



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

2014

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

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This report, for which the directors (the “Directors”) of Flying Financial Service Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purposes of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief 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 RMB42.3 million for the six months ended 30 June 2014, representing a decrease of approximately 28.8% as compared with the corresponding period in 2013.
- Profit attributable to owners of the Company for the six months ended 30 June 2014 amounted to approximately RMB2.3 million, representing a decrease of approximately 88.6% as compared with the corresponding period in 2013.
- Basic earnings per share of the Company (the “Share”) for the six months ended 30 June 2014 amounted to RMB0.23 cent.
- The Board (as defined below) does not declare the payment of an interim dividend for the six months ended 30 June 2014.

UNAUDITED INTERIM RESULTS

The board of Directors (the "Board") announces the unaudited condensed consolidated results of the Group for the six months ended 30 June 2014 together with the comparative unaudited figures for the corresponding period in 2013 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Notes	Three months ended 30 June		Six months ended 30 June	
		2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
Revenue	3	16,817	27,207	42,288	59,364
Other income or (loss)	3	1,623	248	(1,239)	456
Employee benefit expenses		(4,257)	(4,177)	(10,934)	(10,197)
Administrative expenses		(8,966)	(12,109)	(17,751)	(21,342)
Finance costs	4	(2,595)	(1,238)	(5,188)	(1,238)
Profit before income tax expense	5	2,622	9,931	7,176	27,043
Income tax expense	6	(3,746)	(3,186)	(5,555)	(7,984)
(Loss)/profit for the period		(1,124)	6,745	1,621	19,059
Other comprehensive income/(loss)					
– Exchange differences on translating foreign operation		(833)	626	(594)	(356)
Total comprehensive income/(loss) for the period		(1,957)	7,371	1,027	18,703
(Loss)/profit for the period attributable to:					
Owners of the Company		(597)	7,441	2,335	20,543
Non-controlling interests		(527)	(696)	(714)	(1,484)
		(1,124)	6,745	1,621	19,059
Total comprehensive income/(loss) attributable to:					
Owners of the Company		(1,451)	8,067	1,720	20,187
Non-controlling interests		(506)	(696)	(693)	(1,484)
		(1,957)	7,371	1,027	18,703
(Loss)/earnings per Share					
– Basic and diluted (RMB cents)	8	(0.06)	0.73	0.23	2.01

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Notes	As at 30 June 2014 (Unaudited) RMB'000	As at 31 December 2013 (Audited) RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	6,481	5,886
Other investments	10	24,476	31,999
Deposit paid		–	78,310
		30,957	116,195
Current assets			
Other investments		101,070	98,371
Loan and account receivables	11	117,546	119,253
Deposits paid, prepayments and other receivables		106,658	8,148
Cash and cash equivalents		111,679	125,794
		436,953	351,566
Current liabilities			
Receipt in advance, accruals and other payables		7,664	8,772
Amounts due to non-controlling interests		–	1,791
Dividend payable		–	35
Financial liabilities at fair value through profit and loss		2,500	5,000
Corporate bonds payable	12	47,391	–
Provision for taxation		25,468	21,616
		83,023	37,214
Net current assets		353,930	314,352
Total assets less current liabilities		384,887	430,547
Non-current liabilities			
Corporate bonds payable	12	47,391	94,078
Deferred tax liabilities		22	22
		47,413	94,100
NET ASSETS		337,474	336,447

		As at 30 June 2014 (Unaudited) RMB'000	As at 31 December 2013 (Audited) RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	13	83,165	83,165
Reserves		257,955	256,235
		341,120	339,400
Non-controlling interests		(3,646)	(2,953)
TOTAL EQUITY		337,474	336,447

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Equity contributable to the owners of the Company							Non-	Total	
	Share	Share	Merger	Statutory	Exchange	Retained	Dividend	controlling	equity	
	capital	premium	reserve	reserve	reserve	profits	proposed	interests		
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2014	83,165	22,175	116,659	12,031	589	104,781	-	339,400	(2,953)	336,447
Profit/(loss) for the period	-	-	-	-	-	2,335	-	2,335	(714)	1,621
Other comprehensive income/(loss) for the period	-	-	-	-	(615)	-	-	(615)	21	(594)
Total comprehensive income/(loss) for the period	-	-	-	-	(615)	2,335	-	1,720	(693)	1,027
At 30 June 2014	83,165	22,175	116,659	12,031	(26)	107,116	-	341,120	(3,646)	337,474
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/(loss) for the period	-	-	-	-	(356)	-	-	(356)	-	(356)
Total comprehensive income/(loss) 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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Net cash (used in)/generated from operating activities	<u>(25,351)</u>	<u>11,981</u>
Net cash generated from/(used in) investing activities	<u>5,089</u>	<u>(8,577)</u>
Net cash generated from financing activities	<u>6,275</u>	<u>22,842</u>
Net (decrease)/increase in cash and cash equivalents	(13,987)	26,246
Cash and cash equivalents at beginning of the period	125,794	141,417
Effect of foreign exchange rate, net	<u>(128)</u>	<u>(341)</u>
Cash and cash equivalents at the end of the period	<u>111,679</u>	<u>167,322</u>

