



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

(incorporated in the Cayman Islands with limited liability)

Stock code: 8030

First
Quarterly Report
2012

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, 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 the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

FINANCIAL HIGHLIGHTS

- The Group recorded a turnover of approximately RMB19,192,000 for the three months ended 31 March 2012, representing an increase of approximately 35.8% as compared with corresponding period in 2011.
- Profit attributable to owners of the Company for the three months ended 31 March 2012 amounted to RMB10,490,000, representing an increase of approximately 19.0% as compared with corresponding period in 2011.
- Basic earnings per share of the Company (the "Share") for the three months ended 31 March 2012 amounted to RMB1.40 cents (2011: RMB1.17 cents).
- The Directors do not recommend the payment of an interim dividend for the three months ended 31 March 2012.

The board of Directors (the "Board") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the three months ended 31 March 2012 together with the comparative unaudited figures for the corresponding period in 2011 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Notes</i>	Three months ended	
		2012	2011
		(Unaudited)	(Unaudited)
		RMB'000	RMB'000
Revenue	3	19,192	14,134
Other income	3	67	22
Employee benefit expenses		(1,975)	(595)
Administrative expenses		(2,912)	(1,388)
Finance costs	4	(37)	(10)
Profit before income tax	5	14,335	12,163
Income tax expense	6	(3,845)	(3,351)
Profit for the period attributable to the owners of the Company		10,490	8,812
Other comprehensive income attributable to the owners of the Company			
– Exchange differences on translating foreign operation		37	–
Total comprehensive income for the period attributable to the owners of the Company		10,527	8,812
Earnings per Share – Basic (RMB cents)	8	1.40	1.17

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FIRST QUARTERLY RESULTS

1. GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability 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, Cayman Islands. The Shares have been listed on GEM of the Stock Exchange since 7 May 2012.

The companies comprising the Group underwent a group restructuring exercise (the "Restructuring Exercise") to rationalise the Group's structure in preparation for the listing of the Shares on GEM of the Stock Exchange. Further details of the Restructuring Exercise are set out in the prospectus of the Company dated 20 April 2012 (the "Prospectus").

The Group is principally engaged in provision of pawn loans, entrusted loans and financial consultation services. In the opinion of the Directors, the ultimate holding company of the Company is Ding Rong Limited, a limited liability company incorporated in the British Virgin Islands ("BVI").

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements has been prepared in accordance with the basis of presentation which comply with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective terms include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs"), Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules.

The accounting policies used in the preparation of the unaudited consolidated results are consistent with those adopted in preparing the Accountant's Report as set out in Appendix I of the Prospectus.

All HKFRSs effective for the accounting periods commencing from 1 January 2012 and relevant to the Group, have been adopted by the Group in the preparation of the unaudited consolidated results. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior years.

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

Revenue, which is also the Group's turnover, represents the income from its principal activities. Revenue and other income recognised during the periods are as follows:

	Three months ended 31 March	
	2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
Revenue		
Interest income	11,083	4,026
Financial consultation service income	8,109	10,108
	<u>19,192</u>	<u>14,134</u>
Other income		
Bank interest income	67	14
Others	-	8
	<u>67</u>	<u>22</u>

4. FINANCE COSTS

	Three months ended 31 March	
	2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
Interest charges on:		
Other loans wholly repayable within one year	37	10

5. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	Three months ended 31 March	
	2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
Auditor's remuneration	–	12
Depreciation of property, plant and equipment	85	5
Employee benefit expenses (including directors' remuneration)		
Salaries and wages (<i>Note</i>)	1,841	527
Pension scheme contributions – Defined contribution plans	134	68
Net foreign exchange loss	154	–
Operating lease charges in respect of properties	777	–

Note: Increase in employee benefit expenses is because the average number of staff increased from 42 to 56 for the three months ended 31 March 2011 and 2012, respectively.

6. INCOME TAX EXPENSE

	Three months ended 31 March	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current tax – PRC		
– Current period	3,845	3,351

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.

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the periods.

