



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

Interim
Report
2018

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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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 RMB168,014,000 for the six months ended 30 June 2018, representing a decrease of approximately 11.7% as compared to approximately RMB190,342,000 for the corresponding period in 2017.
- Profit attributable to owners of the Company for the six months ended 30 June 2018 amounted to approximately RMB53,773,000, representing a decrease of approximately 29.0% as compared to approximately RMB75,747,000 for the corresponding period in 2017.
- Basic earnings per share of the Company (the “Share”) for the six months ended 30 June 2018 amounted to RMB3.11 cents (2017: RMB4.37 cents).
- The board of Directors (the “Board”) does not declare the payment of interim dividend for the six months ended 30 June 2018 (2017: HK\$0.01 per Share).

UNAUDITED INTERIM RESULTS

The Board is pleased to announce the unaudited condensed consolidated results of the Group for the six months ended 30 June 2018 together with the comparative unaudited figures for the corresponding period in 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Notes	Three months ended 30 June		Six months ended 30 June	
		2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000	2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Revenue	3	91,505	109,344	168,014	190,342
Other income/(expense), net	3	(1,984)	1,213	(1,316)	1,753
Employee benefit expenses		(15,818)	(15,186)	(34,415)	(30,387)
Administrative expenses		(26,203)	(24,133)	(43,256)	(42,806)
Equity-settled share-based payments		(4,704)	(2,532)	(9,237)	(5,625)
Share of result of joint ventures		5,000	178	5,000	648
Finance costs	4	(4,490)	(4,168)	(8,679)	(8,275)
Profit before income tax expense	5	43,306	64,716	76,111	105,650
Income tax expense	6	(12,223)	(20,950)	(25,654)	(34,405)
Profit for the period		31,083	43,766	50,457	71,245
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
– Exchange differences on translating foreign operation		2,614	750	6,698	470
Total comprehensive income for the period		33,697	44,516	57,155	71,715
Profit/(loss) for the period attributable to:					
Owners of the Company		31,882	47,642	53,773	75,747
Non-controlling interests		(799)	(3,876)	(3,316)	(4,502)
		31,083	43,766	50,457	71,245
Total comprehensive income for the period attributable to:					
Owners of the Company		34,496	48,392	60,471	76,217
Non-controlling interests		(799)	(3,876)	(3,316)	(4,502)
		33,697	44,516	57,155	71,715
Earnings per Share	8				
– Basic (RMB cents)		1.84	2.75	3.11	4.37
– Diluted (RMB cents)		1.84	2.75	3.11	4.37

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	As at 30 June 2018 (Unaudited) RMB'000	As at 31 December 2017 (Audited) RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	5,693	6,002
Investment properties		46,400	46,400
Goodwill	10	48,316	48,316
Intangible assets	10	23,937	25,588
Interests in joint ventures		5,497	497
Held-to-maturity investment	11	–	6,519
Available-for-sale investments	12	–	635,213
Financial assets at fair value through other comprehensive income	12	733,604	–
Loans and accounts receivables	13	16,085	21,844
		879,532	790,379
Current assets			
Held-to-maturity investment	11	–	5,726
Financial assets at amortised cost	11	5,035	–
Loans and accounts receivables	13	193,226	182,017
Deposits paid, prepayments and other receivables		29,880	43,730
Amount due from a shareholder		–	7,562
Amount due from a non-controlling interest		1	1
Amounts due from joint ventures		–	11,400
Tax recoverable		7,375	7,438
Pledged deposits		2,500	–
Cash and cash equivalents		93,714	77,912
		331,731	335,786
Current liabilities			
Receipts in advance, accruals and other payables		58,891	50,848
Dividend payable		29,288	81
Amount due to a shareholder		3,522	–
Bank borrowings		4,106	2,154
Convertible bonds		97,382	92,438
Current tax liabilities		50,083	49,826
		243,272	195,347
Net current assets		88,459	140,439

