole or part of the values from such investments and assets of the Target Companies is extremely low. In accessing the fair values of the Sale Shares, the Valuer has assigned no values to such seized investments and assets, including (i) three of the LPs with aggregated carrying amounts of RMB128,838,000 as at 31 December 2020; (ii) the Unlisted Equity Securities with carrying amount of RMB54,129,000 as at 31 December 2020; and (iii) the Investment Properties with carrying amount of RMB47,870,000 as at 31 December 2020.

Further, the Valuer noted from and was reasonably satisfied with the information provided by the Company that (i) the Disposal Group generally has no daily operation as at the Valuation Date; (ii) the Group had not received any further repayment from the ABS investment since December 2019 and the management of the Company considered that it is unlikely for the Group to be distributed any further repayments from the ABS investment; and (iii) no repayment, return or distribution has been received from the investment in certain LPs (which are not part of the Seized Assets and are not the LPs of urban redevelopment projects) as further disclosed in this announcement. In the circumstance, the Valuer considered that the fair value of the ABS and such LPs (except the LPs of urban redevelopment projects) would be zero based on the Expected Credit Loss assessment as at Valuation Date.

Further, the Valuer noted and taken into account in the valuation that the Company expected the net amount of the amounts due from/to the Disposal Group, being approximately RMB173 million (unaudited) due from the Disposal Group to the Remaining Group, would be discharged and released by the Remaining Group upon the Disposal in view of the Consideration in accordance with the Sale and Purchase Agreement.

The Valuer noted that the former auditors of the Company has expressed disclaimer of opinion on the consolidated financial statements of the Company for the financial year ended 31 December 2020. The basis for such disclaimer of opinion concerned the ABS and the LPs. In this regards, the Valuer considered that:

- (i) having discussed with the Company and with a view of the investments, assets and status of the Target Companies, it is more appropriate to assess the fair value of the Sale Shares with asset-based approach; and
- (ii) due to changes on the status of the LPs and ABS and lack of reliable and accurate cash flow forecast provided, Expected Credit Loss Assessment is applied in assessing the fair values of the ABS and LPs instead of Discounted Cash Flows.

The Valuer also noted that, in attempt to ascertain the value of the relevant assets of the Group and other comparables during the financial year 2020, the Group obtained certain report and views from third party valuers. The Valuer considered that such reports and views were historical, with valuation assumptions which are not applicable as at Valuation Date, and were not relevant to the valuation of the Sale Shares as at the Valuation Date.

In view of above, the Valuer considered that it is reasonable for the valuation of the Sale Shares as at the Valuation Date to be different from, and significantly lower than, the net assets value of the Disposal Group of RMB146.98 million as at 31 December 2020 and reported in the 2020 Annual Report.

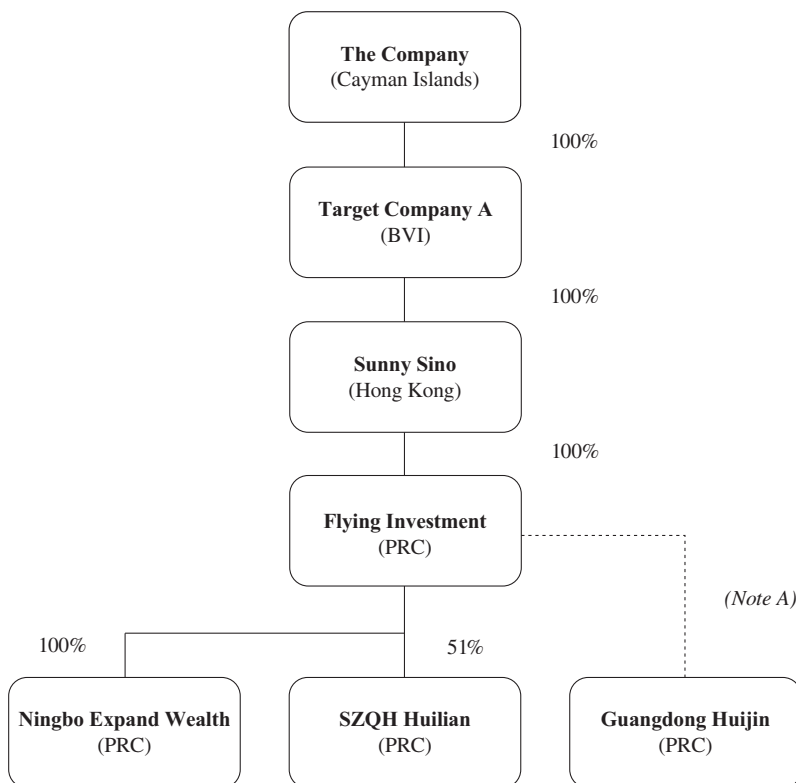
Given that the valuation was conducted in asset-based approach, the Valuer considered that it does not constitute a profit forecast under GEM Listing Rule 19.61.