Enterprise income tax ("EIT") arising from the PRC for the periods was calculated at 25% of the taxable income according to relevant PRC tax laws and regulations during the periods. 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.

7. DIVIDENDS

	Three months ended 31 March	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Special interim dividends	–	20,200

8. EARNINGS PER SHARE

The calculations of basic earnings per Share for the three months ended 31 March 2012 and 2011 are based on the profit attributable to owners of the Company of approximately RMB10,490,000 and RMB8,812,000 respectively and on the 750,000,000 ordinary Shares issuable (being the number of Shares immediately prior to the listing of the Shares on the Stock Exchange) as if these Shares had been issued throughout the periods. No diluted earnings per Share is presented as the Company had no potential ordinary Shares during the periods.

9. UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Merger reserve	Statutory reserve	Translation reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Unaudited for the three months ended 31 March 2011						
At 1 January 2011 (audited)	1	116,659	3,680	–	33,729	154,069
Dividend paid (Note 7)						
– Transactions with owners	–	–	–	–	(20,200)	(20,200)
Transfer to statutory reserve	–	–	2,245	–	(2,245)	–
Profit for the period –						
Total comprehensive income for the period	–	–	–	–	8,812	8,812
At 31 March 2011 (unaudited)	1	116,659	5,925	–	20,096	142,681
Unaudited for the three months ended 31 March 2012						
At 1 January 2012 (audited)	1	116,659	7,397	230	58,309	182,596
Profit for the period	–	–	–	–	10,490	10,490
Other comprehensive income for the period	–	–	–	37	–	37
Total comprehensive income for the period	–	–	–	37	10,490	10,527
At 31 March 2012 (unaudited)	1	116,659	7,397	267	68,799	193,123

MANAGEMENT DISCUSSION AND ANALYSIS

The Group provides integrated short-term financing services serving different needs of its customers. During the periods under review, the Group derived its revenue mainly from pawn loan services, entrusted loan services and financial consultation services.

Business review

The PRC macro-economic controls and stringent monetary policy have caused much tension to the credit market in China, but has created the business development opportunities to the Group. Amongst the immense business opportunities, the Directors have prioritised the loan applications to optimise the resources of the Group and reduce the risks.

Financial review

Revenue

For the three months ended 31 March 2012, the Group's revenue increased by approximately 35.8% from approximately RMB14,134,000 for the corresponding period last year to approximately RMB19,192,000. Such increase was mainly attributable to the significant increase in the entrusted loan services during the periods under review.

The loan and account receivables from customers were also increased from approximately RMB124,435,000 as at 31 December 2011 to approximately RMB212,863,000 as at 31 March 2012.

Pawn loan service income

For the three months ended 31 March 2012, the Group recorded revenue of approximately RMB4,038,000 from provision of pawn loan services, as compared to the revenue of approximately RMB4,026,000 for the corresponding period last year.

Entrusted loan service income

For the three months ended 31 March 2012, the Group's revenue from provision of entrusted loan services amounted to approximately RMB7,045,000 (2011: Nil).

Financial consultation service income

For the three months ended 31 March 2012, the Group's revenue from provision of financial consultation services decreased by approximately 19.8% from approximately RMB10,108,000 for the corresponding period last year to approximately RMB8,109,000.

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Interest expenses

For the three months ended 31 March 2012, the Group's interest expenses increased from approximately RMB10,000 for the corresponding period last year to approximately RMB37,000. Such increase in interest expenses was mainly attributable to interest payable in relation to the loan of HKD 15,000,000 obtained by the Group in May 2011.

Other income

The Group's other income primarily comprises bank interest income. The Group's other income for the three months ended 31 March 2012 and 2011 were approximately RMB67,000 and RMB22,000, respectively.

Administrative expenses

The Group's administrative expenses primarily comprised of staff welfare, rental expenses, marketing and advertising expenses. The Group's administrative expenses the three months ended 31 March 2012 and 2011 were approximately RMB2,912,000 and RMB1,388,000, respectively. The increase of approximately 109.8% was mainly attributed to the increase of other operating costs which was in line with the business growth and exchange loss of approximately RMB154,000 due to appreciation of Renminbi.

