



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

2014

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 RMB25.5 million for the three months ended 31 March 2014, representing a decrease of approximately 20.8% as compared with corresponding period in 2013.
- Profit attributable to owners of the Company for the three months ended 31 March 2014 amounted to approximately RMB2.9 million, representing a decrease of approximately 77.6% as compared with corresponding period in 2013.
- Basic earnings per share of the Company (the "Share") for the three months ended 31 March 2014 amounted to RMB0.29 cent (2013: RMB1.28 cents).
- The Directors resolved not to declare an interim dividend for the three months ended 31 March 2014.

FIRST QUARTERLY RESULTS

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 2014 together with the comparative unaudited figures for the corresponding period in 2013 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	For the three months ended 31 March	
		2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
Revenue	3	25,471	32,157
Other (loss) or income	3	(2,862)	208
Employee benefit expenses		(6,677)	(6,020)
Administrative expenses		(8,785)	(9,233)
Finance costs	4	(2,593)	–
		<hr/>	<hr/>
Profit before income tax	5	4,554	17,112
Income tax expense	6	(1,809)	(4,798)
		<hr/>	<hr/>
Profit for the period		2,745	12,314
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences on translating foreign operation		239	(982)
		<hr/>	<hr/>
Total comprehensive income for the period		2,984	11,332
		<hr/>	<hr/>
Profit for the period attributable to:			
Owners of the Company		2,932	13,102
Non-controlling interests		(187)	(788)
		<hr/>	<hr/>
		2,745	12,314
		<hr/>	<hr/>
Total comprehensive income for the period attributable to:			
Owners of the Company		3,171	12,120
Non-controlling interests		(187)	(788)
		<hr/>	<hr/>
		2,984	11,332
		<hr/>	<hr/>
Earnings per share – Basic and diluted (RMB cents)	8	0.29	1.28
		<hr/>	<hr/>

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 of the Group for the three months ended 31 March 2014 have 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 applicable disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules.

The accounting policies used in the preparation of the unaudited condensed consolidated results are consistent with those applied in the Group's audited financial statements for the year ended 31 December 2013.

All HKFRSs effective for the accounting periods commencing from 1 January 2014 and relevant to the Group, have been adopted by the Group in the preparation of the unaudited condensed consolidated results. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's 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 (LOSS) OR 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	
	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
Revenue		
Interest income	5,452	11,808
Financial consultation service income	20,019	20,349
	<u>25,471</u>	<u>32,157</u>
Other (loss) or income		
Bank interest income	84	113
Fair value change of financial liabilities at fair value through profit and loss	1,250	—
Provision for impairment of accounts receivable	(4,597)	—
Others – other investments	355	95
Others – exchange gain	46	—
	<u>(2,862)</u>	<u>208</u>

4. FINANCE COSTS

	Three months ended 31 March	
	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
Interest charged on financial liabilities carried at amortised cost:		
Corporate bonds interest	2,593	—

5. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	Three months ended 31 March	
	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
Auditor's remuneration	226	150
Depreciation of property, plant and equipment	367	274
Employee benefit expenses (including Directors' remuneration)		
Salaries and wages (Note)	6,027	5,604
Pension scheme contributions – Defined contribution plans	650	416
	6,677	6,020
Net foreign exchange (gain)/loss	(46)	37
Operating lease charges in respect of properties	2,635	1,801

Note: Increase in employee benefit expenses (including Directors' remuneration) is primarily because the average number of staff increased from 118 to 135 for the three months ended 31 March 2013 and 2014, respectively.

6. INCOME TAX EXPENSE

	Three months ended 31 March	
	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
Hong Kong Profits Tax		
– Current period	1,544	2,252
PRC Enterprise Income Tax		
– Current period	265	2,546
	<u>1,809</u>	<u>4,798</u>

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% (2013: 16.5%) on the estimated assessable profit for the period.

Enterprise income tax (“EIT”) arising from the PRC for the period was calculated at 25% (2013: 25%) of the estimated assessable profits during the period. According to the EIT law, the taxable income of an enterprise shall be the total revenue of such enterprise, deducted by any non-assessable revenue, exempted revenue, other deductions and amount of offsetting any accumulated losses.

7. DIVIDENDS

The Board resolved not to declare an interim dividend for the three months ended 31 March 2014 (2013: Nil).