		As at 30 June 2018 (Unaudited) RMB'000	As at 31 December 2017 (Audited) RMB'000
	<i>Notes</i>		
Non-current liability			
Receipts in advance, accruals and other payables		8,669	7,214
Bank borrowings		15,437	16,514
Deferred tax liabilities		5,984	6,397
		<u>30,090</u>	<u>30,125</u>
NET ASSETS		<u>937,901</u>	<u>900,693</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	14	142,004	142,004
Reserves		757,640	687,826
Proposed dividend	7	-	29,313
		<u>899,644</u>	<u>859,143</u>
Non-controlling interests		<u>38,257</u>	<u>41,550</u>
TOTAL EQUITY		<u>937,901</u>	<u>900,693</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to owners of the Company											Non-controlling interests	Total
	Share capital	Share premium	Merger reserve	Statutory reserve	Exchange reserve	Convertible			Retained earnings	Proposed dividend	Total		
						Share option reserve	bonds equity reserve	Investment revaluation reserve					
(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000
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	-	-	-	-	-	-	-	-	53,773	-	53,773	(3,316)	50,457
Other comprehensive income for the period	-	-	-	-	6,698	-	-	-	-	-	6,698	-	6,698
Total comprehensive income for the period	-	-	-	-	6,698	-	-	-	53,773	-	60,471	(3,316)	57,155
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	23	23
Equity-settled share-based transactions	-	-	-	-	-	9,237	-	-	-	-	9,237	-	9,237
2017 final dividend payable	-	106	-	-	-	-	-	-	-	(29,313)	(29,207)	-	(29,207)
At 30 June 2018	142,004	217,959	116,659	48,048	6,523	36,604	5,316	810	325,721	-	899,644	38,257	937,901
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	-	-	-	-	-	-	-	-	75,747	-	75,747	(4,502)	71,245
Other comprehensive income for the period	-	-	-	-	470	-	-	-	-	-	470	-	470
Total comprehensive income for the period	-	-	-	-	470	-	-	-	75,747	-	76,217	(4,502)	71,715
Proposed interim dividend	-	(15,027)	-	-	-	-	-	-	-	15,027	-	-	-
Equity-settled share-based transactions	-	-	-	-	-	5,536	-	-	-	-	5,536	-	5,536
2016 final dividend paid	-	34	-	-	-	-	-	-	-	(15,352)	(15,318)	-	(15,318)
At 30 June 2017	142,004	247,200	116,659	29,031	3,165	27,223	5,316	-	212,382	15,027	798,007	35,617	833,624

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Net cash generated from operating activities	<u>85,211</u>	<u>132,910</u>
Net cash used in investing activities	<u>(73,316)</u>	<u>(69,561)</u>
Net cash used in financing activities	<u>(4,112)</u>	<u>(18,027)</u>
Net increase in cash and cash equivalents	7,783	45,322
Cash and cash equivalents at beginning of the period	77,912	34,689
Effect of foreign exchange rate, net	<u>8,019</u>	<u>(3,332)</u>
Cash and cash equivalents at the end of the period	<u>93,714</u>	<u>76,679</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM 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 (the "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 platform, 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 the applicable disclosure requirements set out in the GEM Listing Rules and Hong Kong Financial Reporting Standards ("HKFRSs"), which collective terms include all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The accounting policies used in the preparation of the Group's unaudited condensed consolidated results are consistent with those adopted in the Group's audited financial statements for the year ended 31 December 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 Group's unaudited condensed consolidated results. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's results and financial position.

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

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

The Group has adopted the complete version of HKFRS 9 “Financial instruments” (“HKFRS 9”) in the condensed consolidated financial statements for the six months ended 30 June 2018. Except for the foregoing, the Group has not adopted any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 9 introduces new classification and measurement requirements for financial assets on the basis of the Group’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, a new expected credit loss model that replaces the incurred loss impairment model used in HKAS 39 “Financial instruments: Recognition and measurement” (“HKAS 39”) with the result that a loss event will no longer need to occur before an impairment allowance is recognised, and a new hedge accounting model where the hedged ratio is required to be the same as the one used by an entity’s management for risk management purposes.