NOTES TO THE UNAUDITED 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 condensed consolidated results are consistent with those adopted 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 INCOME OR (LOSS)

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

	Three months ended 30 June		Six months ended 30 June	
	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
Revenue				
Interest income	1,085	6,792	6,537	18,600
Financial consultation service income	15,732	20,415	35,751	40,764
	<u>16,817</u>	<u>27,207</u>	<u>42,288</u>	<u>59,364</u>
Other income or (loss)				
Bank interest income	130	156	214	269
Fair value change of financial liabilities at fair value through profit and loss	1,250	–	2,500	–
Provision for impairment of accounts receivable	(4,656)	–	(9,253)	–
Others – other investment	4,905	–	5,260	–
Others	(6)	92	40	187
	<u>1,623</u>	<u>248</u>	<u>(1,239)</u>	<u>456</u>

4. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
Interest charged on financial liabilities carried at amortised cost				
Corporate bonds (note 12)	2,595	1,238	5,188	1,238
	<u>2,595</u>	<u>1,238</u>	<u>5,188</u>	<u>1,238</u>

5. PROFIT BEFORE INCOME TAX EXPENSE

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

	Three months ended 30 June		Six months ended 30 June	
	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
Auditor's remuneration	49	112	275	262
Depreciation of property, plant and equipment	579	285	946	559
Employee benefit expenses (including Directors' remuneration)				
Salaries and wages	3,730	3,665	9,757	9,269
Pension scheme contributions – Defined contribution plans	527	511	1,177	927
	4,257	4,176	10,934	10,196
Net foreign exchange (gain)/loss	(732)	(22)	(778)	15
Operating lease charges in respect of properties	2,583	1,885	5,218	3,686

6. INCOME TAX EXPENSE

	Three months ended 30 June		Six months ended 30 June	
	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
Hong Kong Profits Tax – Current period	1,693	2,321	3,237	4,573
PRC Enterprise Income Tax – Current period	2,053	865	2,318	3,411
	3,746	3,186	5,555	7,984

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 People's Republic of China ("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 does not declare the payment of an interim dividend for the six months ended 30 June 2014 (2013: Nil).

8. EARNINGS PER SHARE

The calculations of basic earnings per Share for the six months ended 30 June 2014 is based on the profit attributable to owners of the Company of approximately RMB2,335,000 (six months ended 30 June 2013: approximately RMB20,543,000) and on the 1,020,555,000 ordinary shares issuable throughout the six months ended 30 June 2014 (six months ended 30 June 2013: 1,020,555,000). 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 2014, the Group spent approximately RMB479,000 (2013: approximately RMB472,000) on acquisition of furniture, fixture and office equipment.

10. OTHER INVESTMENTS – GROUP

	As at 30 June 2014 (Unaudited) RMB'000	As at 31 December 2013 (Audited) RMB'000
Held-to-maturity investments (note a)	22,676	23,999
Available-for-sale investments (note b)	102,870	106,371
	<u>125,546</u>	<u>130,370</u>
Less: Non-current portion		
Held-to-maturity investments	14,476	21,999
Available-for-sale investments	10,000	10,000
	<u>24,476</u>	<u>31,999</u>
	<u>101,070</u>	<u>98,371</u>

Notes:

- (a) At 30 June 2014, the Group had certain held-to-maturity investments which bore fixed interest rates ranging from 7.92% to 11% (2013: 7.92% to 11%) per annum and had maturities ranging from one to six years (2013: one to six years).
- (b) At 30 June 2014, available-for-sale investments represented:

	As at 30 June 2014 (Unaudited) RMB'000	As at 31 December 2013 (Audited) RMB'000
Unlisted debt securities, at fair value	<u>102,870</u>	<u>106,371</u>

There are certain available-for-sale investments, which are debt securities at fair value as at 30 June 2014:

- (i) investment of RMB90,000,000 (2013: RMB90,000,000) in an income receivable right on a limited partnership which is incorporated in PRC, with expected maximum return rate at 12% per annum for 12 months. The main activity of the limited partnership was investment in obtaining income receivable right on other three limited partnerships. These underlying partnerships are principally engaged in entrusted loan businesses in the PRC.

