



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

**First
Quarterly
Report**

2018

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.

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This report, 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 report 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 report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.



FINANCIAL HIGHLIGHTS

- The Company and its subsidiaries (collectively the “Group”) recorded a turnover of approximately RMB76,509,000 for the three months ended 31 March 2018, representing a decrease of approximately 5.5% as compared with the corresponding period in 2017.
- Profit attributable to owners of the Company for the three months ended 31 March 2018 amounted to approximately RMB21,891,000, representing a decrease of approximately 22.1% as compared to approximately RMB28,105,000 for the corresponding period in 2017.
- Basic earnings per share of the Company for the three months ended 31 March 2018 amounted to RMB1.26 cents (2017: RMB1.62 cents).
- The board of Directors (the “Board”) does not declare the payment of an interim dividend for the three months ended 31 March 2018.

FIRST QUARTERLY RESULTS

The Board is pleased to announce the unaudited condensed consolidated results of the Group for the three months ended 31 March 2018 together with the comparative unaudited figures for the corresponding period in 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2018

		Three months ended 31 March	
		2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
	Notes		
Revenue	3	76,509	80,998
Other income	3	668	540
Employee benefit expenses		(18,597)	(15,201)
Administrative expenses		(17,053)	(18,673)
Equity-settled share-based payments		(4,533)	(3,093)
Share of results of joint ventures		–	470
Finance costs	4	(4,189)	(4,107)
Profit before income tax expense	5	32,805	40,934
Income tax expense	6	(13,431)	(13,455)
Profit for the period		19,374	27,479
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences on translating foreign operations		4,084	(280)
Total comprehensive income for the period		23,458	27,199
Profit for the period attributable to:			
Owners of the Company		21,891	28,105
Non-controlling interests		(2,517)	(626)
		19,374	27,479
Total comprehensive income for the period attributable to:			
Owners of the Company		25,975	27,825
Non-controlling interests		(2,517)	(626)
		23,458	27,199
Earnings per share	8		
– Basic (RMB cents)		1.26	1.62
– Diluted (RMB cents)		1.26	1.62

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FIRST QUARTERLY RESULTS

1. GENERAL INFORMATION

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 801A and 807B, 8/F., Tsim Sha Tsui Centre, 66 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong. The Company's shares ("Shares") have been listed on the GEM of the 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 platforms, provision of entrusted loan, pawn loan and other loan services, financial consultation services, and finance lease and factoring services mainly in the People's Republic of China ("PRC" or "China").

In the opinion of the Directors, 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 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 2017.

All HKFRSs effective for the accounting periods commencing from 1 January 2018 and relevant to the Group, have been adopted by the Group in the preparation of the 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.

3. REVENUE AND OTHER INCOME/(EXPENSE), NET

Revenue, which is also the Group's turnover, represents the income from its principal activities. Revenue and other income for the three months ended 31 March are as follows:

	Three months ended 31 March	
	2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Revenue		
Investment income from investments in property development projects through limited partnerships	50,000	33,000
Financial consultation services income	22,291	35,709
Platform services income	3,132	9,114
Factoring loan services income	–	2,145
Interest income	422	404
Finance lease services income	664	626
	<u>76,509</u>	<u>80,998</u>
Other income/(expense), net		
Bank interest income	19	36
Interest income from investments	639	457
Other income	10	47
	<u>668</u>	<u>540</u>

4. FINANCE COSTS

	Three months ended 31 March	
	2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Effective interest on convertible bonds	3,940	3,826
Interest on bank borrowing	249	281
	<u>4,189</u>	<u>4,107</u>

5. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is arrived at after charging:

	Three months ended 31 March	
	2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Auditor's remuneration	345	300
Depreciation of property, plant and equipment	559	691
Amortisation of intangible assets	825	825
Employee benefit expenses including directors' remuneration		
Salaries and wages	16,150	13,135
Pension scheme contributions – Defined contribution plans	2,447	2,066
	18,597	15,201
Equity-settled share-based payment expense	4,533	3,093
Operating lease charges in respect of properties	1,957	1,780

6. INCOME TAX EXPENSE

	Three months ended	
	31 March	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
PRC Enterprise Income Tax		
– Current period	13,910	13,661
– Prior years	(273)	–
Hong Kong Profits Tax		
– Current period	–	–
	13,637	13,661
Deferred tax	(206)	(206)
	13,431	13,455

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 period was calculated at 25% (2017: 25%) of the estimated assessable profits during the period. 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.

Hong Kong Profits Tax is calculated at 16.5% (2016: 16.5%) on the estimated assessable profits for the period. No provision for Hong Kong Profits Tax has been made as the Group did not have assessable profits during the three months ended 31 March 2018 (2017: nil).