INFORMATION ON THE TARGET COMPANIES

Information of the Target Company A

The Target Company A is a limited company incorporated in the BVI on 29 March 2011 as the intermediate company of the Group. As of the date of the Sale and Purchase Agreement, the Company is the sole shareholder of the Target Company A.

Below is the corporate structure of the Target Company A as of the date of the Sale and Purchase Agreement:



Note A: Pursuant to contractual arrangements entered in 2011, Guangdong Huijin, a joint-stock limited company incorporated in the PRC, has been considered as a subsidiary of the Company.

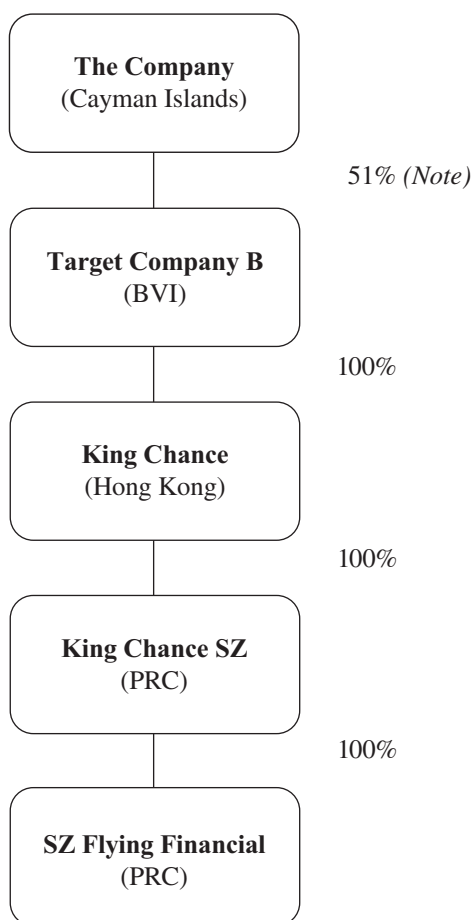
Further details of the subsidiaries of the Target Company A are as follows:

Subsidiary of the Target Company A	Principal activities during the financial year 2021	Nature of relevant assets or investments directly owned as at the date of the Sale and Purchase Agreement
Sunny Sino	Investment holding. Save as to long-term loans provided by Sunny Sino under the pre-existing loan agreements entered in 2016, it has not provided any loan services and its money lender license was expired without renewal in March 2021	Loan receivables (the “ Loan Receivables ”), which are not part of the Seized Assets
Flying Investment	Investment holding. It has not provided financial consultation and investment income services in the PRC during the financial year 2021	Investments in property development projects (including urban redevelopment projects) through certain limited partnerships (collectively, the “ LPs ”). The Seized Assets included three of the LPs
Ningbo Expand Wealth, SZQH Huilian, Guangdong Huijin	Inactive	No direct ownership of material assets or investments of the Group at the date of the Sale and Purchase Agreement

Information of the Target Company B

The Target Company B is a limited company incorporated in the BVI on 2 January 2014, with the principal business of being an investment holding company. As of the date of the Sale and Purchase Agreement, the Company holds 51% shareholding interest in the Target Company B.

Below is the corporate structure of the Target Company B as of the date of the Sale and Purchase Agreement:



Note: To the best of the Directors' knowledge, information and belief, other shareholders of the Target Company B include 王昕 (*Wang Xin) (an individual shareholder holding 39% shareholding interests in the Target Company B), and Mega Champion Ventures Limited (強冠創投有限公司) (a BVI corporation holding 10% shareholding interests in the Target Company B). To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, such other shareholders of the Target Company B are Independent Third Parties.

