



# 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  
**2016**



## **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 RMB144,641,000 for the six months ended 30 June 2016, representing an increase of approximately 388.4% as compared to approximately RMB29,617,000 for the corresponding period in 2015.
- Profit attributable to owners of the Company for the six months ended 30 June 2016 amounted to approximately RMB57,808,000, representing an increase of approximately 482.7% as compared to approximately RMB9,920,000 for the corresponding period in 2015.
- Basic earnings per share of the Company (the “Share”) for the six months ended 30 June 2016 amounted to RMB3.72 cents (2015: RMB0.97 cent).
- The board of Directors (the “Board”) has resolved to declare an interim dividend of HK\$0.01 per Share for the six months ended 30 June 2016 (2015: Nil).

## UNAUDITED INTERIM RESULTS

The Board is pleased to announce the unaudited condensed consolidated results of the Group for the six months ended 30 June 2016 together with the comparative unaudited figures for the corresponding period in 2015 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Notes	Three months ended 30 June		Six months ended 30 June	
		2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Revenue	3	86,833	15,677	144,641	29,617
Other income	3	4,598	2,809	5,297	4,444
Employee benefit expenses		(10,188)	(5,107)	(21,491)	(9,416)
Administrative expenses		(15,988)	(4,651)	(31,834)	(10,856)
Equity-settled share-based payments		(7,015)	–	(15,633)	–
Share of result of a joint venture		(157)	–	(157)	–
Finance costs	4	–	(2,557)	–	(4,365)
Profit before income tax expense	5	58,083	6,171	80,823	9,424
Income tax expense	6	(16,149)	–	(17,754)	(144)
<b>Profit for the period</b>		<b>41,934</b>	<b>6,171</b>	<b>63,069</b>	<b>9,280</b>
<b>Other comprehensive income</b>					
Items that may be reclassified subsequently to profit or loss:					
– Exchange differences on translating foreign operation		(2,793)	(507)	(2,854)	(507)
<b>Total comprehensive income for the period</b>		<b>39,141</b>	<b>5,664</b>	<b>60,215</b>	<b>8,773</b>
<b>Profit/(loss) for the period attributable to:</b>					
Owners of the Company		37,577	6,809	57,808	9,920
Non-controlling interests		4,357	(638)	5,261	(640)
		<b>41,934</b>	<b>6,171</b>	<b>63,069</b>	<b>9,280</b>
<b>Total comprehensive income for the period attributable to:</b>					
Owners of the Company		34,784	6,302	54,954	9,413
Non-controlling interests		4,357	(638)	5,261	(640)
		<b>39,141</b>	<b>5,664</b>	<b>60,215</b>	<b>8,773</b>
Earnings per Share					
– Basic and diluted (RMB cents)	8	2.40	0.67	3.72	0.97

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

		As at 30 June 2016 (Unaudited) RMB'000	As at 31 December 2015 (Audited) RMB'000
	Notes		
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	7,080	7,364
Goodwill	10	48,316	48,316
Intangible assets	10	30,541	32,192
Held-to-maturity investment	11	22,917	21,847
Available-for-sale investments	12	252,000	98,000
Investment in a joint venture		9,843	–
Loan and accounts receivables	13	–	6,727
		<u>370,697</u>	<u>214,446</u>
<b>Current assets</b>			
Loan and accounts receivables	13	159,581	71,818
Deposits paid, prepayments and other receivables		80,825	65,205
Tax recoverable		7,646	7,475
Amounts due from shareholders		335	2,803
Amount due from non-controlling interests		–	14,710
Cash and cash equivalents		192,441	154,507
		<u>440,828</u>	<u>316,518</u>
<b>Current liabilities</b>			
Receipts in advance, accruals and other payables		39,290	14,458
Dividend payable		39	38
Provision for taxation		36,400	18,467
		<u>75,729</u>	<u>32,963</u>
<b>Net current assets</b>		<u>365,099</u>	<u>283,555</u>
<b>Non-current liability</b>			
Deferred tax liability		7,635	8,048
<b>NET ASSETS</b>		<u>728,161</u>	<u>489,953</u>