7. DIVIDENDS

The Board resolved not to declare an interim dividend for the three months ended 31 March 2018 (2017: nil).

8. EARNINGS PER SHARE

(a) Basic earnings per share

The calculations of basic earnings per share for the three months ended 31 March 2018 is based on the profit attributable to owners of the Company of approximately RMB21,891,000 (2017: RMB28,105,000) and the weighted average number of approximately 1,731,433,000 (2017: 1,731,433,000) ordinary shares during the three months ended 31 March 2018.

(b) Diluted earnings per share

The Company has two categories of dilutive potential ordinary shares: convertible bonds and share options. For the purposes of calculation of the diluted earnings per share, the convertible bonds are assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense less the tax effect. For the share options, 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 period) 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 earnings per share has not taken into account the conversion of the Company's outstanding convertible bonds since to do so would result in an increase in profit per share. The diluted earnings per share is same as basic earnings per share for the three months ended 31 March 2018 and 2017 as the shares issuable in respect of the outstanding share options have an anti-dilutive effect on the basic earnings per share.

9. UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to the owners of the Company											Non-controlling interests	Total equity
	Share capital	Share premium	Merger reserve	Statutory reserve	Exchange reserve	Share option reserve	Convertible bonds equity reserve	Available-for-sale financial assets	Retained earnings	Dividend proposed	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the three months ended 31 March 2018													
At 1 January 2018	142,004	217,853	116,659	48,048	(175)	27,367	5,316	810	271,948	29,313	859,143	41,550	900,693
Profit for the period	-	-	-	-	-	-	-	-	21,891	-	21,891	(2,517)	19,374
Exchange differences on translating foreign operation	-	-	-	-	4,084	-	-	-	-	-	4,084	-	4,084
Total comprehensive income for the period	-	-	-	-	4,084	-	-	-	21,891	-	25,975	(2,517)	23,458
Equitysettled sharebased transactions	-	-	-	-	-	4,532	-	-	-	-	4,532	-	4,532
At 31 March 2018	<u>142,004</u>	<u>217,853</u>	<u>116,659</u>	<u>48,048</u>	<u>3,909</u>	<u>31,899</u>	<u>5,316</u>	<u>810</u>	<u>293,839</u>	<u>29,313</u>	<u>889,650</u>	<u>39,033</u>	<u>928,683</u>
For the three months ended 31 March 2017													
At 1 January 2017	142,004	262,193	116,659	29,031	2,695	21,687	5,316	-	136,635	15,352	731,572	40,119	771,691
Profit for the period	-	-	-	-	-	-	-	-	28,105	-	28,105	(626)	27,479
Exchange differences on translating foreign operation	-	-	-	-	(280)	-	-	-	-	-	(280)	-	(280)
Total comprehensive income for the period	-	-	-	-	(280)	-	-	-	28,105	-	27,825	(626)	27,199
Equitysettled sharebased transactions	-	-	-	-	-	3,077	-	-	-	-	3,077	-	3,077
At 31 March 2017	<u>142,004</u>	<u>262,193</u>	<u>116,659</u>	<u>29,031</u>	<u>2,415</u>	<u>24,764</u>	<u>5,316</u>	<u>-</u>	<u>164,740</u>	<u>15,352</u>	<u>762,474</u>	<u>39,493</u>	<u>801,967</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

Flying Financial conducted its business closely along the entire real estate business chain providing professional real estate services to its customers. After more than three years of transformation through consolidating quality resources and innovating financial solutions, our business layout was established and our financial services cover the entire real estate value chain from land pre-acquisition, property development and property sales to community life services.

Financial consultation services

The Company has captured opportunities for developing new business since the transformation. Over the past few years, a project development team was set up, whose members have extensive experience in the real estate industry. With its professional investment ability, the team shortlisted a number of quality real estate projects located in first and second-tier core cities and third-tier key cities featured by their manageable risks and promising sales prospects. The team fully demonstrated its professional advantage in the development, investment and management of real estates by offering financial, legal and professional real estate advisory services in five stages – project development, financing solution, project investment, project management, and withdrawal and clearance – and established standardised service procedures. The continuously growing results witnessed the gradually-recognised business model, which rewarded us with resource enrichment and a wider scope of consultation services.

Investment in property development projects

Flying Financial invests in projects of development and sales of real estates through limited partnerships, enabling it to gain income from the entire real estate value chain, which is the revenue from investment in property development projects. The Company introduced to the industry its pre-eminent “light asset” joint development model which effectively addressed the prefinancing needs of the property developers and thereby has been gaining wider acceptance.

Since the transformation in 2014, the Group has invested in an increasing number of real estate projects. As at 31 March 2018, the total number of investment projects accumulated to seventeen that located in more than ten core cities such as Shenzhen, Dongguan and Wuhan. During the period under review, the Group’s total investment in available-for-sale property development projects amounted to approximately RMB549 million (2017: RMB473 million).