Profit for the period

The profit attributable to owners of the Company for the three months ended 31 March 2012 was approximately RMB10,490,000, representing an increase of approximately 19.0% as compared to approximately RMB8,812,000 for the three months ended 31 March 2011.

OUTLOOK

The Directors believe that the PRC economy will maintain growth. On the other hand, the monetary policy of the traditional banking system of the PRC will deprive many small and medium enterprises and individual business owners of obtaining financing service for their business development. As such, many middle-sized companies and individual business owners would turn to non-banking financing service providers for financial services. Being an active player in providing short-term financing, the Group will optimize its services to maximize customer's satisfaction. The Group's business objective is to become one of the leading financing solution providers which provides integrated short-term financing services and financial consultation services in the PRC. The Group plans to increase the market share and enhance the market position in Guangdong Province for its business and expand its business into other regions in the PRC. Coupled with the growing economy of the PRC, the Directors are optimistic about the Group's growth prospect and believe its financial performance will be further enhanced when the consolidated efforts of the Group put in place have come into effect.

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

As at 31 March 2012, the Shares were not listed on the Stock Exchange. The respective Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the "SFO"), Section 352 of the SFO and Rules 5.46 to 5.67 of the GEM Listing Rules were not applicable.

As of the date of this report, 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 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 Company

Name of Director	Nature of interest	Number of securities held <i>(Note 1)</i>	Approximate percentage <i>(%)</i>
Li Zhongyu	Interest of controlled corporation <i>(Notes 2 and 3)</i>	528,975,000 Shares (L) 37,500,000 Shares (S) <i>(Note 4)</i>	52.90
Zheng Weijing	Interest of controlled corporation <i>(Notes 2 and 3)</i>	528,975,000 Shares (L) 37,500,000 Shares (S) <i>(Note 4)</i>	52.90

Notes:

- The letter "L" denotes the Directors' long position in the Shares, while the letter "S" denotes the Directors' short position in the Shares.
- These Shares were held by Silvery Dragon Limited, which was owned as to 72% by High Eminent Limited and as to 28% by Prime Origin Limited.
- High Eminent Limited was owned as to 55% by Ding Rong Limited, a company wholly-owned by Mr. Li Zhongyu, and as to 45% by Ming Cheng Investments Limited, a company wholly-owned by Mr. Zheng Weijing.
- These Shares were borrowed from Silvery Dragon Limited to GF Securities (Hong Kong) Brokerage Limited pursuant to a stock borrowing agreement dated 20 April 2012. Under the stock borrowing agreement, GF Securities (Hong Kong) Brokerage Limited may borrow up to 37,500,000 Shares to cover over-allocation in connection with the placing of the Shares.

(ii) 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 (%)
Li Zhongyu	Interest of controlled corporation (Note 1)	RMB71,240,000	70.53
Zheng Weijing	Interest of controlled corporation (Note 1)	RMB71,240,000	70.53
Peng Zuohao	Beneficial owner	RMB2,800,000	2.77

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 55% by Mr. Li Zhongyu and as to 45% by Mr. Zheng Weijing.

(iii) Interests in associated corporation – Silvery Dragon Limited

Name of Director	Nature of interest	Number of securities held (Note 1)	Shareholding percentage (%)
Li Zhongyu	Interest of controlled corporation (Note 2)	72 shares of US\$1.00 each (L)	72.00
Zheng Weijing	Interest of controlled corporation (Note 2)	72 shares of US\$1.00 each (L)	72.00

Notes:

- The letter "L" denotes the Director's long position in the shares of the relevant associated cooperation.
- These shares were held by High Eminent Limited, which was owned as to 55% by Ding Rong Limited, a company wholly-owned by Mr. Li Zhongyu, and as to 45% by Ming Cheng Investments Limited, a company wholly-owned by Mr. Zheng Weijing.

