



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
2013

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

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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 Company and its subsidiaries (collectively the “Group”) recorded a turnover of approximately RMB59.4 million for the six months ended 30 June 2013, representing an increase of approximately 53.9% as compared with the corresponding period in 2012.
- Profit attributable to owners of the Company for the six months ended 30 June 2013 amounted to approximately RMB20.5 million, representing an increase of approximately 62.7% as compared with the corresponding period in 2012.
- Basic earnings per share of the Company (the “Share”) for the six months ended 30 June 2013 amounted to RMB2.01 cents (2012: RMB1.52 cents).
- The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2013.

The board (the "Board") of Directors is pleased to announce the unaudited condensed consolidated results of the Group for the six months ended 30 June 2013 together with the comparative unaudited figures for the corresponding period in 2012 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Three months ended 30 June		Six months ended 30 June	
		2013 (Unaudited) RMB'000	2012 (Unaudited) RMB'000	2013 (Unaudited) RMB'000	2012 (Unaudited) RMB'000
Revenue	3	27,207	19,448	59,364	38,640
Other income	3	248	35	456	102
Employee benefit expenses		(4,177)	(1,740)	(10,197)	(3,715)
Administrative expenses		(12,109)	(12,461)	(21,342)	(15,373)
Finance costs	4	(1,238)	(17)	(1,238)	(54)
Profit before income tax	5	9,931	5,265	27,043	19,600
Income tax expense	6	(3,186)	(3,157)	(7,984)	(7,002)
Profit for the period		6,745	2,108	19,059	12,598
Other comprehensive income/(loss)					
– Exchange differences on translating foreign operation		626	(81)	(356)	(44)
Total comprehensive income for the period		7,371	2,027	18,703	12,554
Profit for the period attributable to:					
Owners of the Company		7,441	2,108	20,543	12,598
Non-controlling interests		(696)	–	(1,484)	–
		6,745	2,108	19,059	12,598
Total comprehensive income attributable to:					
Owners of the Company		8,067	2,027	20,187	12,554
Non-controlling interests		(696)	–	(1,484)	–
		7,371	2,027	18,703	12,554
Earnings per Share					
– Basic and diluted (RMB cents)	8	0.73	0.23	2.01	1.52

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 30 June 2013 (Unaudited) RMB'000	As at 31 December 2012 (Audited) RMB'000
	Notes		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	1,723	1,805
Other investments	10	18,300	10,200
Deferred tax assets		—	114
		<u>20,023</u>	<u>12,119</u>
Current assets			
Loan and account receivables	11	237,330	228,874
Deposits, prepayments and other receivables		4,866	3,118
Cash and cash equivalents		167,322	141,417
		<u>409,518</u>	<u>373,409</u>
Current liabilities			
Receipt in advance, accruals and other payables		9,135	10,668
Amount due to non-controlling interests		1,813	2,271
Provision for taxation		20,627	18,376
		<u>31,575</u>	<u>31,315</u>
Net current assets		<u>377,943</u>	<u>342,094</u>
Total assets less current liabilities		<u>397,966</u>	<u>354,213</u>
Non-current liabilities			
Corporate bonds	12	50,000	—
		<u>50,000</u>	<u>—</u>
NET ASSETS		<u>347,966</u>	<u>354,213</u>

		As at 30 June 2013 (Unaudited) RMB'000	As at 31 December 2012 (Audited) RMB'000
	<i>Notes</i>		
EQUITY			
Equity attributable to owners of the Company			
Share capital	13	83,165	83,165
Reserves		266,450	271,213
		<hr/>	<hr/>
Total equity attributable to owners of the Company		349,615	354,378
Non-controlling interests		(1,649)	(165)
		<hr/>	<hr/>
TOTAL EQUITY		347,966	354,213
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six months ended 30 June 2013