In assessing the returns on the investment, the Directors assessed the expected income from the loans in the underlying partnerships.

The debt investment includes an embedded derivative which has been accounted for separately as the economic risks and characteristics are dissimilar. The derivative feature links the return on the debt investment to the income from the borrower's investments in the limited partnerships. The debt investment is classified as available-for-sale financial asset whereas the derivative is accounted for as a financial liability at fair value through profit or loss.

Notwithstanding that the collaterals ("Collaterals") to a bank of certain entrusted loans amounted to RMB68,000,000 granted by the underlying partnerships ("Loans") to an independent third party (the "Borrower") was filed to the relevant PRC authorities, the relevant PRC authorities issued a notice revoking such filing because the original filing contained information which was not correct. Based on the notice, the Collaterals have been sold prior to the filing of such pledge. These Collaterals were also pledged to secure an entrusted loan granted by the Group directly (note 11).

As a result, the Group applied to the PRC court to seal up certain other properties of the Borrower for a period of approximately 2 years. The seal up was confirmed by the PRC court during 2013.

After the seal up, the local government participated in assisting settlements of the affected parties under this event. According to the minutes from the local government, a debt restructuring exercise will be conducted so that the estimated proceeds from such exercise will then be used to settle the principal loan amounts outstanding to 4 financial institutions, including the bank entrusted by the underlying partnerships and the Group.

As a result, no income will be received by the limited partnership on these loans of RMB68,000,000. Consequently, the Group will in turn suffer a loss of income on its investment. The loss is attributable to the derivative component and is recorded as a fair value change in the profit or loss.

- (ii) investments of RMB1,500,000 (2013: RMB1,500,000) in certain limited partnerships which are incorporated in PRC. All limited partnerships will be terminated in 2014 according to the contract term of its major assets.
- (iii) investment in a trust at a consideration of RMB7,500,000 with a return from the trust after paying the guaranteed return to other type of trust holders and direct expense of the trust. Since there was a significant decline in fair value of the investment, a fair value loss of RMB4,629,000 was recognised in other comprehensive income and reclassified to profit or loss in 2013.
- (iv) investment in a trust at a consideration of RMB10,000,000 incorporated in the PRC, with expected return of 10.9% per annum for two years.

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 183 days with a renewal option. For account receivables, it represented interest receivables from 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. For consultancy fee receivables, customers are obliged to settle the amounts according to the terms set out in relevant contracts and with no credit period.

During the period, the Group provided certain consultancy services to the Borrower (note 10(b)) which gave rise to a consultancy fee receivable of approximately RMB9,253,000. After taking into consideration the situation as disclosed in note 10(b)(i), a full provision on the impairment loss of such amount receivable was made during the period.

For interest receivables, customers are obliged to settle the amounts according to the terms set out in relevant loan contracts and with no credit period.

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 2014 (Unaudited) RMB'000	As at 31 December 2013 (Audited) RMB'000
0 to 30 days	5,307	67,429
31 to 90 days	6,938	–
91 to 180 days	8,936	–
Over 180 days	96,365	51,824
	117,546	119,253

12. CORPORATE BONDS

The Company issued RMB100,000,000 corporate bonds in two tranches on 27 May 2013 and 12 August 2013, which bore interest at 10.5% per annum payable semi-annually in arrears on 30 June and 31 December of each year. The maturity date will be the date falling on the 24 months following the closing date for the issue of the respective tranches of corporate bonds. 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 2013 and 30 June 2014	<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 2013 and 30 June 2014	<u>1,020,555</u>	<u>83,165</u>

During the six months ended 30 June 2014, 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 2014, the Group derived its revenue mainly from the financial consultation services and the entrusted loan services.

Business review

During the first half of 2014, with cautious loan granting policies, the Group was on the way to strengthen its short-term financing business while focusing on minimising its risk exposure.

Financial review

Revenue

For the six months ended 30 June 2014, the Group's revenue decreased by approximately 28.8% from approximately RMB59.4 million for the corresponding period in 2013 to approximately RMB42.3 million, mainly due to the decrease of number of new contracts entered into for the financial consultation service and the entrusted loan service of the Group.