Financial service platforms

Our financial service platforms offer professional financial services in the real estate market. Within two years subsequent to its establishment, the Group launched “匯聯易家”, a financial technology service platform, and “匯理財”, a professional financial management service platform, both of which are tailored for China’s real estate market and have so far experienced a steady growth.

A project co-operation was concluded between “匯聯易家” and SAS Institute Inc., a globally renowned risk quantification analysis institute and a jointly developed risk quantification model was launched that was applicable to the business end, with a view to enhancing efficiency in platform operation. During the period under review, “匯理財” became considerably active with an accumulated user base increased by 62,000 to approximately 1,080,000 as compared to the corresponding period of last year.

Internal control

In light of the ongoing expansion of scale, the Group had strengthened its internal control and established an internal audit department which is responsible for the internal audit assessment and supervision of the Group and its business segments, rationalising and enhancing its rules, regulations and procedures, putting forward measures to rectify the existing loopholes and taking prompt follow-up steps to ensure timely and effective implementation of these measures, thereby optimising its risk management and internal control procedures, which is one of its management objectives.

Fostering talents

The transformation has so far been successfully implemented and is expected to drive the Company into a stage of rapid development in future. The management of the Group acknowledges the significance of building a talent team and is looking forward to incorporating more talents from different disciplines to the Company who are willing to pursue sustainable development with us together.

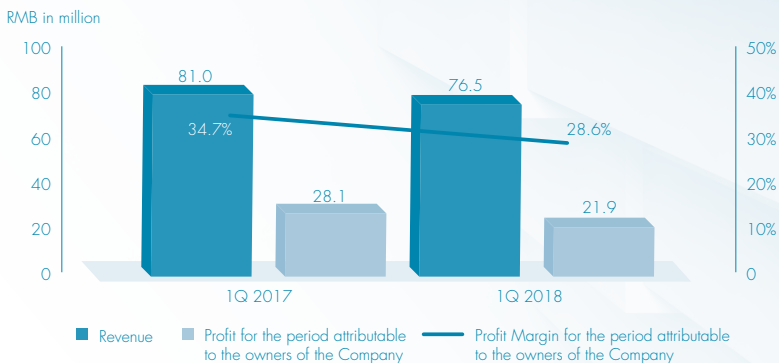
The Group gradually improved its training system through the review of programme structure and arrangement, as well as course lecturers. New training programmes were designed in accordance with our corporate strategies. A combination of methodologies such as classroom training, interactive learning and experiential sharing was adopted to foster outstanding corporate talents and enables employees at various grades or in various positions to have training and learning opportunities.

Furthermore, there were dedicated training programmes for different groups of employees, including: 1) intensive training camps for new employees; 2) weekly sharing sessions covering topics prepared by the Flying Financial Academy which advocate “everybody teaches and everyone learns”; and 3) management capability training camps for middle and senior management organised by prominent external institutions to help the management team keep pace with corporate development and fulfil their duties.

Financial review

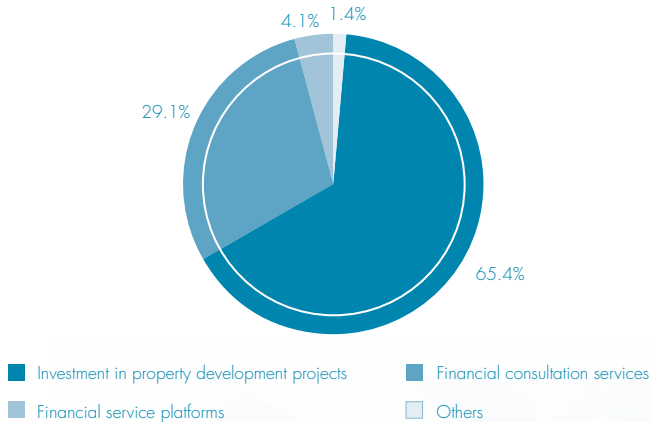
Revenue

For the three months ended 31 March 2018, the Group recorded a turnover of approximately RMB76.5 million, representing a decrease of approximately 5.5% from approximately RMB81.0 million for the corresponding period of last year, primarily due to the decrease in financial consultation service income and platform services income for the period under review. Profit margin for the period attributable to the owners of the Company decreased to approximately 28.6% as compared to approximately 34.7% for the corresponding period of last year.