	Equity contributable to the owners of the Company								Non-	Total
	Share capital	Share premium	Merger reserve	Statutory reserve	Translation reserve	Retained profits	Dividend proposed	Total	controlling interests	equity
	(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 2013	83,165	22,175	116,659	11,985	314	95,130	24,950	354,378	(165)	354,213
Profit for the period	-	-	-	-	-	20,543	-	20,543	(1,484)	19,059
Other comprehensive income for the period	-	-	-	-	(356)	-	-	(356)	-	(356)
Total comprehensive income for the period	-	-	-	-	(356)	20,543	-	20,187	(1,484)	18,703
Dividend paid	-	-	-	-	-	-	(24,950)	(24,950)	-	(24,950)
At 30 June 2013	83,165	22,175	116,659	11,985	(42)	115,673	-	349,615	(1,649)	347,966
At 1 January 2012	1	-	116,659	7,397	230	58,309	-	182,596	-	182,596
Issue of ordinary Shares pursuant to capitalisation issue	61,102	(61,102)	-	-	-	-	-	-	-	-
Issue of ordinary Shares by placing	20,367	112,021	-	-	-	-	-	132,388	-	132,388
Issue of ordinary Shares by exercising overallotment option	1,675	9,211	-	-	-	-	-	10,886	-	10,886
Share issue expenses	-	(13,017)	-	-	-	-	-	(13,017)	-	(13,017)
Transactions with owners	83,144	47,113	-	-	-	-	-	130,257	-	130,257
Profit for the period	-	-	-	-	-	12,598	-	12,598	-	12,598
Other comprehensive income for the period	-	-	-	-	(44)	-	-	(44)	-	(44)
Total comprehensive income for the period	-	-	-	-	(44)	12,598	-	12,554	-	12,554
At 30 June 2012	83,145	47,113	116,659	7,397	186	70,907	-	325,407	-	325,407

CONDENSED CONSOLIDATED CASH FLOWS

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013 (Unaudited) RMB'000	2012 (Unaudited) RMB'000
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	<u>11,981</u>	<u>(32,184)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(8,577)</u>	<u>(26)</u>
NET CASH GENERATED FROM FINANCING ACTIVITIES	<u>22,842</u>	<u>117,913</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	26,246	85,703
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	141,417	87,571
EFFECT OF FOREIGN EXCHANGE RATE, NET	<u>(341)</u>	<u>(44)</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>167,322</u>	<u>173,230</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM 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 financial consultation, entrusted loan and pawn loan 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 2013 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 30 June		Six months ended 30 June	
	2013 (Unaudited) RMB'000	2012 (Unaudited) RMB'000	2013 (Unaudited) RMB'000	2012 (Unaudited) RMB'000
Revenue				
Interest income	6,792	13,234	18,600	24,317
Financial consultation service income	20,415	6,214	40,764	14,323
	<u>27,207</u>	<u>19,448</u>	<u>59,364</u>	<u>38,640</u>
Other income				
Bank interest income	156	35	269	102
Others	92	–	187	–
	<u>248</u>	<u>35</u>	<u>456</u>	<u>102</u>

4. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2013 (Unaudited) RMB'000	2012 (Unaudited) RMB'000	2013 (Unaudited) RMB'000	2012 (Unaudited) RMB'000
Interest charges on:				
Issue of RMB50 million 10.5% corporate bonds due 2015	1,238	–	1,238	–
Other loans wholly repayable within one year	–	17	–	54
	<u>1,238</u>	<u>17</u>	<u>1,238</u>	<u>54</u>

5. PROFIT BEFORE INCOME TAX

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

	Three months ended 30 June		Six months ended 30 June	
	2013 (Unaudited) RMB'000	2012 (Unaudited) RMB'000	2013 (Unaudited) RMB'000	2012 (Unaudited) RMB'000
Auditor's remuneration	112	337	262	337
Depreciation of property, plant and equipment	285	92	559	177
Employee benefit expenses (including Directors' remuneration)				
Salaries and wages (Note)	3,665	1,577	9,269	3,418
Pension scheme contributions – Defined contribution plans	511	163	927	297
	4,176	1,740	10,196	3,715
Net foreign exchange (gain)/ loss	(22)	(31)	15	123
Operating lease charges in respect of properties	1,885	864	3,686	1,641

Note: Increase in employee benefit expenses (including the Directors' remuneration) is primarily because the average number of staff increased from 61 to 128 for the six months ended 30 June 2012 and 2013, respectively.