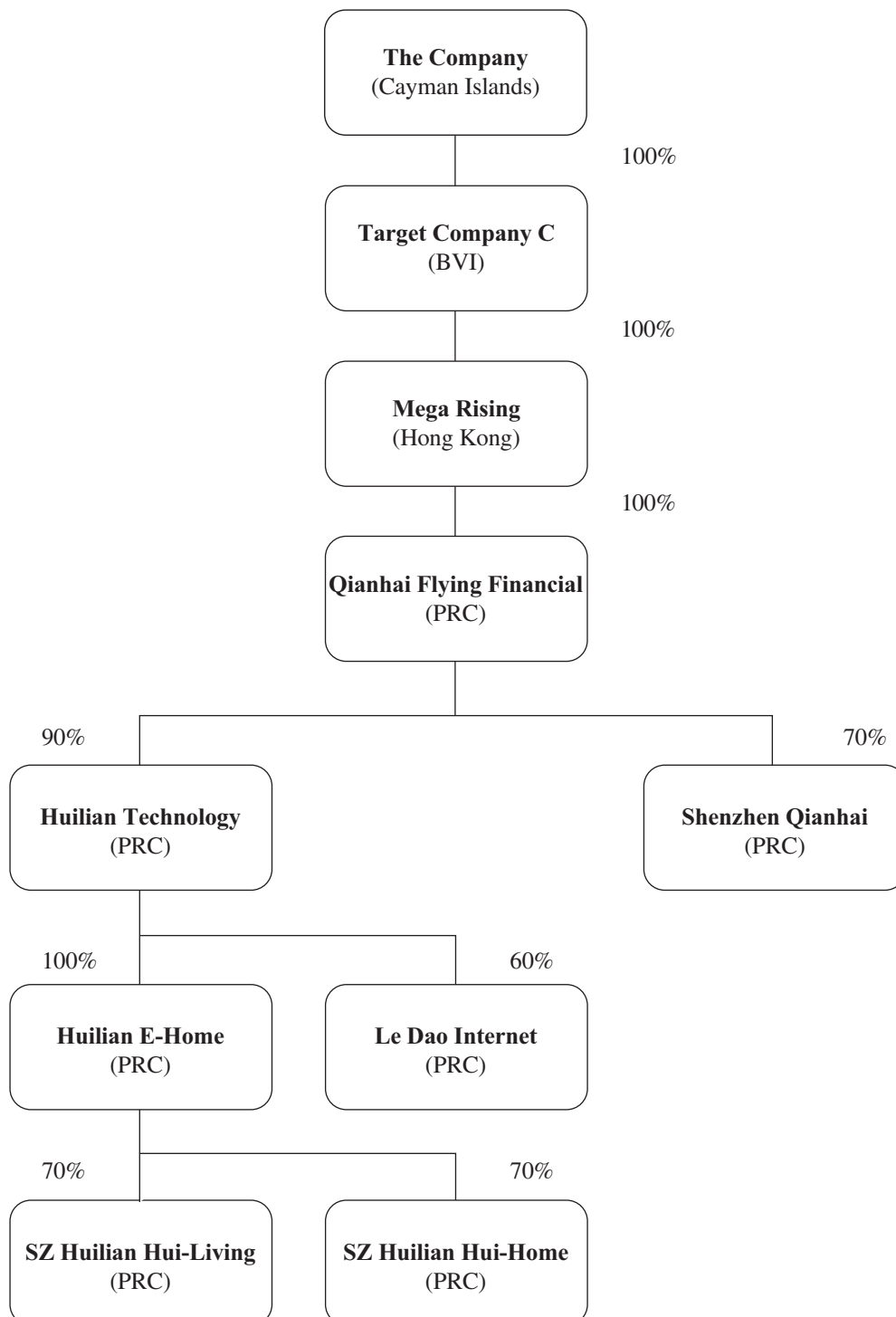
Further details of the subsidiaries of the Target Company B are as follows:

Subsidiary of the Target Company B	Principal activities during the financial year 2021	Nature of relevant assets or investments directly owned as at the date of the Sale and Purchase Agreement
King Chance, King Chance SZ	Investment holding	No direct ownership of material assets or investments of the Group at the date of the Sale and Purchase Agreement
SZ Flying Financial	Inactive	Investment in unlisted equity securities in a PRC company which conducted micro-lending business (the “ Unlisted Equity Securities ”), being part of the Seized Assets

Information of the Target Company C

The Target Company C is a limited company incorporated in the BVI on 29 March 2011, with the principal business of being an investment holding company. As of the date of the Sale and Purchase Agreement, the Company holds 100% shareholding interest in the Target Company C.

Below is the corporate structure of the Target Company C as of the date of the Sale and Purchase Agreement:



Further details of the subsidiaries of the Target Company C are as follows:

Subsidiary of the Target Company C	Principal activities during the financial year 2021	Nature of relevant assets or investments directly owned as at the date of the Sale and Purchase Agreement
Mega Rising and Huilian E-Home	Investment holding	No direct ownership of material assets or investments of the Group at the date of the Sale and Purchase Agreement
Shenzhen Qianhai, Le Dao Internet, SZ Huilian Hui-Living and SZ Huilian Hui-Home	Inactive	No direct ownership of material assets or investments of the Group at the date of the Sale and Purchase Agreement
Qianhai Flying Financial	Investment holding	Investment properties (“ Investment Properties ”, being part of the Seized Assets) and the investment in certain assets-backed securities (“ ABS ”)
Huilian Technology	Operation of a financial technology platform and generated certain revenue from its operation to the Group until July 2021	No direct ownership of material assets or investments of the Group at the date of the Sale and Purchase Agreement

The unaudited financial information of the Disposal Group for the three years ended 31 December 2020 are as follows:

	For the year ended/As at 31 December 2018 RMB('000)	For the year ended/As at 31 December 2019 RMB('000)	For the year ended/As at 31 December 2020 RMB('000)
Revenue	222,675	107,819	19,450
Net profit/(loss)	106,121	(607,162)	(461,501)
Net asset value	1,229,606	587,071	146,983

During the financial year 2021, the revenue of the Disposal Group was mainly contributed by the operation of financial technology platform by Huilian Technology until July 2021 and the passive interest income of Sunny Sino in relation to the Loan Receivables.