In terms of sales breakdown, revenue from financial consultation services for the period under review amounted to approximately RMB22.3 million, representing a year-on-year decrease of approximately 37.6%, while revenue from investment in property development projects was approximately RMB50.0 million, representing a year-on-year growth of approximately 51.5%. Revenue from financial service platforms amounted to approximately RMB3.1 million, representing a year-on-year decrease of approximately 65.6%. Revenue from finance leasing and factoring services amounted to approximately RMB0.7 million for the period under review (2017: RMB2.8 million).

Revenue Breakdown



Finance costs

During the period under review, interest expenses of the Group increased by approximately 2.0% to approximately RMB4.2 million from approximately RMB4.1 million for the corresponding period of last year, which mainly comprised the interest payment for the convertible bonds.

Other income

The Group's other income mainly comprised bank interests income and interest income from investments.

Administrative and other operating expenses

Administrative and other operating expenses of the Group mainly comprised salaries and employee benefits, rental expenses, and marketing and advertising fees. During the period under review, administrative and other operating expenses of the Group decreased by approximately 8.7% to approximately RMB17.1 million, which was due to the tightly control of administrative expenses.

Profit for the year attributable to the owners of the company

During the period under review, profit attributable to the owners of the Company decreased by approximately 22.1% to approximately RMB21.9 million, which was primarily due to the gloomy revenue performance from financial consultation service and financial service platforms. Profit margin for the period attributable to the owners of the Company decreased to approximately 28.6% as compared to approximately 34.7% for the corresponding period of last year.

BUSINESS OUTLOOK

Going forward, China's government policies will focus mainly on controlling asset bubbles and preventing financial risks. It is anticipated the Chinese economy will be subject to bottoming and adjustment for some time. For the real estate market, the differentiated macroeconomic adjustment policy will be launched with varying degrees of localisation so competitions are expected to be intensified in the industry.

Since 2017, the credit environment of currency loans has been evolving from moderate to progressively tight with an elevated threshold for direct financing. Meanwhile, due to rising land costs, the development costs for individual projects have also been increasing. Given the established market, the joint development model involving multi-lateral co-operation in terms of "capital, land and operation" has become prevalent, with a view to alleviating funding pressures and reducing development costs of individual property developers while leveraging each other's complementary strengths. To cope with the above challenges, the pre-eminent "light asset" development model introduced by Flying Financial was adopted by a number of property developers, and we have successfully assisted these property developers in lowering their debt ratios and raising their turnovers and returns on investment. To sum up, we will be facing more opportunities than challenges, leveraging on our gradually enhanced business deployment and constantly evolving business models with further distinct business objectives.

Currently, our real estate investment business has reached beyond the Guangdong-Hong Kong-Macao Bay Area to the core cities in Chongqing, Hubei and Yunnan regions. In the coming year, the Company will further invest in a number of quality projects located in first and second-tier core cities and other peripheral third-tier cities in the PRC. Meanwhile, the selection criteria for quality projects which encourage investment in short-term projects with lower costs and quicker returns will be strictly adhered to, with a view to raising our net profit margin and return on investment in general and expediting our cash turnover.

The Group will continue to focus on building fin-tech platforms for the real estate market and emphasise value enhancement in the segment of credit financing for property leasing. Leveraging its experience in the operation of financial products and the development of risk management systems, the Group has been actively exporting its financial products and services through its financial technology platforms and providing financial institutions and service providers with fin-tech support to boost their trade efficiency.

Furthermore, the Company will enhance the development of its finance leasing segment. Based on the existing finance leasing products and services, new team members and co-operation resources will be introduced. New finance leasing products and services will be launched on trial to further promote business diversity. Meanwhile, the segment of financial services for preowned properties that acquired by the Group in 2017 complemented our presence in the real estate business chain with a stock house market. In future, the Company will position itself as a platform for the stock house market by offering professional financial services.

Going forward, the Group will further strengthen its internal control by adopting the principle of “authorised management and prioritised management” to uplift its management standards and boost its operational efficiency. Besides, the Company will heighten its cost awareness by optimising the existing system in terms of cost management, cash flow management and effective utilisation of capital to tap new resources and save costs. For the existing business segments, a more attractive incentive programme will be launched to enhance cohesion within Flying Financial, which is conducive to attaining the objectives set for 2018.

We hold the belief that talents are the most valuable resources of a company, and high-calibre talents are key to value creation and sustainable growth. In order to constantly enhancing the talent team, the Group will launch the “Leaders for the Future Programme” in 2018 with core courses in fostering talents. Participants are either selected from our talent reserve or outstanding doctorate holders and postgraduate students, all of whom will be committed to a high-standard, customised and systematic development programme involving intensive training, supervision by senior management, job rotation, topic research and temporary posts, thereby building a talent pool for us to cope with the rapid growth in future.