As at 1 January 2018, investments in equity securities of RMB595,753,000 and investments in debts securities of RMB39,460,000 which were previously classified as available-for-sale investments and measured at cost and fair value, respectively, at each reporting date under HKAS 39 have been designated as financial assets at fair value through other comprehensive income of RMB635,213,000. The reclassification have no significant financial impact.

As at 1 January 2018, investments in debts securities of RMB12,245,000 (included in non-current assets and current assets) which were previously classified as held-to-maturity investment and measured at amortised cost at each reporting date under HKAS 39 have been designated as financial assets at amortised cost of RMB12,245,000. The reclassification have no significant financial impact.

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/(expense), net for the three months and six months ended 30 June 2018 are as follows:

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000
Revenue				
Investment income from investments in property development projects through limited partnerships	62,000	88,929	112,000	121,929
Financial consultation services income	18,554	12,241	40,845	47,950
Platform services income	9,422	5,196	12,554	14,310
Factoring loan services income	–	1,493	–	3,638
Interest income	899	928	1,321	1,332
Finance lease services income	630	557	1,294	1,183
	91,505	109,344	168,014	190,342
Other income/(expense), net				
Bank interest income	31	34	50	70
Interest income from investments	147	338	786	795
Gain on deemed disposal of a joint venture	–	253	–	253
Gain on disposal of a subsidiary	132	–	132	–
Impairment of financial assets at amortised cost	(2,223)	–	(2,223)	–
Others	(71)	588	(61)	635
	(1,984)	1,213	(1,316)	1,753

4. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000	2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Effective interest on convertible bonds	4,241	3,892	8,181	7,718
Interest on bank borrowings	249	276	498	557
	4,490	4,168	8,679	8,275

5. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is arrived at after charging:

	Three months ended 30 June		Six months ended 30 June	
	2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000	2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Auditor's remuneration	568	407	911	707
Depreciation of property, plant and equipment	499	453	1,058	1,144
Amortisation of intangible assets	825	826	1,651	1,651
Employee benefit expenses (including directors' remuneration)				
Salaries and wages	13,198	12,871	29,348	26,006
Pension scheme contributions – Defined contribution plans	2,620	2,315	5,067	4,381
	15,818	15,186	34,415	30,387
Equity-settled share-based payment expense	4,704	2,532	9,237	5,625
Operating lease charges in respect of properties	2,122	1,718	4,079	3,498

6. INCOME TAX EXPENSE

	Three months ended 30 June		Six months ended 30 June	
	2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000	2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
PRC Enterprise Income Tax				
– Current period	12,334	21,706	26,244	35,367
– Over-provision in the prior year	96	(549)	(177)	(549)
Hong Kong Profits Tax				
– Current period	–	–	–	–
	12,430	21,157	26,067	34,818
Deferred tax	(207)	(207)	(413)	(413)
	12,223	20,950	25,654	34,405

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 losses.

Hong Kong Profits Tax is calculated at 16.5% (2017: 16.5%) on the estimated assessable profit for the period. No provision for Hong Kong Profits Tax has been made as the Group did not have assessable profits during the six months ended 30 June 2018 (2017: nil).

7. DIVIDENDS

Dividend attributable to the interim period

	Six months ended 30 June	
	2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Interim dividend		
– Nil (2017: HK\$0.01 per Share)	–	15,027

The Board resolved not to declare an interim dividend for the six months ended 30 June 2018 (2017: HK\$0.01 per Share).

8. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2018 is based on the profit attributable to owners of the Company of approximately RMB53,773,000 (2017: approximately RMB75,747,000) and the weighted average number of approximately 1,731,433,000 (2017: approximately 1,731,433,000) ordinary shares during the six months ended 30 June 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 earnings per share. The diluted earnings per share is the same as basic earnings per share for the six months ended 30 June 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. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group spent approximately RMB751,000 (2017: approximately RMB166,000) on acquisition of furniture, fixture and office equipment.