FURTHER INFORMATION OF THE RELEVANT INVESTMENT, ASSET AND STATUS OF THE DISPOSAL GROUP

Further details of the LPs, Unlisted Equity Securities, Investment Properties and ABS of the Disposal Group are as below:

Nature of assets	Aggregated acquisition costs/capital contribution RMB('000)	Carrying amount/fair value			Part of Seized Assets (Yes/No)
		As at 31 Dec 2018 RMB('000)	As at 31 Dec 2019 RMB('000)	As at 31 Dec 2020 RMB('000)	
LPs	443,449	783,898	446,377	231,351	(Note)
Unlisted Equity Securities	50,000	50,948	40,300	54,129	Yes
Investment Properties	44,491	48,300	49,140	47,870	Yes
ABS	40,028	33,380	34,640	31,808	No

Note: Among the LPs, three of the LPs were seized by the relevant PRC authority during the year ended 31 December 2020 and became part of the Seized Assets (as referred to in the Company's announcement dated 26 March 2021).

Concerning the Loan Receivables of Sunny Sino, the Loan Receivables had carrying amounts of approximately RMB6,060,000 as at 31 December 2021 in relation to long-term loans provided by Sunny Sino to borrowers including individuals and entities under pre-existing loan agreements entered in 2016 at fixed interest rate of 6.09% per annum. The outstanding amounts of the relevant loan receivables would be repaid by the borrowers within 5 years.

The disclaimer of opinion of 2020 Annual Report in relation to the LPs and the ABS

As disclosed in the 2020 annual report of the Company (“**2020 Annual Report**”), the former auditors of the Company expressed disclaimer of opinion on the consolidated financial statements of the Company due to the matters described in the ‘Basis for Disclaimer of Opinion’ section of the 2020 Annual Report (the “**Basis for Disclaimer of Opinion**”).

The LPs and the ABS represented all of the limited partnerships and assets-backed securities as referred to by the former auditors of the Company in the sections headed ‘Scope limitation on the valuation of investments in limited partnerships’ and ‘Scope limitation on the valuation of assets-backed securities’ of the Basis for Disclaimer of Opinion respectively.

As described in note 17(a)(i) to the financial statements in the 2020 Annual Report, as at 31 December 2020, the Group invested in LPs in the PRC and acted as a limited partner with capital contributions at a range of RMB20 million to RMB60 million for each LP. The contributions represented 1.9% to 42.5% of the total contributions of the corresponding LPs. The Group revoked its voting right on decision making over these LPs and therefore, it was considered that the Group did not have any control, joint control nor significant influence over these LPs.

As described in note 17(b) to the financial statements in the 2020 Annual Report, on 29 December 2016, the Group entered into an agreement with an independent third party to subscribe for the ABS in the PRC for a consideration of approximately RMB40 million. The subscription amount represented 10.5% of the entire units of the ABS.

The former auditors of the Company considered that during the course of their audit, they were not provided with the relevant documents or information, including the correspondences with and the financial information of the ABS prepared by the trust company, and the correspondences with and the financial information of the LPs, to support the cash flow estimation used in measuring the fair value of the ABS and the LPs as at 31 December 2020. They considered that there were no alternative audit procedures that they could perform to satisfy themselves as to whether the fair value of the Group’s investments in the ABS and the LPs as at 31 December 2020 was reasonably estimated.

As disclosed in the management discussion and analysis of the 2020 Annual Report, the Group had obtained sufficient information from the limited partnerships and the project companies to estimate the fair value of investments in the LPs. However, the Group was unable to provide sufficient supporting document and information to prove to the former auditors of the Company that the relevant information was provided by the limited partnerships and the project companies. Further, the Group had also obtained sufficient information from the trust company to estimate the fair value of the investment in the ABS. However, the Group was unable to provide sufficient supporting document and information to prove to the former auditors of the Company that the relevant information was provided by the trust company.

Please refer to the 2020 Annual Report for further details.

Upon Completion, the Remaining Group would not hold any of the LPs and ABS and accordingly, it is expected that the Remaining Group would not retain any limited partnerships or assets-backed securities as referred to in the Basis for Disclaimer of Opinion in the 2020 Annual Report.

Litigation and seized assets of the relevant PRC subsidiaries of the Target Companies

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

As disclosed in the Company's announcement dated 26 March 2021, a writ of civil summons ("**Writ**") have been issued against 2 previous directors of the Company (namely, Mr. Zheng Weijing ("**Mr. Zheng**") and Ms. Guo Chanjiao ("**Ms. Guo**")), two PRC subsidiaries of the Company (namely, Qianhai Flying Financial (a subsidiary of the Target Company C) and Flying Investment (a subsidiary of the Target Company A)) in October 2020 in relation to the repayment of certain loans and interest accrued thereon. Pursuant to the Writ, (i) Mr. Zheng was demanded for the repayment of an aggregate amount of RMB16,306,300 ("**Claimed Amount**"), alleging to be the principal and interest accrued thereon pursuant for a loan agreement in 2019; (ii) Ms. Guo, the Company, two PRC subsidiaries of the Company and a number of PRC companies independent to the Group were alleged to be guarantors of the Claimed Amount under a guarantee in 2019 ("**2019 Loan Guarantee**") in favour of the claimant under the Writ to secure the Claimed Amount. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the executions of 2019 Loan Guarantee were conducted solely by Mr. Zheng's without authorisation by the Company and the relevant PRC subsidiaries.