The loan and account receivables from customers also decreased from approximately RMB119.3 million as at 31 December 2013 to approximately RMB117.5 million as at 30 June 2014.

Financial consultation service income

For the six months ended 30 June 2014, the Group's revenue from provision of financial consultation services decreased by approximately 12.3% from approximately RMB40.8 million for the corresponding period in 2013 to approximately RMB35.8 million.

Entrusted loan service income

For the six months ended 30 June 2014, the Group's revenue from provision of entrusted loan services decreased significantly by approximately 54.6% from approximately RMB14.4 million for the corresponding period in 2013 to approximately RMB6.5 million.

Pawn loan service income

For the six months ended 30 June 2014, the Group did not record any revenue from provision of pawn loan services as compared to the revenue of approximately RMB4.2 million for the corresponding period in 2013. As pawn shops in Guangdong are expanding their business, the competition for pawn loan services is fierce. The Group shifted its focus to entrusted loan services which provide more flexibility on serving its customers since 2013.

Finance costs

For the six months ended 30 June 2014, the Group's interest expenses increased by approximately 319.1% from approximately RMB1.2 million for the corresponding period in 2013 to approximately RMB5.2 million. Such increase in interest expenses was mainly attributable to the interest for the corporate bonds denominated in Renminbi with an aggregate value of RMB100 million issued during 2013 (the "RMB Denominated Bonds").

Other income or (loss)

The Group's other income or loss primarily comprised bank interest income, fair value change of financial liabilities at fair value through profit and loss, provision for impairment of accounts receivable, and other investment income. The Group's other loss for the six months ended 30 June 2014 was approximately RMB1.2 million due to provision for impairment of accounts receivable, while the Group's other income for the corresponding period in 2013 was appropriately RMB0.5 million.

Administrative expenses

The Group's administrative expenses primarily comprised rental expenses, marketing and advertising expenses. The Group's administrative expenses for the six months ended 30 June 2014 and 2013 were approximately RMB17.8 million and RMB21.3 million, respectively. The decrease of approximately 16.8% in the Group's administrative expenses was mainly attributable to certain expenses including the decrease of advertising expenses of approximately RMB1.6 million and the decrease of other operating costs, which was partly off-set by the increase of rental expenses of approximately RMB1.5 million for office expansion.

Profit for the period

The profit attributable to owners of the Company for the six months ended 30 June 2014 was approximately RMB2.3 million, representing a decrease of approximately 88.6% as compared to approximately RMB20.5 million for the six months ended 30 June 2013.

OUTLOOK

As the economic growth of China slows down, demand for diversified and personalised financing services of enterprises in China increases. Financing channels in the market have penetrated into different sectors. The Group will continue to use its best efforts to satisfy the needs of and enhance the services provided to its existing customers, including one of the top ten property developers in China, a state-owned building contractor and a specialised commodity exchange market. The Group also plans to expand its customer base and develop strategic cooperative partnership with new customers when it sees fits. The Group aims to achieve stable and continuous business growth and profit by providing more personalised and diversified financing services to its existing and potential customers.

Attributable to the great support from the PRC government on cross-border loans, the Group has obtained the licence for financing and leasing in Shanghai Free Trade Zone. Further, the Group plans to develop internet financing when opportunity arises in the second half of the year to provide support to the above businesses and promote business growth.

The Directors believe that the reform based on its pragmatic strategy could generate more profit and returns for shareholders in the future.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2014, the Group had bank balances and cash of approximately RMB111.7 million (31 December 2013: approximately RMB125.8 million). 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 20.3% as at 30 June 2014 (31 December 2013: 20.1%).

SIGNIFICANT INVESTMENT

As at 30 June 2014, there was no significant investment held by the Group (31 December 2013: 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 2014.

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 2014.