10. GOODWILL AND INTANGIBLE ASSETS

As at 30 June 2018, the carrying amount of goodwill and intangible assets (customers relationship) were approximately RMB48,316,000 and RMB23,937,000, respectively (2017: approximately RMB48,316,000 and RMB25,588,000, respectively).

11. FINANCIAL ASSETS AT AMORTISED COST/HELD-TO-MATURITY INVESTMENT

As at 30 June 2018, the Group had financial assets at amortised cost which bore fixed interest rate of 7.92% (2017: 7.92%) per annum and had maturity within one year (2017: two years).

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/AVAILABLE-FOR-SALE INVESTMENTS

	As at 30 June 2018 (Unaudited) RMB'000	As at 31 December 2017 (Audited) RMB'000
Available-for-sale investments		
– Unlisted equity securities, at cost (note a)	–	595,753
– Unlisted debts securities, at fair value (note b)	–	39,460
Financial assets at fair value through other comprehensive income		
– Unlisted equity securities (note a)	696,752	–
– Unlisted debts securities (note b)	36,852	–
	<u>733,604</u>	<u>635,213</u>

Notes:

- (a) The Group invested an aggregate amount of RMB634,788,000 (2017: RMB533,789,000) in certain limited partnerships in the PRC and acted as a limited partner as at 30 June 2018. These limited partnerships are engaged in property development projects in the PRC.

The Group invested in 5% and 10% of the equity interests of two entities in the PRC at an aggregate amount of approximately RMB61,964,000 (2017: RMB61,964,000).

- (b) It represented 10.5% of the entire units of assets-backed securities which is secured by a loan receivable held by a trust company in the PRC.

13. LOANS AND ACCOUNTS RECEIVABLES

Loans and accounts receivables of the Group comprised pawn loan receivables, entrusted loan receivables, financial consultation services income receivables, investment income receivables, platform services income receivables, finance lease receivables, factoring loan receivables and other loan receivables.

Pawn loan receivables represent the short-term loans arranged in the PRC. Customers are obliged to settle the amounts according to the terms set out in the relevant contracts, with the option to renew the loans granted for a period up to 183 days. Interest rates offered are based on the assessment of a number of factors including the borrowers' creditworthiness and repayment ability, collaterals as well as the general economic trends.

Entrusted loan receivables represent loans to borrowers through certain banks or other financial institutions in the PRC. In an entrusted loan arrangement, the Group enters into a loan agreement with the borrower and a bank or a financial institution. The borrower repays the loan to the bank or the financial institution and then the bank or the financial institution returns the principal and accrued interests to the Group. While the bank or the financial institution exercises supervision over the arrangement and receives repayment from the borrower, the bank or the financial institution does not assume any risk of default by the borrower.

For financial consultation services income receivables, there is no credit period and customers are obliged to settle the amounts according to the terms set out in the relevant contracts.

Investment income receivables represent income from the investments in limited partnerships. The receivables are settled subject to the arrangement of the relevant limited partnership which is normally settled in 3 months after the approval of the investment income in the board meeting of the limited partnership.

Platform services income receivables represent service income charged to the platform users who are obligated to pay service fees to the Group. There is no credit period and customers are obliged to settle the amount according to the terms set out in the relevant contracts.

For finance lease receivables, borrowers are obligated to settle the amounts according to the terms set out in the relevant contracts and acquire the leased assets at the end of the lease period. The lease periods ranged from 1 to 3 years.

Factoring loan receivables represent the amount of the loans to borrowers that the Group holds certain accounts receivables of the borrowers as collaterals.

Other loan receivables represent loans to borrowers including individuals and entities at fixed interest rate with loan periods of 1 to 10 years.

