



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

2018

Third Quarterly Report



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

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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 RMB187,006,000 for the nine months ended 30 September 2018, representing a decrease of approximately 31.7% as compared to approximately RMB273,668,000 for the corresponding period in 2017.
- Profit attributable to owners of the Company for the nine months ended 30 September 2018 amounted to approximately RMB33,165,000, representing a decrease of approximately 68.4% as compared to approximately RMB104,790,000 for the corresponding period in 2017.
- Basic earnings per share of the Company (the “Share”) for the nine months ended 30 September 2018 amounted to approximately RMB1.92 cents (2017: RMB6.05 cents).
- The board of Directors (the “Board”) does not declare the payment of an interim dividend for the nine months ended 30 September 2018.

THIRD QUARTERLY RESULTS

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2018

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000	2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Revenue	3	18,992	83,326	187,006	273,668
Other income/(expense), net	3	547	672	(769)	2,425
Employee benefit expenses		(16,786)	(13,867)	(51,201)	(44,254)
Administrative expenses		(18,308)	(17,826)	(61,564)	(60,632)
Equity-settled share-based payments		(1,444)	(1,381)	(10,681)	(7,006)
Share of result of a joint venture		687	105	5,687	753
Finance costs	4	(7,736)	(4,245)	(16,415)	(12,520)
Profit/(loss) before income tax expense	5	(24,048)	46,784	52,063	152,434
Income tax expense	6	1,821	(16,226)	(23,833)	(50,631)
Profit/(loss) for the period		(22,227)	30,558	28,230	101,803
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
– Exchange differences on translating foreign operation		(4,588)	(151)	2,110	319
Total comprehensive income for the period		(26,815)	30,407	30,340	102,122
Profit/(loss) for the period attributable to:					
Owners of the Company		(20,608)	29,043	33,165	104,790
Non-controlling interests		(1,619)	1,515	(4,935)	(2,987)
		(22,227)	30,558	28,230	101,803
Total comprehensive income for the period attributable to:					
Owners of the Company		(25,196)	28,892	35,275	105,109
Non-controlling interests		(1,619)	1,515	(4,935)	(2,987)
		(26,815)	30,407	30,340	102,122
Earnings/(losses) per Share	8				
– Basic (RMB cents)		(1.19)	1.68	1.92	6.05
– Diluted (RMB cents)		(1.19)	1.68	1.92	6.05

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED THIRD 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 (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 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 ("HKAS") 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.

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 nine months ended 30 September 2018 are as follows:

	Three months ended		Nine months ended	
	30 September 2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000	30 September 2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Revenue				
Investment income from investments in property development projects through limited partnerships	-	46,025	112,000	167,954
Financial consultation services income	10,983	24,263	51,828	72,213
Platform services income	6,259	11,306	18,813	25,616
Factoring loan services income	-	747	-	4,385
Interest income	1,236	476	2,557	1,808
Finance lease services income	514	509	1,808	1,692
	18,992	83,326	187,006	273,668
Other income/(expense), net				
Bank interest income	58	22	108	92
Interest income from investments	152	349	938	1,144
Gain on deemed disposal of a joint venture	-	-	-	253
Gain on disposal of a subsidiary	-	-	132	-
Impairment of financial assets at amortised cost	-	-	(2,223)	-
Others	337	301	276	936
	547	672	(769)	2,425

4. FINANCE COSTS

	Three months ended		Nine months ended	
	30 September		30 September	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000
Interest on convertible bonds	4,333	3,975	12,514	11,693
Interest on bank borrowings	413	270	911	827
Interest on other borrowings	2,990	–	2,990	–
	<u>7,736</u>	<u>4,245</u>	<u>16,415</u>	<u>12,520</u>

5. PROFIT/(LOSS) BEFORE INCOME TAX EXPENSE

Profit/(loss) before income tax expense is arrived at after charging:

	Three months ended		Nine months ended	
	30 September		30 September	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000
Auditor's remuneration	165	116	1,076	823
Depreciation of property, plant and equipment	440	578	1,498	1,722
Amortisation of intangible assets	825	825	2,476	2,476
Employee benefit expenses (including directors' remuneration)	13,948	11,609	43,296	37,615
Salaries and wages	2,838	2,258	7,905	6,639
Pension scheme contributions – Defined contribution plans	16,786	13,867	51,201	44,254
Equity-settled share-based payment expense	1,444	1,381	10,681	7,006
Operating lease charges in respect of properties	3,270	1,353	7,349	4,851

6. INCOME TAX EXPENSE

	Three months ended		Nine months ended	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000
PRC Enterprise Income Tax				
– Current period	(1,615)	16,432	24,629	51,799
– Over-provision in the prior year	–	–	(177)	(549)
Hong Kong Profits Tax				
– Current period	–	–	–	–
	(1,615)	16,432	24,452	51,250
Deferred Tax	(206)	(206)	(619)	(619)
	(1,821)	16,226	23,833	50,631

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 25.0% (2017: 25.0%) of the estimated assessable profits during the period. According to the Law of the PRC on EIT, 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 profits for the period. No provision for Hong Kong Profits Tax has been made as the Group did not have assessable profits during the nine months ended 30 September 2018 (2017: nil).