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

As mentioned in the Company's announcement dated 26 March 2021, certain assets of the Group had been seized by the Bureau during the year ended 31 December 2020. Such seized assets include, among others, the Investment Properties, the Unlisted Equity Securities and certain equity interests of certain property development projects which are among the LPs (collectively, the "**Seized Assets**"). The Seized Assets are subject to certain guarantees (the "**Guarantee Documents**") provided by the respective subsidiaries of the Target Companies for the Unsettled Repayment Funds. As mentioned in the announcement of the Company dated 26 March 2021, the Seized Assets were pledged pursuant to the Guarantee Documents for the settlement of the Unsettled Repayment Funds in November 2019.

UPDATE OF INDEPENDENT INVESTIGATION

Reference is made to the announcement of the Company dated 28 December 2021, in relation to, among others, the formation of Independent Investigation Committee with the purpose to commission an independent investigation on the matter to be conducted by independent professional advisor(s) regarding the custody of Mr. Zheng, Ms. Guo and three former employees of the Group by the Nanshan Branch of Shenzhen Public Security Bureau since December 2020 pending investigation regarding certain suspected illegal absorption of public deposits conducted by a subsidiary of the Company, as the request from the Resumption Guidance.

Following the formation of the Independent Investigation Committee, the Company has engaged Beijing Dentons Law Offices, LLP, the PRC legal advisers, to conduct independent investigation in relation to the Custodies in the PRC. The Board (including the Independent Investigation Committee) noted from the findings of the PRC legal advisers that:

1. Following the relevant investigations of the PRC authority and criminal proceedings of first instance trial in the PRC, a criminal judgement was made by the People's Court of Nanshan District of Shenzhen ("**SZ Nanshan District Court**") on 18 October 2021 (the "**October 2021 Judgement**") in relation to the matters of the Custodies. With reference to the October 2021 Judgement, SZ Nanshan District Court determined that, among others,
 - (i) Mr. Zheng was the actual controller of SZ Flying Financial. Mr. Zheng had actually controlled the illegal fundraising activities of SZ Flying Financial (through online and offline channels) and was the decision maker of the use and allocation of the raised funds;
 - (ii) Ms. Guo was the general manager of SZ Flying Financial, who was responsible for the daily business of SZ Flying Financial including the organization of the fundraising activities (through online and offline channels), the sales of private placement products, etc.;
 - (iii) the three former employees of the Group were responsible for the relevant matters of operation, finance and risk control of SZ Flying Financial, respectively;
 - (iv) SZ Flying Financial was not regarded as subject of crime. The criminal offence of illegal absorption of public deposits (the "**Offence**") was individually committed by Mr. Zheng, Ms. Guo and the three former employees of the Group;
 - (v) Mr. Zheng, Ms. Guo and the three former employees of the Group were all convicted of the Offence and were sentenced to 18 months to 7 years of prison with monetary penalties;
 - (vi) Mr. Zheng and Ms. Guo confessed to committing the Offence;
 - (vii) the three former employees of the Group confessed to committing the Offence and their respective sentences; and

(viii) the outstanding amount in relation to the Offence subject to refund to the investors was approximately RMB680 million. The assets seized (which included the Seized Assets) in relation to the Offence shall be distributed to the relevant investors in accordance with the applicable PRC law and regulations.

2. In view of the October 2021 Judgement, the Company and the existing Directors shall not be responsible for criminal and civil liabilities in relation to the Offence.
3. Following the public search through the China Judgement Online website conducted by the PRC legal advisers, there is no records of any criminal proceeding in the PRC against the Group and the existing Directors of the Company. Further, according to the certificates issued by Shenzhen Municipal Public Security Bureau in January 2022, there is no criminal record of Mr. Zhang Gongjun (the executive Director of the Company since 15 July 2015) and Ms. Wan Suyan (the executive Director of the Company since 9 December 2021), for period over 20 years prior to 14 January 2022.

The Company will make further announcement in relation to the findings following the conclusion of the independent investigation in accordance with the GEM Listing Rules as and when appropriate.

INFORMATION OF THE PURCHASER

The Purchaser is a limited liability company established in the PRC with principal businesses including project investment, domestic trade and electronic products. The Purchaser has experiences in acquiring and handling assets with encumbrances and creditor's rights. The sole shareholder of the Purchaser is Ms. Wang Jing (王淨).

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are Independent Third Parties.

POTENTIAL FINANCIAL IMPACT OF THE DISPOSAL TO THE GROUP

Upon Completion, the Target Companies will cease to be subsidiaries of the Company and the Company will cease to have any interests in the Disposal Group. Accordingly, the financial results of the Disposal Group will no longer be consolidated into the Group's financial statements.