	As at 30 June 2018 (Unaudited) RMB'000	As at 31 December 2017 (Audited) RMB'000
Loans and accounts receivables	212,385	206,935
Less: Impairment loss recognised	(3,074)	(3,074)
	<hr/>	<hr/>
Loans and accounts receivables, net	209,311	203,861
Less: Non-current portion	(16,085)	(21,844)
	<hr/>	<hr/>
Current portion	193,226	182,017
	<hr/> <hr/>	<hr/> <hr/>

The movement in impairment of loans and accounts receivables is as follow:

	As at 30 June 2018 (Unaudited) RMB'000	As at 31 December 2017 (Audited) RMB'000
Carrying amount at beginning of the period/year	3,074	–
Impairment loss recognised	<u>–</u>	<u>3,074</u>
Carrying amount at end of the period/year	<u>3,074</u>	<u>3,074</u>

Based on the due dates, the ageing analysis of the Group's loans and accounts receivables that were not impaired is as follows:

	As at 30 June 2018 (Unaudited) RMB'000	As at 31 December 2017 (Audited) RMB'000
Neither past due nor impaired	172,558	129,921
0 to 30 days	6,440	69,345
31 to 90 days	7,393	2,393
91 to 180 days	13,486	1,068
Over 180 days	9,434	1,134
	<u>209,311</u>	<u>203,861</u>

14. SHARE CAPITAL

	Number of ordinary Shares '000	RMB'000
<i>Authorised:</i>		
Ordinary Shares of HK\$0.1 each		
At 31 December 2017 and 30 June 2018	<u>5,000,000</u>	<u>407,450</u>
<i>Issued and fully paid:</i>		
Ordinary Shares of HK\$0.1 each		
As at 1 January 2017, 31 December 2017, and 30 June 2018	<u>1,731,433</u>	<u>142,004</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

The changes in policies on the real estate and financial industries at the end of 2017 continued in the first half of 2018. The objective of control policy in the real estate industry remained to be stabilising the real estate industry, while the financial industry continued to implement reform of the financial regulatory system in order to enhance the standard of industry compliance and prevent systematic risks. Affected by the control of real estate market and new financial regulations, the investment in and funding of real estate industry is under difficult condition, providing the Company with more opportunities.

In face of the changes in the macroeconomic environment, the Group adopted more prudent strategies and demanded a higher return and turnover rate in its investment projects. There were merely three newly invested projects in the first half of the year. In addition, after three years of accumulation of technical skills and capabilities, our financial service platform has focused on the provision of fin-tech services to upstream and downstream industries of real estate. Based on our technical capabilities such as big data analysis, risk control engine and smart customer acquisition, fin-tech solutions were introduced for three major segments, namely real estate related consumption instalment, personal loan and corporate loan.

Investment in property development projects

Given the tightened macroeconomic policies, the Group adopted prudent strategies, used more time to study and identified projects and invested more carefully. In the first half of the year, the Group tended to invest in quality projects with high turnover rate in second-tier capital cities with an aim to achieve higher return comparing with industrial average through their uptrend district prices. The decrease in the number of investment projects in the first half of the year resulted in decrease in revenue generated from financial consultation services. Moreover, the projects invested last year stepped into the development stage this year. In spite of the fact that a few projects commenced selling in the first half of the year, it is expected that the performance will be improved as compared with the first half of the year as more projects start to sell in the second half of the year. In the first half of 2018, the Group invested in three new projects, making a total of twenty investment projects locating in Shenzhen, Dongguan, Wuhan and other major cities. During the period under review, the total investment in available-for-sale property development projects of the Group amounted to approximately RMB634.8 million (2017: RMB533.8 million). With the adoption of more prudent strategies, the cash and cash equivalents of the Group in the first half of the year significantly increased by 20.3% to approximately RMB93.7 million compared with the end of the previous year.

Fin-tech platforms

In order to adapt to new development opportunities, the Group has transformed its financial service platform to fin-tech platform. “匯聯易家” was renamed as “匯聯科技數據服務公司” (the “匯聯科技”). It focused on the provision of fin-tech platform to both upstream and downstream customers of the real estate so as to commercialize its technologies and solutions.