8. EARNINGS PER SHARE

The calculations of basic earnings per share for the three months ended 31 March 2014 and 2013 are based on the profit attributable to owners of the Company of approximately RMB2,932,000 and RMB13,102,000 respectively and on the weighted average number of 1,020,555,000 ordinary shares during the period ended 31 March 2014 and 2013. 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

	Equity contributable to the owners of the Company							Non-	Total	
	Share capital	Share premium	Merger reserve	Statutory reserve	Exchange reserve	Retained profits	Dividend proposed	controlling interests	equity	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Unaudited for the three months ended 31 March 2014										
At 1 January 2014 (audited)	83,165	22,175	116,659	12,031	589	104,781	-	339,400	(2,953)	336,447
Profit for the period	-	-	-	-	-	2,932	-	2,932	(187)	2,745
Other comprehensive income for the period	-	-	-	-	239	-	-	239	-	239
Total comprehensive income for the period	-	-	-	-	239	2,932	-	3,171	(187)	2,984
At 31 March 2014 (unaudited)	<u>83,165</u>	<u>22,175</u>	<u>116,659</u>	<u>12,031</u>	<u>828</u>	<u>107,713</u>	<u>-</u>	<u>342,571</u>	<u>(3,140)</u>	<u>339,431</u>
Unaudited for the three months ended 31 March 2013										
At 1 January 2013 (audited)	83,165	22,175	116,659	11,985	314	95,130	24,950	354,378	(165)	354,213
Profit for the period	-	-	-	-	-	13,102	-	13,102	(788)	12,314
Other comprehensive income for the period	-	-	-	-	(982)	-	-	(982)	-	(982)
Total comprehensive income for the period	-	-	-	-	(982)	13,102	-	12,120	(788)	11,332
At 31 March 2013 (unaudited)	<u>83,165</u>	<u>22,175</u>	<u>116,659</u>	<u>11,985</u>	<u>(668)</u>	<u>108,232</u>	<u>24,950</u>	<u>366,498</u>	<u>(953)</u>	<u>365,545</u>

MANAGEMENT DISCUSSION AND ANALYSIS

The Group offers comprehensive financing services to its customers. For the three months ended 31 March 2014, the Group derived its income mainly from financial consultancy services and entrusted loan services.

Business review

After attempting to allocate our resources on various new investments in 2013, the Group was on the way to balance risk and reward by prioritising the business of provision of entrusted loan services. However we continued to adopt a cautious loan granting policy to minimise the loan default risk.

Financial review

Revenue

The Group's performance had declined significantly as compared to the prior periods. Under the period under review, the total revenue decreased by approximately 20.8% to approximately RMB25.5 million from approximately RMB32.2 million for the period ended 31 March 2013. Such decrease was attributable to the Group was cautious in granting new loans and hence the amount of new loans decreased.

Financial consultancy service income

With developed experience and expertise, the Group has successfully assisted many customers in obtaining satisfactory financing services provided by the Group or other financial institutions. For the period ended 31 March 2014, the Group's revenue from provision of financial consultancy services decreased by approximately 1.6% from approximately RMB20.3 million for the period ended 31 March 2013 to approximately RMB20.0 million.

Entrusted loan service income

The revenue from provision of entrusted loan services was approximately RMB5.5 million, representing a decrease of approximately 38.0% from approximately RMB9.0 million for the period ended 31 March 2013. Due to the Group's more cautious policy on granting new loans, the amount of loans granted by the Group decreased and so as the interest income derived therefrom.

Pawn loan service income

For the period ended 31 March 2014, the Group did not record revenue from provision of pawn loan services as compared to the revenue of approximately RMB2.8 million for the period ended 31 March 2013. As pawn shops in Guangdong are expanding their business, the competition for pawn loan services is fierce. We shifted our focus to entrusted loan services which provide more flexibility on serving our customers since 2013 and ceased renewing pawn loan contracts in the third quarter of 2013.

Interest expenses

The interest expenses of approximately RMB2.6 million incurred for the period ended 31 March 2014 were mainly the interest for the corporate bonds denominated in Renminbi with an aggregate nominal value of RMB100 million (the "RMB Denominated Bonds") due 2015 issued by the Company during the year ended 31 December 2013. The Group did not incur any interest expenses during the period ended 31 March 2013.