6. INCOME TAX EXPENSE

	Three months ended 30 June		Six months ended 30 June	
	2013 (Unaudited) RMB'000	2012 (Unaudited) RMB'000	2013 (Unaudited) RMB'000	2012 (Unaudited) RMB'000
Hong Kong Profits Tax				
– Current period	2,321	–	4,573	–
PRC Enterprise Income Tax				
– Current period	865	3,157	3,411	7,002
	3,186	3,157	7,984	7,002

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.

Hong Kong Profits Tax is calculated at 16.5% (2012: nil) on the estimated assessable profit for the period.

Enterprise income tax ("EIT") arising from the People's Republic of China ("PRC") for the year was calculated at 25% (2012: 25%) of the estimated assessable profits during the year. 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

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2013 (2012: nil).

8. EARNINGS PER SHARE

The calculations of basic earnings per Share for the three months and six months ended 30 June 2013 are based on the profit attributable to owners of the Company of approximately RMB7,441,000 and RMB20,543,000 respectively (three months and six months ended 30 June 2012: RMB2,108,000 and RMB12,598,000) and on the 1,020,555,000 ordinary shares issuable throughout the three months and six months ended 30 June 2013 (three months and six months ended 30 June 2012: weighted average 906,746,000 and 828,373,000 respectively). Diluted earnings per Share are same as basic earnings per share as the Company had no potential ordinary Shares during the periods.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2013, the Group spent approximately RMB472,000 (2012: RMB128,000) on acquisition of furniture, fixture and office equipment.

10. Other Investments – Group

	As at 30 June 2013 (Unaudited) RMB'000	As at 31 December 2012 (Audited) RMB'000
Held-to-maturity investments (<i>note a</i>)	4,000	4,000
Available-for-sale investments (<i>note b</i>)	14,300	6,200
	18,300	10,200

Notes:

- (a) The held-to-maturity investments bore fixed interest rates at 9.5% to 11% per annum and have maturity periods ranging from 2 to 3 years.
- (b) One of the available-for-sale investments represented unlisted equity investments of RMB4.2 million as at 30 June 2013. The other available-for-sale investment represented investment cost of RMB10.1 million bore fixed interest rate at 9.5% per annum for 24 months with a put option right after 18 months.

The fair value of unlisted equity securities was not disclosed as the fair value cannot be measured reliably. There was no open market on the unlisted investment and the management has no intention to dispose of such investment at reporting date.

11. LOAN AND ACCOUNT RECEIVABLES

For pawn loan receivables, the customers are obliged to settle the amounts according to the terms set out in relevant contracts, with an option to renew the loan granted for a period up to 180 days. For entrusted loan receivables, it represented the loans from the Group to customers through a bank in the PRC. The maturity date for each entrusted loan contract is normally not more than 90 days with a renewal option. For account receivables, it represented interest receivables from pawn loans and entrusted loans. The customers are obliged to settle the amounts according to the terms set out in relevant loan contracts and no credit period is granted to customers. Based on the loan period starting date of relevant initial contracts, ageing analysis (including renewed loans) of the Group's loan and account receivables is as follows:

	As at 30 June 2013 (Unaudited) RMB'000	As at 31 December 2012 (Audited) RMB'000
0 to 30 days	138,481	80,677
31 to 90 days	51,000	55,160
91 to 180 days	2,746	73,000
Over 180 days	45,103	20,037
	237,330	228,874

12. CORPORATE BONDS

As at 30 June 2013, the balance represented corporate bonds with an aggregate principal amounts of RMB50 million which are due on 27 May 2015 carry interest at fixed rate of 10.5% per annum and interest will be payable semi-annually in arrears on 30 June and 31 December of each year. The corporate bonds are unsecured.