CONTINGENT LIABILITIES

As at 30 June 2014, the Group has no significant contingent liabilities (31 December 2013: 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 2014, the Group had a total of 104 staff (31 December 2013: 156). Total staff costs (including the Directors' emoluments) were approximately RMB10.9 million for the six months ended 30 June 2014 (six months ended 30 June 2013: approximately RMB10.2 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 Prospectus with the Group's actual business progress for the period from 20 April 2012 to 30 June 2014 is set out below:

Business objectives for the period from 20 April 2012 to 30 June 2014 as stated in the Prospectus

Actual business progress for the period from 20 April 2012 to 30 June 2014

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, Shanghai and Guangdong Province | – Sales office in Beijing, Shanghai and Guangdong Province established |
| – Recruit new staff for the Beijing, Shanghai and Guangdong Province sales office | – New staff recruited for the Beijing, Shanghai and Guangdong Province sales office |
| – Placing advertisement | – Placing advertisement |

Planned use of proceeds from listing from 20 April 2012 to 30 June 2014: approximately HK\$10,800,000

Total cost incurred by the Group from 20 April 2012 to 30 June 2014: approximately HK\$20,110,000 (*Note*)

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 |
|---|---|

Planned use of proceeds from listing from 20 April 2012 to 30 June 2014: approximately HK\$123,900,000

Total cost incurred by the Group from 20 April 2012 to 30 June 2014: approximately HK\$115,927,000

As capital injection requires the PRC government's approval, the Group had injected approximately HK\$115,927,000 into member companies for the period from 20 April 2012 to 30 June 2014. The Group does not anticipate any change to the intended usage of proceeds as at the date of this report.

Note: The Group incurred a total cost of HK\$20,110,000 in developing the marketing network in Shenzhen, Guangdong Province, Beijing and Shanghai for the short-term financing services and financial consultation services for the period from 20 April 2012 to 30 June 2014, of which approximately HK\$10,800,000 was settled by the net proceeds from its listing.

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 2014, the net proceeds from the listing had been applied as follows:

	Planned use of proceeds as stated in the Prospectus from 20 April 2012 to 30 June 2014	Actual use of proceeds from 20 April 2012 to 30 June 2014
	<i>HK\$</i>	<i>HK\$</i>
	<i>Approximately</i>	<i>Approximately</i>
1. Develop the marketing network in Shenzhen, Guangdong Province, Beijing and Shanghai for the short-term financing services and financial consultation services	10,800,000	10,800,000 <i>(Note)</i>
<ul style="list-style-type: none"> – 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>115,927,000</u>

Note: The Group incurred a total cost of HK\$20,110,000 in developing the marketing network in Shenzhen, Guangdong Province, Beijing and Shanghai for the short-term financing services and financial consultation services for the period from 20 April 2012 to 30 June 2014, of which approximately HK\$10,800,000 was settled by the net proceeds from its listing.

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

As at 30 June 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>			Total	Approximate percentage (%)
	Beneficial Interest	Interest of spouse	Interest of controlled corporation		
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 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.
- 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.

* For identification purposes only

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

Name of Director	Nature of interest	Number of shares 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 Li Zhongyu, and as to 45% by Ming Cheng Investments Limited, a company wholly-owned by Zheng Weijing.

Save as disclosed above, as at 30 June 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 30 June 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 <i>(Note 1)</i>			Total	Approximate percentage (%)
	Beneficial Interest	Interest of spouse	Interest of controlled corporation		
Silvery Dragon Limited	528,975,000 (I)	–	–	528,975,000 (I)	51.83
High Eminent Limited	–	–	528,975,000 (I) <i>(Note 2)</i>	528,975,000 (I)	51.83
Ding Rong Limited	–	–	528,975,000 (I) <i>(Notes 2 and 3)</i>	528,975,000 (I)	51.83
Ming Cheng Investments Limited	–	–	528,975,000 (I) <i>(Notes 2 and 3)</i>	528,975,000 (I)	51.83
Yang Qiao	–	562,465,675 (I) <i>(Note 4)</i>	24,270,000 (I) <i>(Note 5)</i>	586,735,675 (I)	57.49
Zhang Chushan	–	553,155,135 (I) <i>(Note 6)</i>	–	553,155,135 (I)	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 30 June 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 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 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 six months ended 30 June 2014.

CORPORATE GOVERNANCE

The Board is of the view that the Company has met the code provisions set out in the Corporate Governance Code contained in Appendix 15 to the GEM Listing Rules for the six months ended 30 June 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 six months ended 30 June 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 such person has or may have with the Group as at 30 June 2014.

INTERESTS OF COMPLIANCE ADVISER

As notified by GF Capital (Hong Kong) Limited ("GF Capital"), being the Company's compliance adviser, neither GF Capital nor any of its directors or employees or associates had any interest in the securities of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 30 June 2014, save for the 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 six months ended 30 June 2014 have been reviewed by the Audit Committee but have not been audited or reviewed by the auditor of the Company. 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 August 2014

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