7. DIVIDEND

The Board does not declare the payment of an interim dividend for the nine months ended 30 September 2018 (2017: nil).

8. EARNINGS/(LOSSES) PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the nine months ended 30 September 2018 is based on the profit attributable to owners of the Company of approximately RMB33,165,000 (2017: approximately RMB104,790,000) and the weighted average number of approximately 1,731,433,000 (2017: approximately 1,731,433,000) ordinary shares during the nine months ended 30 September 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 fully 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 full 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 nine months ended 30 September 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 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	
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	-	-	-	-	-	-	-	-	33,165	-	33,165	(4,935)	28,230
Other comprehensive income for the period	-	-	-	-	2,110	-	-	-	-	-	2,110	-	2,110
Total comprehensive income for the period	-	-	-	-	2,110	-	-	-	33,165	-	35,275	(4,935)	30,340
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	23	23
Equity-settled share-based transactions	-	-	-	-	-	10,681	-	-	-	-	10,681	-	10,681
2017 final dividend paid	-	106	-	-	-	-	-	-	-	(29,313)	(29,207)	-	(29,207)
As at 30 September 2018	<u>142,004</u>	<u>217,959</u>	<u>116,659</u>	<u>48,048</u>	<u>1,935</u>	<u>38,048</u>	<u>5,316</u>	<u>810</u>	<u>305,113</u>	<u>-</u>	<u>875,892</u>	<u>36,638</u>	<u>912,530</u>
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	-	-	-	-	-	-	-	-	104,790	-	104,790	(2,987)	101,803
Other comprehensive income for the period	-	-	-	-	319	-	-	-	-	-	319	-	319
Total comprehensive income for the period	-	-	-	-	319	-	-	-	104,790	-	105,109	(2,987)	102,122
Business combination	-	-	-	-	-	-	-	-	-	-	-	1,334	1,334
Proposed interim dividend	-	(15,027)	-	-	-	-	-	-	-	15,027	-	-	-
Equity-settled share-based transactions	-	-	-	-	-	6,831	-	-	-	-	6,831	-	6,831
Interim dividend paid	-	-	-	-	-	-	-	-	(15,027)	(15,027)	-	-	(15,027)
2016 final dividend paid	-	34	-	-	-	-	-	-	(15,352)	(15,318)	-	-	(15,318)
At 30 September 2017	<u>142,004</u>	<u>247,200</u>	<u>116,659</u>	<u>29,031</u>	<u>3,014</u>	<u>28,518</u>	<u>5,316</u>	<u>-</u>	<u>241,425</u>	<u>-</u>	<u>813,167</u>	<u>38,466</u>	<u>851,633</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 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 for the period ended 30 September 2018. 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. For the period under review, 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 relatively slow progress of new investment projects for the period under review resulted in decrease in revenue generated from financial consultation services. Nonetheless, as the projects invested last year have stepped into the development stage this year, and based on the sales practice of the real estate industry of China, it is expected that more projects will commence sales in the year, which will lead to better sales performance and generate more investment income from property development projects for the Group. For the period under review, the Group invested in three new projects, making a total of twenty investment projects locating in Shenzhen, Dongguan, Wuhan and other major cities. As at 30 September 2018, the total investment in property development projects of the Group amounted to approximately RMB679.8 million (2017: approximately RMB533.8 million).

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

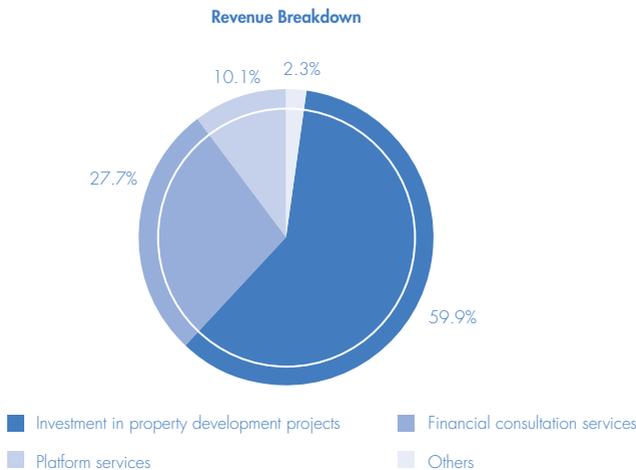
With the aim of encouraging middle and senior management and core staff and improving overall operating results, the Group launched the second batch of 98 million stock incentive plan. With such stock incentive plan, the Group was expected to have positive effect for talent retention and operating results.

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 nine months ended 30 September 2018, the Group recorded a turnover of approximately RMB187.0 million, representing a decrease of approximately 31.7% from approximately RMB273.7 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 RMB51.8 million, representing a decrease of approximately 28.2% from approximately RMB72.2 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 33.3% from approximately RMB168.0 million from the corresponding period in the previous year. The decline in revenue from financial consultation services and investment in property development projects during the period under review was mainly due to the impact of the sales cycle of the property development projects invested by the Group. Platform service income amounted to approximately RMB18.8 million, representing a decrease of approximately 26.6% from approximately RMB25.6 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 31.1% to approximately RMB16.4 million when compared to approximately RMB12.5 million for the corresponding period in the previous year, which mainly comprised the interest payment for the convertible bonds, bank borrowings and other borrowings.