The Consideration of the Disposal is HK\$15 million. The net assets of the Disposal Group, without considering the non-controlling interests, as at 30 September 2021 was approximately RMB306 million (unaudited). The amounts (unaudited) due from the Disposal Group to the Remaining Group as at 30 September 2021 were approximately RMB217 million and were mainly derived from cash advance to the Disposal Group, and will be discharged and released by the Remaining Group upon the Disposal as agreed by the Company. The amounts (unaudited) due to the Disposal Group from the Remaining Group as at 30 September 2021 were approximately RMB44 million and were mainly derived from cash advance to the Remaining Group, and will be discharged and released by the Disposal Group upon the Disposal. It is expected that net amount of the amounts due from/to the Disposal Group, being approximately RMB173 million (unaudited) due from the Disposal Group to the Remaining Group, would be discharged and released by the Remaining Group

upon the Disposal in view of the Consideration in accordance with the Sale and Purchase Agreement. In terms of accounting treatment, it is expected that the Group will record a loss of approximately RMB294 million (unaudited) immediately following the Disposal.

Shareholders should note that the actual loss (in terms of accounting treatment) from the Disposal will depend on, among others, (i) the carrying amount of the assets in the accounts of the Disposal Group as at the date of the Completion; and (ii) the actual transaction cost and expenses of the Disposal; and (iii) final audit to be performed by the Company's auditors, and therefore may be different from the amount mentioned above.

As of the date of the announcement, the indebtedness of the Remaining Group would mainly comprise of director's loan. The Consideration of the Disposal is HK\$15 million. It is expected that the net proceeds of the consideration of the Disposal (after deducting the expenses relating to the Disposal), being approximately HK\$13.4 million (unaudited), shall be applied towards the repayment of indebtedness and for the general working capital of the Remaining Group after the Disposal. The Company intended to allocate approximately HK\$3.5 million to repay the indebtedness of the Remaining Group, and to allocate approximately HK\$9.9 million for the general working capital of the Remaining Group. The general working capital will be mainly used for (i) rental and related expenses and (ii) other operating expense in relation to the accrual and other payables not related to the transaction of the Disposal.

REASONS FOR AND BENEFITS OF THE DISPOSAL

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

To the best knowledge and belief of the Directors, the Target Companies and their subsidiaries generally are not required to conduct any daily business operation as at the date of this announcement, and the investments and assets of the Disposal Group are mainly the LPs, the Unlisted Equity Securities, the ABS, and the Investment Properties. Sunny Sino (a member of the Disposal Group) is also entitled to the Loan Receivables.

The ABS

Concerning the ABS, the Group had not received any further repayment from the ABS investment since December 2019. Under the circumstance, the management of the Company considered that it is unlikely for the Group to be distributed any further repayments from the ABS investment.

Extremely low probability and feasibility to recover the Seized Assets by the Group

The Seized Assets include, among others, the Investment Properties, the Unlisted Equity Securities and certain equity interests of certain property development projects which are among the LPs. The Group contacted the relevant authority through its representative and advisers and were informed that the Seized Assets were not expected to be returned to the Group. Further, as advised by PRC legal advisers, the probability and feasibility for the Group to recover those Seized Assets (in whole or in part) would be extremely low with reference to the applicable PRC law and the October 2021 Judgement in relation to the Seized Assets.

LPs which are not part of the Seized Assets

Concerning the LPs which are not part of the Seized Assets, those LPs were directly owned by Flying Investment (the indirect wholly-owned subsidiary of the Target Company A) with capital contribution made during 2016 to 2018 for the purposes of various investment in property development projects (including urban redevelopment projects). The Company considered that (i) the general partner of the relevant urban redevelopment projects may not be able to acquire the relevant lands of such development projects and certain principals of such investments may be subject to refund; and (ii) the rest of the relevant LPs had nil to insignificant carrying amount with reference to further information as below:

Nature of LPs which are not part of the Seized Assets but considered by the Company to have nil to insignificant carrying amount	Aggregated acquisition costs/capital contribution RMB('000)	Relevant actions taken by the Group to claim for repayment, return or distribution Management's reasons of carrying amount	Relevant reasons of nil to insignificant carrying amount
Investment in a property development project in Hubei	30,000	The Group has received repayment, return or distribution of approximately RMB190 million from 2017 to 2018.	The underlying property development project has been concluded and no further repayment, return or distribution would be received.
Investment in a property development project in Dongguan	22,500	The Group has received repayment, return or distribution of approximately RMB79 million from 2016 to 2019.	The underlying property development project has been concluded and no further repayment, return or distribution would be received.
Investment in a property development project in Chongqing	28,000	The Group has received repayment, return or distribution of approximately RMB9 million from 2017 to 2018.	No further repayment, return or distribution has been received since second half of 2018. The Group was informed that the project company would not provide any further repayment, return or distribution to the Group, and various personnel of the project company has resigned.