The “匯理財” platform under Flying Financial has completed its compliance restructuring in accordance with the regulatory requirement and has never experienced any payment delinquency since its establishment. The deposit management system of 匯理財, was successfully launched in early June and the transparency and security of fund management of the platform were further improved. Users can use the agency services through the platform with peace of mind.

Internal control

In light of the ongoing expansion of scale, the Group has strengthened its internal control during the period. Through conducting the internal audit assessment and supervision on its business segments, rationalising and enhancing its rules, regulations and procedures, putting forward measures, the Group rectified the loopholes found and took 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

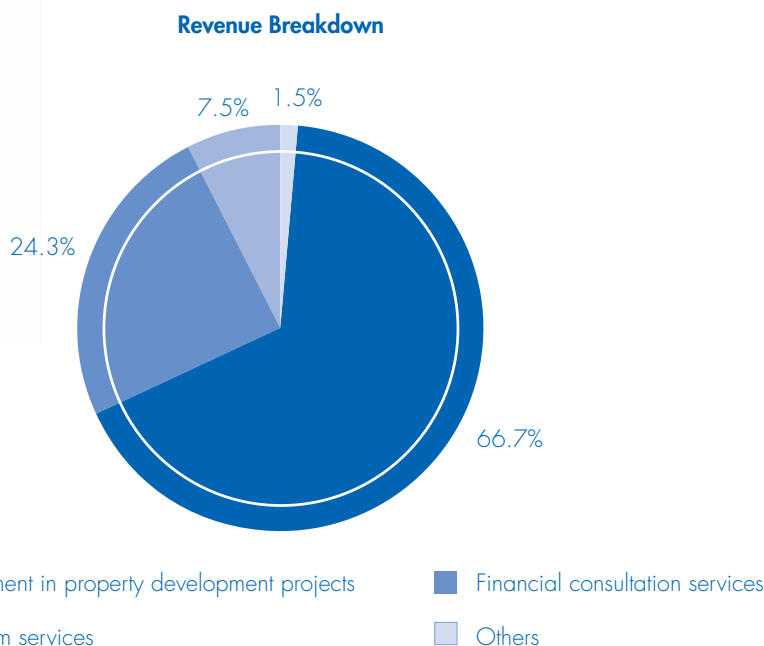
With the aim of encouraging middle and senior management and core staff and improving overall operating results, the Group launched the second batch of 98 million stock incentive plan. With such stock incentive plan, the Group was expected to have positive effect for talent retention and operating results.

In order to enhance the management skill of mid- to high- level officers, the Group cooperated with a well-known consulting firm and launched the “Future Leader Training Program” (未來領袖人才培養計劃) to organise training courses covering team management, business management and staff management through multiple learning channels and integrated learning models. The courses were designed with the focus of the major businesses of the Company and aimed to improve the professional skills of the asset management related personnel. The results of the training program have been effective since its commencement.

Financial review

For the six months ended 30 June 2018, the Group recorded a turnover of approximately RMB168.0 million, representing a decrease of approximately 11.7% from approximately RMB190.3 million in the corresponding period last year, which was primarily due to cyclical decrease in revenue from property development projects and financial consultation services. Some projects were still under development and were not available for sale. During the period under review, the number of our joint property development projects increased to 20 from 17 at end of the previous year.

In terms of revenue breakdown, revenue from financial consultation services for the period under review amounted to approximately RMB40.8 million, representing a decrease of approximately 14.8% from approximately RMB48.0 million for the corresponding period of the previous year, while revenue from investment in property development projects was approximately RMB112.0 million, representing a decrease of approximately 8.1% from approximately RMB121.9 million from the corresponding period in the previous year. Platform service income amounted to approximately RMB12.6 million, representing a decrease of approximately 12.3% from approximately RMB14.3 million from the corresponding period in the previous year. The decrease in revenue from fin-tech platform was mainly due to the transformation of the platform from a consumer credit platform related to housing consumption to a platform providing fin-tech capabilities to upstream and downstream sectors in real estate industry. The platform provides fin-tech solutions for three major segments, namely consumer instalment, personal financing and corporate financing.