13. SHARE CAPITAL

	Number of ordinary Shares '000	RMB'000
<i>Authorised:</i>		
Ordinary Shares of HK\$0.1 each		
At 31 December 2012 and 30 June 2013	<u>5,000,000</u>	<u>407,450</u>
<i>Issued and fully paid:</i>		
Ordinary Shares of HK\$0.1 each		
At 31 December 2012 and 30 June 2013	<u>1,020,555</u>	<u>83,165</u>

During the six months ended 30 June 2013, there is no movement in share capital of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group provides integrated short-term financing services serving different needs of its customers. During the six months ended 30 June 2013, the Group derived its revenue mainly from financial consultation services, entrusted loan services and pawn loan services.

Business review

The PRC economic growth continued to slow down in the first half of 2013. While the demand for the Group's short-term financing business remained keen amid tightening credit policy, the Group shifted its focus to financial consultation business to minimise its risk exposure. The rapid growth in financial consultation business was mainly attributable to the Group's continuous investment in office expansion and human resources. During the period under review, the Group entered into a subscription agreement with GF Securities (Hong Kong) Brokerage Limited ("GF Securities") whereby GF securities agreed to purchase and pay for the RMB100 million 10.5% 2 year bond ("RMB Denominated Bonds"). The first tranche of RMB Denominated Bonds in an amount of RMB50 million was issued on 28 May 2013 and the second tranche of RMB Denominated Bonds in the remaining amount of RMB50 million was issued on 12 August 2013. The proceeds from the bonds issue will be used for provision of loans and general working capital of the Group. As the funding cost of the RMB Denominated Bonds is lower than the Group's average interest rate charged to its customers, the Group believes the issuance of bonds will contribute to the profit growth of the Group.

With the release of implementation rules for Qianhai by central government in recent months, major financial institutions are actively setting up companies in Qianhai to capture the cross-border opportunities and beneficial policies offered by the central government. During the period under review, the Group has obtained approvals from Qianhai Authority for setting up companies to provide financial services in Qianhai. To broaden the Group's business scope and strengthen its earning power, the Group may also venture into fund management services in Hong Kong as and when suitable opportunities arise. All these plans will enable the Group to provide more comprehensive financial services to customers both in the PRC and outside of the PRC. All these plans may also involve significant amount of investment and greatly increase the Group's overheads. The Directors also expect that the increase in revenue which may be generated from the Group's business development plans may be partly off-set by the increase in the Group's overheads.

Financial review

Revenue

For the six months ended 30 June 2013, the Group's revenue increased by approximately 53.9% from approximately RMB38.6 million for the corresponding period last year to approximately RMB59.4 million.

The loan and account receivables from customers also increased from approximately RMB228.9 million as at 31 December 2012 to approximately RMB237.3 million as at 30 June 2013.

Financial consultation service income

For the six months ended 30 June 2013, the Group's revenue from provision of financial consultation services increased by approximately 185.3% from approximately RMB14.3 million for the corresponding period last year to approximately RMB40.8 million.

Entrusted loan service income

For the six months ended 30 June 2013, the Group's revenue from provision of entrusted loan services amounted to approximately RMB14.4 million (2012: RMB16.4 million).

Pawn loan service income

For the six months ended 30 June 2013, the Group recorded revenue of approximately RMB4.2 million from provision of pawn loan services, as compared to the revenue of approximately RMB7.9 million for the corresponding period last year. The decrease was attributable to the fact that some customers switched to the Group's entrusted loan service which was more convenient to them.

Interest expenses

For the six months ended 30 June 2013, the Group's interest expenses increased from approximately RMB0.05 million for the corresponding period last year to approximately RMB1.2 million. Such increase in interest expenses was mainly attributable to the interest for the RMB Denominated Bonds.

Other income

The Group's other income primarily comprised bank interest income. The Group's other income for the six months ended 30 June 2013 and 2012 were approximately RMB0.5 million and RMB0.1 million, respectively.