Nature of LPs which are not part of the Seized Assets but considered by the Company to have nil to insignificant carrying amount	Aggregated acquisition costs/capital contribution RMB('000)	Relevant actions taken by the Group to claim for repayment, return or distribution Management's reasons of carrying amount	Relevant reasons of nil to insignificant carrying amount
Investment in three property development projects in Shenzhen	155,000	Commenced legal action concerning the relevant LPs and attempted to conduct negotiation with the relevant project developer but failed to reach any settlement.	The three LPs have disposed of their respective equity interests in three project companies during the year ended 31 December 2020. As set out in the 2020 Annual Report, the Company estimated that the repayment to be received from the limited partnerships arising from such disposals would be significantly less than that originally expected by the Group.

Further information of the Board's view of the Consideration

Having discussed with the Valuer and with a view of the investments, assets and status of the Target Companies, the Company considered and agreed with the Valuer that it is more appropriate to assess the fair value of the Sale Shares with asset-based approach. The Board reviewed and agreed with the basis of the preliminary view of valuation of the Valuer. The Board considered that the preliminary view of the Valuer is fair and reasonable and in the interest of the Company and its Shareholders.

As disclosed in this announcement, the investments and assets of the Disposal Group are mainly comprised of the Seized Assets and illiquid assets. Based on the financial condition of the Disposal Group as at 30 September 2021, the Disposal Group does not have sufficient cash to repay the amount due to the Remaining Group, being approximately RMB217 million, in the foreseeable future. The discharge and release of the net amounts due from the Remaining Group, being RMB173 million, was agreed by the Company in view of the Consideration in accordance with the Sale and Purchase Agreement.

The Board also noted that the Consideration exceeds the preliminary valuation of the fair value of the Sale Shares.

Taking into consideration of the aforesaid, the Directors (including the independent non-executive Directors) consider the terms of the Sale and Purchase Agreement (including but not limited to the Consideration) to be fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

THE REMAINING BUSINESS OPERATIONS AND ASSETS OF THE GROUP AFTER THE DISPOSAL

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

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

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

As at the date of this announcement, the Remaining Group does not hold any immovable properties and interests in property development projects, and the Remaining Group does not hold any Seized Assets. The Company considered that the operation of the Remaining Group after the Disposal could be sustained without reliance upon continuous ownership of any particular investments, immovable properties or heavy assets. Following the Disposal, the Company shall continuously review and assess the ability of the Remaining Group to maintain sufficient level of operations.

The Board noted that the Group has net current liabilities in the financial year 2021 and the Group is experiencing a liquidity pressure with relatively low working capital. The net proceeds of the consideration of the Disposal (after deducting the cost and expenses relating to the Disposal) shall be applied towards the repayment of indebtedness and for the general working capital of the Remaining Group after the Disposal. It is expected that, following the Disposal, the Remaining Group would be able to have sufficient working capital to sustain

its operations. The Company is also actively negotiating with potential investor(s) in relation to possible fund-raising activities for the purpose of repayment of indebtedness and further improving the working capital status of the Group. In the event of any fund-raising activities would be materialized, the Company will publish announcement(s) in compliance with the GEM Listing Rules, as and when appropriate.

As of the date of this announcement, the Company has no targets for potential acquisitions, and there is no potential acquisition under negotiation. That said, as part of the principal business of the Group, the Company shall continue to identify appropriate investment opportunities in property development projects subject to the prevailing market conditions and available funds of the Group. In such circumstance, the Company will publish announcement(s) in compliance with the GEM Listing Rules, as and when appropriate.

As of the date of this announcement, the Company has no intention and is not in any negotiation of further disposal or downsizing the remaining business of the Group following the Disposal.

GEM LISTING RULES IMPLICATION

As more than one of the applicable percentage ratios exceeds 75%, the Disposal constitutes a very substantial disposal on the part of the Company under the GEM Listing Rules and will be subject to Shareholders' approval at the EGM.

To the best of the Directors' knowledge, information and belief, no Shareholders have a material interest in the Disposal and no Shareholders are required to abstain from voting at the EGM.

A circular containing, among other matters, further details of the Disposal and a notice to convene the EGM will be despatched to the Shareholders on or before 18 February 2022, as the Company expects that it requires more time to prepare the necessary information for inclusion in the circular.

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 further notice.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Board”	board of the Directors
“Business Day(s)”	a day on which major banks are generally open for business in Hong Kong, except a Sunday and a Saturday
“BVI”	the British Virgin Islands
“Company” or “Vendor”	Flying Financial Service Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares are listed on GEM
“Completion”	completion of the Disposal in accordance with the terms and conditions of the Sale and Purchase Agreement
“Completion Date”	third (3rd) Business Days after all the conditions precedent as set out in the Sale and Purchase Agreement being satisfied (or such other date as the Parties may agree)
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	director(s) of the Company from time to time
“Disposal”	the disposal of the Sale Shares as contemplated under the Sale and Purchase Agreement
“Disposal Group”	the Target Companies and their subsidiaries
“EGM”	extraordinary general meeting of the Company
“Flying Investment”	匯聯投資服務(深圳)有限公司 (*Flying Investment Services (Shenzhen) Company Limited), a wholly-foreign-owned enterprise established in the PRC on 23 May 2011
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company together with its subsidiaries
“Guangdong Huijin”	廣東匯金典當股份有限公司 (*Guangdong Huijin Pawn Stock Company Limited), a joint-stock limited company established in the PRC on 7 September 2005
“Hong Kong”	Hong Kong Special Administrative Region of the PRC