Finance costs

In the period under review, interest expenses of the Group increased by approximately 4.9% to approximately RMB8.7 million when compared to approximately RMB8.3 million for the corresponding period in the previous year, which mainly comprised the interest payment for the convertible bonds.

Other income/(expense), net

The Group's other income/(expense), net mainly comprised bank interests, investment income, gain on disposal of a subsidiary and impairment of financial assets at amortised cost.

Administrative and employee benefit expenses

Administrative and employee benefit expenses of the Group mainly comprised salaries and employee benefits, rental expenses, and marketing and advertising fees. In the period under review, administrative and employee benefit expenses of the Group increased by approximately 6.1% from the corresponding period in the previous year to approximately RMB77.7 million, which was due to the expansion of business scale of the Group and recruitment of additional employees, resulting in an increase in wages and salaries, as well as an increase in marketing and advertising fees.

Profit for the period attributable to the owners of the Company

In the period under review, profit attributable to the owners of the Company decreased by approximately 29.0% to approximately RMB53.8 million from approximately RMB75.7 million in the corresponding period last year, which was primarily due to the fact that the investment in property development projects of the Group were at early stages and no revenue was generated.

Liquidity and financial resources

As at 30 June 2018, the Group's bank balances and cash amounted to approximately RMB93.7 million (at the end of 2017: approximately RMB77.9 million), and the Group's borrowings amounted to approximately RMB116.9 million (at the end of 2017: approximately RMB111.1 million). The gearing ratio representing the total borrowings of the Group divided by the total assets of the Group was approximately 9.6% (at the end of 2017: 9.9%). As at 30 June 2018, 86.8% (at the end of 2017: 85.1%) of the Group's borrowings would be due within one year, while 13.2% (at the end of 2017: 14.9%) of the Group's borrowings would be due after one year. Approximately 85.0% and 15.0% (at the end of 2017: 83.2% and 16.8%) of the Group's borrowings were denominated in HKD and RMB, respectively, with approximately 83.3% and 16.7% (at the end of 2017: 83.2% and 16.8%) of the Group's borrowings carrying interests at fixed and floating rates, respectively.

In addition, the final maturity date of the convertible bonds with an aggregate principal amount of HK\$100,000,000 issued by the Group extended to 28 August 2018. Please refer to the announcements on 3 August 2018 and 8 August 2018 for details.

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

Outlook

Strict supervision and risk prevention have been the focuses of the financial industry in 2018. Reducing the level of leverage, debt and cost were also the major approach in the financial industry. In the face of tightening policies, the Group will continue its prudent strategies and maintain abundant cash reserve in the second half of the year, in order to ensure the sustainable growth of the Company and seize opportunities to expand its business.

For our business operation, the Company will further strengthen the post-investment management to ensure the project payback on time in the second half of the year and the sufficient liquidity of the Company. Meanwhile, the Group starts to study the private fund management model, and plans to expand its business to upstream fund management business at suitable time. In addition, leveraging on its advantages of its internet fin-tech platform and strong supports of the government, the Company will expand its business to long-term rental apartment business when opportunities arise.

For our fin-tech platform, in addition to operating in compliance with regulations, the Group will continue to provide commercial and financial institutions with highly efficient smart retail solutions, helping them to realize fin-tech capability. “匯理財” platform will make sure to comply with the regulations and closely monitor policy changes, in order to promptly complete the filing of the platform in accordance with the new policy in the future.

For the establishment of talent, the Group will strengthen professionalized management and hire more staff with doctor degree and investment related professional licenses in order to boost the further growth of our business.

In general, as strict regulation will contribute to the healthy development of the industry in the long run and high-quality customers will be attracted by highly-regulated companies, strict regulation may bring challenges as well as opportunities to the Company. The Group may gain larger market share when it satisfies rectification and compliance requirements of the regulatory authorities. The Group will grasp the opportunity and promptly comply with the changes in policy. The Group will also strengthen the control and management of internal cash flow, so as to maintain sustainable and healthy development of the business.