Going forward, Flying Financial will continue with its prudent strategies in realising its deployment for comprehensive real estate value chain services. In future, based on further extension of our existing business, we will consider the concept of real estate asset securitisation encouraged by the PRC government, and construction equipment rental as our directions in long-term sustainable development and gathering momentum for a sustainable profit growth. Apart from managing our primary business segments, we will further identify possibilities of expansion through merger and acquisition to achieve synergy for the existing business and resource complementation. Flying Financial will endeavour to maintain its status as one of China’s leading real estate financial service providers.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2018, the interests of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or were required pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(i) Interests in the Shares

Name of Director	Number of Shares held (Note 1)			Total	Approximate percentage of shareholding in the Company (%)
	Beneficial interest	Interest of spouse	Interest of controlled corporation		
Mr. Zheng Weijing	40,630,202	-	367,739,567 (Note 2)	408,369,769	23.59

Notes:

- These represent the Director's long position in the Shares.
- These Shares are held in the name of Ming Cheng Investments Limited, a company wholly owned by Mr. Zheng Weijing.

(ii) Interests in the underlying Shares

Name of Director	Capacity/ Nature of interest	Number of underlying Shares		Approximate percentage of shareholding in the Company (%)
		Long position (Note 1)	Short position	
Mr. Zheng Weijing	Beneficial owner	2,700,000	–	0.16
	Interest in controlled corporation	–	20,000,000 (Note 2)	1.16
Mr. Zhang Gongjun	Beneficial owner	12,000,000	–	0.69
Ms. Guo Chanjiao	Beneficial owner	12,000,000	–	0.69
Mr. Vincent Cheng	Beneficial owner	1,100,000	–	0.06
Mr. Leung Po Hon	Beneficial owner	1,100,000	–	0.06
Dr. Miao Bo	Beneficial owner	1,100,000	–	0.06

Notes:

1. Being unlisted physically settled share options to acquire ordinary Shares, further details of which are set out in the section headed "Share Option Scheme" below.
2. This short position in unlisted physically settled options is held by Ming Cheng Investments Limited, a company wholly-owned by Mr. Zheng Weijing.

(iii) **Interests in associated corporation – 廣東匯金典當股份有限公司 (Guangdong Huijin Pawn Stock Company Limited*)**

Name of Director	Nature of interest	Equity interest	Approximate percentage of equity interest (%)
Mr. Zheng Weijing	Interest of controlled corporation (Note)	RMB71,240,000	70.53

Note: Such registered capital was contributed by 匯聯資產管理有限公司 (Huilian Assets Management Company limited*) ("Huilian Assets Management"). 深圳市智匯投資諮詢有限公司 (Shenzhen Zhihui Investment Consulting Company Limited*) ("Shenzhen Zhihui") was interested in 72% of the entire equity interest of Huilian Assets Management. Shenzhen Zhihui was owned as to 45% by Mr. Zheng Weijing.

Save as disclosed above, as at 31 March 2018, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

* For identification purposes only

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2018, so far as is known to the Directors, the following persons (other than the Directors and chief executives of the Company) had an interest or short position in the Shares and underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO:

(i) Interests in the Shares

Name of Shareholder	Number of Shares held (Note 1)				Total	Approximate percentage (%)
	Beneficial Interest	Interest of spouse	Security interest	Interest of controlled corporation		
Ming Cheng Investments Limited	367,739,567 (Note 2)	-	-	-	367,739,567	21.24
Ms. Zhang Chushan	-	408,369,769 (Note 3)	-	-	408,369,769	23.59
Sino-Africa Resources Holdings Limited	255,676,042 (Note 4)	-	-	-	255,676,042	14.77
Peace Bloom Limited	145,429,087 (Note 5)	-	-	-	145,429,087	8.40
Upsoar Limited	155,518,650 (Note 6)	-	-	-	155,518,650	8.99
Mr. Huang Xiguang	-	-	-	255,676,042 (Note 4)	255,676,042	14.77
Mr. Hu Jinxi	22,200,000	-	-	145,429,087 (Note 5)	167,629,087	9.68

Name of Shareholder	Number of Shares held (Note 1)					Approximate percentage (%)
	Beneficial Interest	Interest of spouse	Security interest	Interest of controlled corporation	Total	
Ms. Fu Shanping	-	-	-	155,518,650 (Note 7)	155,518,650	8.99
GF Investments (Hong Kong) Company Limited (Note 7)	20,000,000	-	399,649,769	-	419,649,769	24.24
GF Holdings (Hong Kong) Corporation Limited (Note 7)	-	-	-	419,649,769	419,649,769	24.24
GF Securities Co., Ltd. (Note 7)	-	-	-	419,649,769	419,649,769	24.24

Notes:

1. These represent the corporation's/person's long position in the Shares.
2. Ming Cheng Investments Limited is a company wholly-owned by Mr. Zheng Weijing.
3. Ms. Zhang Chushan is the spouse of Mr. Zheng Weijing. By virtue of the provisions of Part XV of the SFO, Ms. Zhang Chushan is deemed to be interested in all the interests in which Mr. Zheng Weijing is interested or deemed to be interested in.
4. Sino-Africa Resources Holdings Limited is a company wholly-owned by Mr. Huang Xiguang.
5. Peace Bloom Limited is a company wholly-owned by Mr. Hu Jinxi.
6. Upsoar Limited is a company wholly-owned by Ms. Fu Shanping.
7. Based on the notices of disclosure of interests filed by each of GF Investments (Hong Kong) Company Limited ("GF Investments"), GF Holdings (Hong Kong) Corporation Limited and GF Securities Co., Ltd. on 29 September 2016, these long positions in the Shares are held by GF Investments which is directly wholly-owned by GF Holdings (Hong Kong) Corporation Limited, which in turn is wholly-owned by GF Securities Co., Ltd. Under the SFO, GF Holdings (Hong Kong) Corporation Limited and GF Securities Co., Ltd. are deemed to be interested in these long positions in the Shares held by GF Investments.

(ii) Interests in the underlying Shares

Name of Shareholder	Capacity/ Nature of interest	Number of underlying Shares		Approximate percentage of shareholding in the Company (%)
		Long position	Short position	
Ming Cheng Investments Limited	Beneficial owner	–	20,000,000 (Note 1)	1.16
Ms. Zhang Chushan	Interest of spouse	2,700,000 (Note 2)	–	0.16
		–	20,000,000 (Note 2)	1.16
Central China International Investment Company Limited (Note 3)	Beneficial interest	99,009,900	–	5.72
Central China International Financial Holdings Company Limited (Note 3)	Interest of controlled corporation	99,009,900	–	5.72
Central China Securities Co., Ltd. (Note 3)	Interest of controlled corporation	99,009,900	–	5.72

Notes:

1. Being short position in unlisted physically settled options. Ming Cheng Investments Limited is a company wholly-owned by Mr. Zheng Weijing.
2. Ms. Zhang Chushan is the spouse of Mr. Zheng Weijing. By virtue of the provisions of Part XV of the SFO, Ms. Zhang Chushan is deemed to be interested in all the interests or short positions in which Mr. Zheng Weijing is interested or deemed to be interested in.
3. Based on the notices of disclosure of interests filed by each of Central China International Investment Company Limited, Central China International Financial Holdings Company Limited and Central China Securities Co., Ltd. on 29 July 2016, these long positions in unlisted cash settled derivatives are held by Central China International Investment Company Limited which is directly wholly-owned by Central China International Financial Holdings Company Limited, which in turn is wholly-owned by Central China Securities Co., Ltd. Under the SFO, Central China International Financial Holdings Company Limited and Central China Securities Co., Ltd. are deemed to be interested in these long positions in the underlying Shares held by Central China International Investment Company Limited.

Save as disclosed above, as at 31 March 2018, there was no person who had any interest or short position in the Shares or underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Share Option Scheme") pursuant to the written resolution of the shareholders of the Company on 20 December 2011 for the purpose of providing incentives or rewards to the eligible participants for their contribution to the Group and/or enabling the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group.

Details of the Share Option Scheme are as follows:

- | | |
|--|---|
| 1. Purpose of the Share Option Scheme | As incentive or rewards to eligible participants for their contribution to the Group. |
| 2. Eligible participants of the Share Option Scheme | Any eligible employee (whether full-time or part-time, including any executive Director), any non-executive Director, any shareholder, any supplier and any customer of the Company or any of its subsidiaries or any entity in which any member of the Group holds any equity interest, and any other party having contribution to the development of the Group. |
| 3. Total number of Shares available for issue under the Share Option Scheme and percentage to the issued share capital as at the date of this report | 153,083,250 shares (approximately 8.84% of the total issued share capital as at the date of this report). |

- | | |
|--|--|
| 4. Maximum entitlement of each participant under the Share Option Scheme | Not exceeding 1% of the issued share capital of the Company for the time being in any 12-month period. Any further grant of options in excess of such limit must be separately approved by the Company's shareholders in general meeting. |
| 5. The period within which the Shares must be taken up under an option | A period (which may not expire later than 10 years from the date of offer of that option) to be determined and notified by the Directors to the grantee thereof. |
| 6. The minimum period for which an option must be held before it can be exercised | Unless otherwise determined by the Directors, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised. |
| 7. The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made | A remittance in favour of the Company of HK\$1.00 on or before the date of acceptance (which may not be later than 21 days from the date of offer). |
| 8. The basis of determining the exercise price | Being determined by the Directors and being not less than the highest of: <ul style="list-style-type: none">a. the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer;b. the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer; andc. the nominal value of the Shares. |
| 9. The remaining life of the Share Option Scheme | The Scheme is valid and effective for a period of 10 years commencing on 20 December 2011 (being the date of adoption of the Share Option Scheme). |