“Huilian E-Home”	匯聯易家互聯網金融服務(深圳)有限公司 (*Huilian E-Home Internet Financial Services (Shenzhen) Co, Ltd), a limited liability company established in the PRC on 16 November 2015
“Huilian Technology”	匯聯科技數據服務(深圳)有限公司 (*Huilian Technology Data Service (Shenzhen) Limited), a limited liability company established in the PRC on 5 November 2015
“Independent Third Party(ies)”	third party(ies) who is/are independent of, and not connected with, the Company and its connected persons (as defined in the GEM Listing Rules)
“King Chance”	King Chance Financial Holdings Limited (京澤金融控股有限公司), a company incorporated in Hong Kong on 20 April 2015
“King Chance SZ”	京澤(深圳)電子商務有限公司 (*King Chance (Shenzhen) Electronic Commerce Company Limited), a limited liability company established in the PRC on 19 August 2015
“Le Dao Internet”	樂道互聯網傳媒(深圳)有限公司 (*Le Dao Internet Media (Shenzhen) Limited), a limited liability company established in the PRC on 16 May 2016
“Long Stop Date”	31 March 2022 (or such other time as the Parties may agree)
“Mega Rising”	Mega Rising Investment Limited (怡昇投資有限公司), a company incorporated in Hong Kong on 11 May 2012
“Ningbo Expand Wealth”	寧波拓富管理諮詢有限公司 (*Ningbo Expand Wealth Consultancy Company Limited), a limited liability company established in the PRC on 27 August 2018
“Parties”	the Vendor and the Purchaser, and “Party” means any one of them
“PRC”	the People’s Republic of China, which for the purpose of this announcement only excludes Hong Kong, the Macau Special Administrative Region of the PRC, and Taiwan
“Purchaser”	深圳市嘉軒數字發展有限公司 (*Shenzhen Jiaxuan Shuzhi Development Company Limited), a limited liability company established in the PRC on 7 September 2015
“Qianhai Flying Financial”	前海匯聯金融服務(深圳)有限公司 (*Qianhai Flying Financial PRC Service (Shenzhen) Limited), a limited liability company established in the PRC on 17 April 2013
“Remaining Group”	the Group without the Disposal Group

“Sale and Purchase Agreement”	the sale and purchase agreement dated 30 December 2021 and entered into between the Purchaser and the Vendor in respect of the Disposal
“Sale Shares”	the shares of the Target Company A, the Target Company B and the Target Company C held by the Company as of the date of the Sale and Purchase Agreement, representing 100% shareholding interest in the Target Company A, 51% shareholding interest in the Target Company B and 100% shareholding interest in the Target Company C respectively
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shenzhen Qianhai”	深圳市前海元鉑金融服務有限公司 (*Shenzhen Qianhai Yuanbo Financial Service Limited), a limited liability company established in the PRC on 23 December 2015
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sunny Sino”	Sunny Sino Holdings Limited (益華集團有限公司), a company incorporated in Hong Kong on 23 February 2011
“SZ Flying Financial”	深圳市匯聯互聯網金融服務有限公司 (*Shenzhen Flying Financial Internet Financial Services Corporation), a company established in the PRC on 29 May 2014 with limited liability
“SZ Huilian Hui-Home”	深圳市匯聯匯有房互聯網金融服務有限公司 (*Shenzhen Huilian Hui-Home Internet Financial Services Limited Company), a company established in the PRC on 16 November 2015
“SZ Huilian Hui-Living”	深圳市匯聯匯生活互聯網金融服務有限公司 (*Shenzhen Huilian Hui-Living Internet Financial Services Limited Company), a company established in the PRC on 16 November 2015
“SZQH Huilian”	深圳市前海匯聯天成投資管理有限公司 (*SZQH Huilian Tiancheng Investment Management Company Limited), a limited liability company established in the PRC on 5 March 2015
“Target Companies”	means the Target Company A, Target Company B and Target Company C collectively
“Target Company A”	Expand Wealth Limited (拓富有限公司), a company incorporated in BVI on 29 March 2011 with limited liability

“Target Company B”	Profit Success Technology Limited, a company incorporated in BVI on 2 January 2014 with limited liability
“Target Company C”	Expand Thrive Limited (拓旺有限公司), a company incorporated in BVI on 29 March 2011 with limited liability
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 26 January 2022

** for identification purpose only*

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

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 GEM website at www.hkgem.com for a minimum period of seven days from the date of its publication and on the Company’s website at www.flyingfinancial.hk.