CAPITAL STRUCTURE

As at 30 June 2018, the Group had equity attributable to owners of the Company of approximately RMB899,644,000 (31 December 2017: approximately RMB859,143,000).

SIGNIFICANT INVESTMENTS

For the six months ended 30 June 2018, the Group invested in an aggregate of RMB101 million in certain limited partnerships. The limited partnerships engage in property development projects in the PRC.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

There was no material acquisition or disposal of subsidiaries and affiliated companies during the six months ended 30 June 2018.

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

There was no specific plan for material investments or capital assets as at 30 June 2018.

CONTINGENT LIABILITIES

As at 30 June 2018, the Group had no significant contingent liabilities (31 December 2017: nil).

CHARGES ON GROUP ASSETS

As at 30 June 2018, investment properties and bank deposits of the Group with an aggregate carrying amount of approximately RMB46.4 million and RMB2.5 million, respectively, were pledged for bank facilities (31 December 2017: approximately RMB44.5 million and nil, respectively).

FOREIGN EXCHANGE EXPOSURE

The Group is mainly exposed to the fluctuation of Hong Kong dollars against Renminbi as its certain bank balances are denominated in Hong Kong dollars which is not the functional currency of the Group. The Group has not made any arrangement to hedge against the exchange rate risk. However, the Directors and management will continue to monitor the foreign exchange exposure and will consider utilising applicable derivatives to hedge out the exchange risk when necessary.

TREASURY POLICIES

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

EMPLOYEES, REMUNERATION POLICIES AND TRAINING SCHEMES

As at 30 June 2018, the Group had a total of 355 staff (31 December 2017: 340). Total staff costs (including Directors' emoluments) were approximately RMB34.4 million for the six months ended 30 June 2018 (for the six months ended 30 June 2017: approximately RMB30.4 million). Remuneration is determined with reference to market conditions and the performance, qualifications and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include a share option scheme, contributions to statutory mandatory provident fund schemes and social insurance together with housing provident funds to its employees in Hong Kong and the PRC respectively.

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

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

As at 30 June 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 <i>(Note 1)</i>			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 <i>(Note 2)</i>	408,369,769	23.59

Notes:

1. These represent the Director's long position in the Shares.
2. 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 (Note 2)	
Mr. Zheng Weijing	Beneficial owner	2,700,000	–	0.16
	Interest in controlled corporation	–	20,000,000	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 <i>(Note)</i>	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 30 June 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 30 June 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)				Total	Approximate percentage (%)
	Beneficial Interest	Interest of spouse	Security interest	Interest of controlled corporation		
Ms. Fu Shanping	-	-	-	155,518,650 (Note 6)	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 30 June 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 | 173,143,250 shares (approximately 10% 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; and c. 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 ("Share Option 1"); 30% of share options have an exercise period from 1 June 2017 to 19 December 2021 ("Share Option 2"); and the remaining share options have an exercise period from 1 June 2018 to 19 December 2021 ("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.
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.

	Date of grant	Vesting date	Exercise period	Exercise price HK\$	Vesting conditions
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 RMB150 million but less than RMB200 million, 50% of 2018 Share Option 3 shall be vested; and - Less than RMB150 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. On 31 May 2018, options to subscribe for an aggregated of 23,200,000 Shares and 9,800,000 Shares of 2015 Share Option 3 and 2018 Share Option 1, respectively have been vested to the grantees of the options.

As at 30 June 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 six months ended 30 June 2018 were as follows:

Name	Date of grant	Number of share options				Outstanding as at 30 June 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 six months ended 30 June 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 six months ended 30 June 2018.

CORPORATE GOVERNANCE

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

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 six months ended 30 June 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 30 June 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 half-year report for the six months ended 30 June 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, 14 August 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).