Administrative expenses

The Group's administrative expenses primarily comprised of rental expenses, marketing and advertising expenses. The Group's administrative expenses for the six months ended 30 June 2013 and 2012 were approximately RMB21.3 million and RMB15.4 million, respectively. The increase of approximately 38.3% in the Group's administrative expenses was mainly attributable to certain expenses including (i) the expenses related to issuance of RMB Denominated Bonds of approximately RMB2.5 million; (ii) the increase of rental expenses of approximately RMB2.3 million for office expansion; (iii) the increase of advertising expenses of approximately RMB3.7 million; (iv) the increase of legal and professional expenses of approximately RMB3.2 million; and (v) the increase of other operating costs which was in line with the business growth, which was partly off-set by the decrease of one-off listing expenses of approximately RMB7.2 million incurred for the corresponding period last year.

Profit for the period

The profit attributable to owners of the Company for the six months ended 30 June 2013 was approximately RMB20.5 million, representing an increase of approximately 62.7% as compared to approximately RMB12.6 million for the six months ended 30 June 2012.

OUTLOOK

As the PRC government continues to tighten credit policy, the Group expects the demand for its short-term financing and financial consultation services will continue to grow. However, the continuance of credit tightening policy may increase the default risk of borrowers. The Group will consider to adopt different measures to minimise such risk. For instance, the Group has lowered the maximum loan to value ratio for new loans from 45% to 35% during the period under review. The Group has shifted its focus to financial consultation business during the first half of 2013 and will continue to devote more resources on the financial consultation services in the second half of 2013.

As mentioned in the paragraph headed "Business review" in this report, the Group will continuously looking at business opportunities to broaden its business into a more comprehensive financial services group and the Group will also continue to look for investment opportunities in the future.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2013, the Group had bank balances and cash of approximately RMB167.3 million (31 December 2012: approximately RMB141.4 million) and had balances of the RMB Denominated Bonds of RMB50 million (31 December 2012: RMB nil). During the period under review, the Group did not use any financial instruments for hedging purposes. The gearing ratio representing the ratio of total borrowings to the total assets of the Group, was 11.6% as at 30 June 2013 (31 December 2012: nil).

SIGNIFICANT INVESTMENT

As at 30 June 2013, there was no significant investment held by the Group (31 December 2012: Nil).

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 2013.

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

Save as disclosed under the paragraph headed "Comparison of Business Objectives with Actual Business Progress" in this report, there was no specific plan for material investments or capital assets as at 30 June 2013.

CONTINGENT LIABILITIES

As at 30 June 2013, the Group has no significant contingent liabilities (31 December 2012: Nil).

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 AND REMUNERATION POLICIES

As at 30 June 2013, the Group had a total of 136 staff (31 December 2012: 94). Total staff costs (including the Directors' emoluments) were approximately RMB10.2 million for the six months ended 30 June 2013 (six months ended 30 June 2012: approximately RMB3.7 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 contributions to statutory mandatory provident fund scheme to its employees in Hong Kong and share option scheme.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the Company's prospectus dated 20 April 2012 (the "Prospectus") with the Group's actual business progress for the period from 20 April 2012 to 30 June 2013 is set out below:

Business objectives for the period from 20 April 2012 to 30 June 2013 as stated in the Prospectus

Actual business progress for the period from 20 April 2012 to 30 June 2013

1. Develop the marketing network in Shenzhen, Guangdong Province, Beijing and Shanghai for the short-term financing services and financial consultation services

– Establish a sales office in Beijing

– Sales office in Beijing established

– Recruit new staff for the Beijing sales office

– Recruit new staff for the Beijing sales office

– Placing advertisement

– Placing advertisement

Approximately HK\$3,400,000

Approximately HK\$5,000,000

– Establish a sales office in Shanghai

– Sales office in Shanghai established

– Recruit new staff for the Shanghai sales office

– Recruit new staff for the Shanghai sales office

– Placing advertisement

– Placing advertisement

Approximately HK\$3,700,000

Approximately HK\$2,000,000

2. Enhance the short-term financing services to capture business opportunities in the sizeable financing market

– Inject fundings or make contributions into member(s) of the Group	– Inject fundings or make contributions into member(s) of the Group
Approximately HK\$123,900,000	Approximately HK\$48,730,000

As capital injection requires the PRC government's approval, we had injected approximately HK\$48,730,000 into member companies for the period from 20 April 2012 to 30 June 2013. The Group does not anticipate any change to the intended usage of proceeds as at the date of this report.