On 17 December 2015, options to subscribe for an aggregate of 76,000,000 shares of the Company have been granted by the Company to the existing directors, employees and advisors of the Group under the Share Option Scheme; 30% of share options have an exercise period from 1 June 2016 to 19 December 2021 ("2015 Share Option 1"); 30% of share options have an exercise period from 1 June 2017 to 19 December 2021 ("2015 Share Option 2"); and the remaining share options have an exercise period from 1 June 2018 to 19 December 2021 ("2015 Share Option 3"). All share options are subject to the fulfillment of relevant profit targets by the Company, as set out below, and share options shall not be vested if any of the profit targets is failed to be met.

Details of the specific categories of options are as follows:

	Date of grant	Vesting date	Exercise period	Exercise price HK\$	Vesting conditions
2015 Share Option 1	17 December 2015	31 May 2016	1 June 2016 to 19 December 2021	1.046	<p>Profit after income tax (but before share-based payment expenses) according to the audited consolidated financial statement of the Company for the year ended 31 December 2015:</p> <ul style="list-style-type: none"> - Equal to or more than RMB35 million, 100% of 2015 Share Option 1 shall be vested; - Equal to or more than RMB25 million but less than RMB35 million, 50% of 2015 Share Option 1 shall be vested; and - Less than RMB25 million, no 2015 Share Option 1 shall be vested.

	Date of grant	Vesting date	Exercise period	Exercise price HK\$	Vesting conditions
2015 Share Option 2	17 December 2015	31 May 2017	1 June 2017 to 19 December 2021	1.046	<p>Profit after income tax (but before share-based payment expenses) according to the audited consolidated financial statement of the Company for the year ended 31 December 2016:</p> <ul style="list-style-type: none"> - Equal to or more than RMB65 million, 100% of 2015 Share Option 2 shall be vested; - Equal to or more than RMB50 million but less than RMB65 million, 50% of 2015 Share Option 2 shall be vested; and - Less than RMB50 million, no 2015 Share Option 2 shall be vested.
2015 Share Option 3	17 December 2015	31 May 2018	1 June 2018 to 19 December 2021	1.046	<p>Profit after income tax (but before share-based payment expenses) according to the audited consolidated financial statement of the Company for the year ended 31 December 2017:</p> <ul style="list-style-type: none"> - Equal to or more than RMB100 million, 100% of 2015 Share Option 3 shall be vested; - Equal to or more than RMB80 million but less than RMB100 million, 50% of 2015 Share Option 3 shall be vested; and - Less than RMB80 million, no 2015 Share Option 3 shall be vested.

On 15 January 2018, options to subscribe for an aggregate of 98,000,000 shares of the Company have been granted by the Company to the existing directors, employees and advisors of the Group under the Share Option Scheme; 10% of share options have an exercise period from 1 June 2018 to 14 January 2023 ("2018 Share Option 1"); 20% of share options have an exercise period from 1 June 2019 to 14 January 2023 ("2018 Share Option 2"); 30% of share options have an exercise period from 1 June 2020 to 14 January 2023 ("2018 Share Option 3"); and the remaining share options have an exercise period from 1 June 2021 to 14 January 2023 ("2018 Share Option 4"). All share options are subject to the fulfillment of relevant profit targets by the Company, as set out below, and share options shall not be vested if any of the profit targets is failed to be met.

Details of the specific categories of options are as follows:

	Date of grant	Vesting date	Exercise period	Exercise price HK\$	Vesting conditions
2018 Share Option 1	15 January 2018	31 May 2018	1 June 2018 to 14 January 2023	0.842	<p>Profit after income tax (but before share-based payment expenses) according to the audited consolidated financial statement of the Company for the year ended 31 December 2017:</p> <ul style="list-style-type: none"> - Equal to or more than RMB100 million, 100% of 2018 Share Option 1 shall be vested; - Equal to or more than RMB80 million but less than RMB100 million, 50% of 2018 Share Option 1 shall be vested; and - Less than RMB80 million, no 2018 Share Option 1 shall be vested.
2018 Share Option 2	15 January 2018	31 May 2019	1 June 2019 to 14 January 2023	0.842	<p>Profit after income tax (but before share-based payment expenses) according to the audited consolidated financial statement of the Company for the year ended 31 December 2018:</p> <ul style="list-style-type: none"> - Equal to or more than RMB150 million, 100% of 2018 Share Option 2 shall be vested; - Equal to or more than RMB100 million but less than RMB150 million, 50% of 2018 Share Option 2 shall be vested; and - Less than RMB100 million, no 2018 Share Option 2 shall be vested.