Other income/(expense), net

The Group's other income/(expense), net mainly comprised bank interests, interest income from investments, 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 7.5% from the corresponding period in the previous year to approximately RMB112.8 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.

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 68.4% to approximately RMB33.2 million from approximately RMB104.8 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 September 2018, the Group's cash and cash equivalents amounted to approximately RMB19.3 million (at the end of 2017: approximately RMB77.9 million), and the Group's borrowings amounted to approximately RMB138.0 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 11.6% (at the end of 2017: 9.9%).

In addition, the Company had fully redeemed its convertible bonds with an aggregate principal amount of HK\$100,000,000 during the period under review.

As at 30 September 2018, investment properties and bank deposits of the Group with an aggregate carrying amount of approximately RMB46.4 million and RMB77.0 million respectively were pledged for bank facilities (31 December 2017: approximately RMB46.4 million and nil, respectively).

In the period under review, the Company had borrowed a principal amount of approximately HK\$64.7 million from an independent third party. The borrowing was secured by, among others, (i) the personal guarantee of Mr. Zheng Weijing, the executive Director of the Company, and the corporate guarantee of Ming Cheng Investments Limited, a company wholly-owned by Mr. Zheng Weijing; and (ii) charges over shares of the Company held by Mr. Zheng Weijing and Ming Cheng Investments Limited.

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 2018, in order to ensure the sustainable growth of the Company and seize opportunities to expand its business.

In terms of national policies, President Xi Jinping has recently told private entrepreneurs at a symposium that the central government fully affirms the important position and role of the private sector, and all government departments and local governments will implement various policies and measures to support the private sector in the near future. For example, Guangdong Provincial Government issued Certain Policies and Measures on Promoting the High-Quality Economic Development of the Private Sector (《關於促進民營經濟高品質發展的若干政策措施》) on 7 November 2018. These measures aim to ease the burden of corporate taxes and surcharges, solve the problem of high cost and difficulties of financing of private enterprises, create environment for fair competition, improve policy implementation methods, establish a new type of cordial and clean relationship between the government and business sector and protect the entrepreneurs and their properties, which will have a positive impact on the private economy. The management of the Company will grasp the opportunities brought by such policies to pursue steady growth in order to provide sound and stable returns for our shareholders.

For our business operation, the Company will further strengthen the post-investment management to ensure the project payback on time in 2018 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 hired 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.

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

As at 30 September 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:

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	
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 <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 September 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.

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

As at 30 September 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 <i>(Note 1)</i>				Total	Approximate percentage (%)
	Beneficial Interest	Interest of spouse	Security interest	Interest of controlled corporation		
Ming Cheng Investments Limited	367,739,567 <i>(Note 2)</i>	-	-	-	367,739,567	21.24
Ms. Zhang Chushan	-	408,369,769 <i>(Note 3)</i>	-	-	408,369,769	23.59
Sino-Africa Resources Holdings Limited	255,676,042 <i>(Note 4)</i>	-	-	-	255,676,042	14.77
Peace Bloom Limited	145,429,087 <i>(Note 5)</i>	-	-	-	145,429,087	8.40
Upsoar Limited	155,518,650 <i>(Note 6)</i>	-	-	-	155,518,650	8.98
Mr. Huang Xiguang	-	-	-	255,676,042 <i>(Note 4)</i>	255,676,042	14.77
Mr. Hu Jinxi	22,200,000	-	-	145,429,087 <i>(Note 5)</i>	167,629,087	9.68

Name of Shareholder	Number of Shares held <i>(Note 1)</i>					Approximate percentage (%)
	Beneficial Interest	Interest of spouse	Security interest	Interest of controlled corporation	Total	
Ms. Fu Shanping	-	-	-	155,518,650 <i>(Note 6)</i>	155,518,650	8.98
GF Investments (Hong Kong) Company Limited <i>(Note 7)</i>	20,000,000	-	399,649,769	-	419,649,769	24.24
GF Holdings (Hong Kong) Corporation Limited <i>(Note 7)</i>	-	-	-	419,649,769	419,649,769	24.24
GF Securities Co., Ltd. <i>(Note 7)</i>	-	-	-	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

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.

Save as disclosed above, as at 30 September 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 September 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 9.0% of the Company's issued share capital.

Details of the share options granted under the Share Option Scheme for the nine months ended 30 September 2018 were as follows:

Name	Date of grant	Number of share options				Outstanding as at 30 September 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 nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 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 September 2018.

CHANGES IN DIRECTORS' INFORMATION

Changes in Directors' information since the date of the 2017 annual report of the Company are set out below:

Mr. Vincent Cheng, an independent non-executive Director, has retired as an independent non-executive director of Nanjing Sinolife United Company Limited, shares of which are listed on the Main Board of the Stock Exchange (Stock code: 3332), with effective from 22 October 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 nine months ended 30 September 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, 12 November 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).