USE OF PROCEEDS

The business objectives and planned use of proceeds as stated in the Prospectus were based on the best estimation of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied in accordance with the actual development of the market. During the period from 20 April 2012 to 30 June 2013, the net proceeds from the placing had been applied as follows:

	Planned use of proceeds as stated in the Prospectus from 20 April 2012 to 30 June 2013 HK\$ Approximately	Actual use of proceeds from 20 April 2012 to 30 June 2013 HK\$ Approximately
1. Develop the marketing network in Shenzhen, Guangdong Province, Beijing and Shanghai for the short-term financing services and financial consultation services	7,100,000	7,000,000
– Establish sales office in Beijing and Shanghai		
– Recruit new staff for the Beijing and Shanghai sales office		
– Placing advertisement		
2. Inject fundings or make contributions into member(s) of the Group	<u>123,900,000</u>	<u>48,730,000</u>

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

As at 30 June 2013, 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 ("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	Beneficial Interest	Number of Shares held		Approximate percentage (%)
		Interest of controlled corporation	Total	
Li Zhongyu	33,490,675 (L)	528,975,000 (L) <i>(Notes 2 and 3)</i>	562,465,675 (L)	55.11
Zheng Weijing	24,180,135 (L)	528,975,000 (L) <i>(Notes 2 and 3)</i>	553,155,135 (L)	54.20
Peng Zuohao	23,494,957 (L)	–	23,494,957 (L)	2.30

Notes:

- The letter "L" denotes the Directors' long 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 Li Zhongyu, and as to 45% by Ming Cheng Investments Limited, a company wholly-owned by Zheng Weijing.

(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 (<i>Note 1</i>)	RMB71,240,000	70.53
Zheng Weijing	Interest of controlled corporation (<i>Note 1</i>)	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 Li Zhongyu and as to 45% by Zheng Weijing.

(iii) **Interests in associated corporation – Silvery Dragon Limited**

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

Notes:

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

* *For identification purposes only*

Save as disclosed above, as at 30 June 2013, 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 at 30 June 2013, 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 which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

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)	51.83
High Eminent Limited	Interest of controlled corporation <i>(Note 2)</i>	528,975,000 Shares (L)	51.83
Ding Rong Limited	Interest of controlled corporation <i>(Notes 2 and 3)</i>	528,975,000 Shares (L)	51.83
Ming Cheng Investments Limited	Interest of controlled corporation <i>(Notes 2 and 3)</i>	528,975,000 Shares (L)	51.83
Yang Qiao <i>(Note 4)</i>	Interest of spouse	562,465,675 Shares (L)	55.11
Zhang Chushan <i>(Note 5)</i>	Interest of spouse	553,155,135 Shares (L)	54.20

Notes:

1. The letter "L" denotes the corporation/person's long 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 Li Zhongyu, and as to 45% by Ming Cheng Investments Limited, a company wholly-owned by Zheng Weijing.
4. Yang Qiao is the spouse of Li Zhongyu.
5. Zhang Chushan is the spouse of Zheng Weijing.

Save as disclosed above, as at 30 June 2013, 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 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 as at 30 June 2013.

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 2013.

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 six months ended 30 June 2013.

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. 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 2013.

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 such person has or may have with the Group as at 30 June 2013.

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 30 June 2013.

AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) comprises a total of three members, namely, Mr. Vincent Cheng (Chairman), Mr. Lu Quanzhang and Mr. Zhang Gongjun, all of whom are independent non-executive Directors. The Group’s unaudited consolidated results for the six months ended 30 June 2013 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, 12 August 2013

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

Executive Directors:

Mr. Li Zhongyu (*Chairman*)
 Mr. Zheng Weijing
 Mr. Peng Zuohao

Independent Non-executive Directors:

Mr. Vincent Cheng
 Mr. Lu Quanzhang
 Mr. Zhang Gongjun