	Date of grant	Vesting date	Exercise period	Exercise price HK\$	Vesting conditions
2018 Share Option 3	15 January 2018	31 May 2020	1 June 2020 to 14 January 2023	0.842	<p>Profit after income tax (but before share-based payment expenses) according to the audited consolidated financial statement of the Company for the year ended 31 December 2019:</p> <ul style="list-style-type: none"> - Equal to or more than RMB200 million, 100% of 2018 Share Option 3 shall be vested; - Equal to or more than RMB1.50 million but less than RMB200 million, 50% of 2018 Share Option 3 shall be vested; and - Less than RMB1.50 million, no 2018 Share Option 3 shall be vested.
2018 Share Option 4	15 January 2018	31 May 2021	1 June 2021 to 14 January 2023	0.842	<p>Profit after income tax (but before share-based payment expenses) according to the audited consolidated financial statement of the Company for the year ended 31 December 2020:</p> <ul style="list-style-type: none"> - Equal to or more than RMB250 million, 100% of 2018 Share Option 4 shall be vested; - Equal to or more than RMB200 million but less than RMB250 million, 50% of 2018 Share Option 4 shall be vested; and - Less than RMB200 million, no 2018 Share Option 4 shall be vested.

On 31 May 2016, options to subscribe for an aggregate of 22,800,000 Shares, being 100% of 2015 Share Option 1, have been vested to the grantees of the options. On 31 May 2017, options to subscribe for an aggregate of 19,350,000 Shares of 2015 Share option 2 have been vested to the grantees of the options.

As at 31 March 2018, the total number of securities available for issue under the Share Option Scheme pursuant to its terms was 156,000,000 Shares, representing in aggregate approximately 9.01% of the Company's issued share capital.

Details of the share options granted under the Share Option Scheme for the three months ended 31 March 2018 were as follows:

Name	Date of grant	Number of share options				Outstanding as at 31 March 2018
		Outstanding as at 1 January 2018	Granted during the period	Exercised during the period	Lapsed during the period	
Executive Directors						
Mr. Zheng Weijing	17 December 2015	1,000,000	-	-	-	1,000,000
	15 January 2018	-	1,700,000	-	-	1,700,000
Mr. Zhang Gongjun	17 December 2015	8,000,000	-	-	-	8,000,000
	15 January 2018	-	4,000,000	-	-	4,000,000
Ms. Guo Chanjiao	17 December 2015	8,000,000	-	-	-	8,000,000
	15 January 2018	-	4,000,000	-	-	4,000,000
Independent non-executive Directors						
Mr. Vincent Cheng	17 December 2015	500,000	-	-	-	500,000
	15 January 2018	-	600,000	-	-	600,000
Mr. Leung Po Hon	17 December 2015	500,000	-	-	-	500,000
	15 January 2018	-	600,000	-	-	600,000
Dr. Miao Bo	17 December 2015	500,000	-	-	-	500,000
	15 January 2018	-	600,000	-	-	600,000
Sub-total		18,500,000	11,500,000	-	-	30,000,000
Employees in aggregate						
	17 December 2015	33,500,000	-	-	-	33,500,000
	15 January 2018	-	78,700,000	-	-	78,700,000
Sub-total		33,500,000	78,700,000	-	-	112,200,000
Advisors in aggregate						
	17 December 2015	6,000,000	-	-	-	6,000,000
	15 January 2018	-	7,800,000	-	-	7,800,000
Sub-total		6,000,000	7,800,000	-	-	13,800,000
Total		58,000,000	98,000,000	-	-	156,000,000

No share options were cancelled or lapsed during the three months ended 31 March 2018.

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 three months ended 31 March 2018.

CORPORATE GOVERNANCE

The Board is of the view that the Company has met the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "Code") as set out in Appendix 15 of the GEM Listing Rules, except for the deviation from the code provision of A.2.1 of the Code.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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 report, 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 of 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 three months ended 31 March 2018.

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 March 2018.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises a total of three members, namely, Mr. Vincent Cheng (Chairman), Mr. Leung Po Hon and Dr. Miao Bo, all of whom are independent non-executive Directors. The Group's unaudited condensed consolidated results, results announcement and quarterly report for the three months ended 31 March 2018 have been reviewed by the Audit Committee. The Board is of opinion that the preparation of such financial information complied with the applicable accounting standards, the requirements under the GEM Listing Rules and any other applicable legal requirements, and that adequate disclosures have been made.

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

Hong Kong, 11 May 2018

As at the date of this report, 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 Mr. Vincent Cheng, Mr. Leung Po Hon and Dr. Miao Bo.

This report 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).