* For identification purposes only

Save as disclosed above, as of the date of this report, 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 Rule 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 of the date of this report, 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 of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Interests in the Company

Name of Shareholder	Nature of interest	Number of securities held <i>(Note 1)</i>	Approximate percentage <i>(%)</i>
Silvery Dragon Limited	Beneficial owner	528,975,000 Shares (L) 37,500,000 Shares (S) <i>(Note 4)</i>	52.90
Ying Gao Limited	Beneficial owner	221,025,000 Shares (L)	22.10
High Eminent Limited	Interest of controlled corporation <i>(Note 2)</i>	528,975,000 Shares (L) 37,500,000 Shares (S) <i>(Note 4)</i>	52.90
Ding Rong Limited	Interest of controlled corporation <i>(Notes 2 and 3)</i>	528,975,000 Shares (L) 37,500,000 Shares (S) <i>(Note 4)</i>	52.90
Ms. Yang Qiao <i>(Note 5)</i>	Interest of spouse	528,975,000 Shares (L) 37,500,000 Shares (S) <i>(Note 4)</i>	52.90
Ming Cheng Investments Limited	Interest of controlled corporation <i>(Notes 2 and 3)</i>	528,975,000 Shares (L) 37,500,000 Shares (S) <i>(Note 4)</i>	52.90
Ms. Zhang Chushan <i>(Note 6)</i>	Interest of spouse	528,975,000 Shares (L) 37,500,000 Shares (S) <i>(Note 4)</i>	52.90

Notes:

1. The letter "L" denotes the corporation/person's long position in the Shares, while the letter "S" denotes the corporation/person's short position in the Shares.
2. These Shares were held by Silvery Dragon Limited, which was owned as to 72% by High Eminent Limited and as to 28% by Prime Origin Limited.
3. High Eminent Limited was owned as to 55% by Ding Rong Limited, a company wholly-owned by Mr. Li Zhongyu, and as to 45% by Ming Cheng Investments Limited, a company wholly-owned by Mr. Zheng Weijing.
4. These Shares were borrowed from Silvery Dragon Limited to GF Securities (Hong Kong) Brokerage Limited pursuant to a stock borrowing agreement dated 20 April 2012. Under the stock borrowing agreement, GF Securities (Hong Kong) Brokerage Limited may borrow up to 37,500,000 Shares to cover overallocation in connection with the placing of the Shares.
5. Ms. Yang Qiao is the spouse of Mr. Li Zhongyu.
6. Ms. Zhang Chushan is the spouse of Mr. Zheng Weijing.

Save as disclosed above, as of the date of this report, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person who had any interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

The Company has also 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. Eligible participants of the Share Option Scheme include the Directors, non-executive officer including independent non-executive Directors, employees of the Group, customers of the Group, consultants, advisers, managers, officers or entity that provides research, development or other technological support to the Group.

No share option has been granted under the Share Option Scheme during the period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the three months ended 31 March 2012.

CORPORATE GOVERNANCE

The Board is of the view that the Company has met the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 to the GEM Listing Rules for the three months ended 31 March 2012.

COMPETING INTERESTS

None of the Directors, controlling shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) had any interests in any business which compete or may compete with the business of the Group or any other conflicts of interest which any person may have with the Group as at 31 March 2012.

INTEREST OF COMPLIANCE ADVISER

As notified by GF Capital (Hong Kong) Limited ("GF Capital"), the Company's compliance adviser, neither GF Capital nor any of its directors or employees or associates had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 31 March 2012.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises a total of three members, namely, Mr. Vincent Cheng (Chairman), Mr. Ji Dong and Mr. Zhang Gongjun, all of whom are independent non-executive Directors. The Group's unaudited consolidated results for the three months ended 31 March 2012 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
Li Zhongyu
Chairman

Hong Kong, 14 May 2012

As at the date of this report, the directors of the Company are as follows:

Executive Directors:

Mr. Li Zhongyu (*Chairman*)

Mr. Zheng Weijing

Mr. Peng Zuohao

Independent Non-executive Directors:

Mr. Vincent Cheng

Mr. Ji Dong

Mr. Zhang Gongjun