Administrative and other operating expenses

The Group's administrative and other operating expenses primarily comprised salaries and staff welfare, rental expenses and marketing and advertising expenses. The Group's administrative and other operating expenses for the periods ended 31 March 2014 and 2013 were approximately RMB8.8 million and approximately RMB9.2 million respectively. The decrease of approximately 4.9% was mainly attributed to certain expenses including (i) the decrease of legal and professional fees of RMB1.0 million; and (ii) the decrease of PRC business taxes of approximately RMB0.4 million, however, such decrease was partly offset by the increase of rental expenses of approximately RMB0.8 million.

Profit for the period attributable to owners of the Company

The profit attributable to owners of the Company for the period ended 31 March 2014 was approximately RMB2.9 million, representing a decrease of approximately 77.6% as compared to approximately RMB13.1 million in the corresponding period due to the significant increase in the interest expenses and provision for impairment of account receivables in regards to a consultancy service commenced in 2013, which is stated as other loss and disclosed in note 3 to the condensed consolidated results set out in page 4 of this report.

OUTLOOK

It is expected that China economic growth will continue to slow down in 2014 and we will continue to adopt a cautious loan granting policy in 2014. Under the circumstances, we expect the demand for our financing services will be decreased. With the continuance of credit tightening policy in China, default risk of borrowers remained as one of the major concern. We will continue to adopt a prudent loan-granting policy and therefore, our revenue and profit for the forthcoming year may be less than those of 2013.

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

As at 31 March 2014, 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 (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	Number of Shares held <i>(Note 1)</i>				Approximate percentage (%)
	Beneficial Interest	Interest of spouse	Interest of controlled corporation	Total	
Li Zhongyu	33,490,675 (L)	24,270,000 (L) <i>(Note 4)</i>	528,975,000 (L) <i>(Notes 2 and 3)</i>	586,735,675 (L)	57.49
Zheng Weijing	24,180,135 (L)	-	528,975,000 (L) <i>(Notes 2 and 3)</i>	553,155,135 (L)	54.20
Peng Zuchao	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.
- These Shares were held by Energy Line Limited. Energy Line Limited was wholly-owned by Yang Qiao who is the spouse of Li Zhongyu.

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

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

Save as disclosed above, as at 31 March 2014, 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 they were 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 31 March 2014, 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	Number of Shares held (Note 1)			Total	Approximate percentage (%)
	Beneficial Interest	Interest of spouse	Interest of controlled corporation		
Silvery Dragon Limited	528,975,000 (1)	-	-	528,975,000 (1)	51.83
High Eminent Limited	-	-	528,975,000 (1) (Note 2)	528,975,000 (1)	51.83
Ding Rong Limited	-	-	528,975,000 (1) (Notes 2 and 3)	528,975,000 (1)	51.83
Ming Cheng Investments Limited	-	-	528,975,000 (1) (Notes 2 and 3)	528,975,000 (1)	51.83
Yang Qiao	-	562,465,675 (1) (Note 4)	24,270,000 (1) (Note 5)	586,735,675 (1)	57.49
Zhang Chushan	-	553,155,135 (1) (Note 6)	-	553,155,135 (1)	54.20

Notes:

1. The letter "L" denotes the corporation's/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. These Shares were held by Energy Line Limited. Energy Line Limited was wholly-owned by Yang Qiao who is the spouse of Li Zhongyu.
6. Zhang Chushan is the spouse of Zheng Weijing.

Save as disclosed above, as at 31 March 2014, 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 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 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 of her technological support to the Group.

No share option has been granted under the Share Option Scheme since its adoption.

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 2014.

CORPORATE GOVERNANCE

The Board is of the view that the Company has met the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 15 to the GEM Listing Rules for the three months ended 31 March 2014.

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 three months ended 31 March 2014.

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 2014.

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 2014, save as interests in the RMB Denominated Bonds.

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 condensed consolidated results for the three months ended 31 March 2014 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 May 2014

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

Executive Directors:

Mr. Li Zhongyu (Chairman)

Mr. Zheng Weijing (Vice-chairman)

Mr. Peng Zuohao (Chief Executive Officer)

Independent Non-executive Directors:

Mr. Vincent Cheng

Mr. Lu Quanzhang

Mr. Zhang Gongjun

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).

* For identification purpose only