		<b>As at 30 June 2016 (Unaudited) RMB'000</b>	As at 31 December 2015 (Audited) RMB'000
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	14	<b>142,004</b>	124,827
Proposed dividend		<b>14,826</b>	–
Reserves		<b>528,062</b>	327,118
		<b>684,892</b>	451,945
<b>Non-controlling interests</b>		<b>43,269</b>	38,008
<b>TOTAL EQUITY</b>		<b>728,161</b>	489,953

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to owners of the Company									Non-controlling interests	Total
	Share capital	Proposed dividend	Share premium	Merger reserve	Statutory reserve	Exchange reserve	Share option reserve	Retained earnings	Total		
	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000
At 1 January 2016	124,827	-	147,160	116,659	19,217	(1,277)	1,445	43,914	451,945	38,008	489,953
Profit for the period	-	-	-	-	-	-	-	57,808	57,808	5,261	63,069
Other comprehensive income for the period	-	-	-	-	-	(2,854)	-	-	(2,854)	-	(2,854)
Total comprehensive income for the period	-	-	-	-	-	(2,854)	-	57,808	54,954	5,261	60,215
Proposed interim dividend	-	14,826	(14,826)	-	-	-	-	-	-	-	-
Subscription of new shares	17,126	-	144,712	-	-	-	-	-	161,838	-	161,838
Share issue costs	-	-	(188)	-	-	-	-	-	(188)	-	(188)
Exercise of share options	51	-	748	-	-	-	(262)	-	537	-	537
Equity-settled share-based transactions	-	-	-	-	-	-	15,806	-	15,806	-	15,806
At 30 June 2016	142,004	14,826	277,606	116,659	19,217	(4,131)	16,989	101,722	684,892	43,269	728,161
At 1 January 2015	83,165	-	22,175	116,659	12,424	199	-	18,025	252,647	(11,491)	241,156
Profit/(loss) for the period	-	-	-	-	-	-	-	9,920	9,920	(640)	9,280
Other comprehensive income for the period	-	-	-	-	-	(507)	-	-	(507)	-	(507)
Total comprehensive income for the period	-	-	-	-	-	(507)	-	9,920	9,413	(640)	8,773
Additional interests in subsidiaries acquired by the Group	-	-	-	-	-	-	-	(1,785)	(1,785)	1,782	(3)
At 30 June 2015	83,165	-	22,175	116,659	12,424	(308)	-	26,160	260,275	(10,349)	249,926

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Net cash generated from operating activities	<u>41,031</u>	<u>23,711</u>
Net cash used in investing activities	<u>(163,831)</u>	<u>(62,398)</u>
Net cash generated from/(used in) financing activities	<u>164,655</u>	<u>(24,659)</u>
Net increase/(decrease) in cash and cash equivalents	<b>41,855</b>	(63,346)
Cash and cash equivalents at beginning of the period	<b>154,507</b>	67,530
Effect of foreign exchange rate, net	<u>(3,921)</u>	<u>(87)</u>
Cash and cash equivalents at the end of the period	<u><b>192,441</b></u>	<u>4,097</u>



# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS

## 1. GENERAL INFORMATION

The Company is an exempted company with limited liability incorporated in the Cayman Islands on 4 May 2011. The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, the Cayman Islands. The principal place of business of the Company is located at Room 801A and 807B, 8/F., Tsim Sha Tsui Centre, 66 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong. The Company's shares (the "Shares") have been listed on GEM of the Stock Exchange since 7 May 2012.

The Group, comprising the Company and its subsidiaries, currently engages in investment in property development projects, operation of financial services platform, provision of financial consultation services, finance lease services and entrusted loan and pawn loan services in the People's Republic of China ("PRC").

In the opinion of the directors of the Company (the "Directors"), the immediate and ultimate holding company of the Company is Ming Cheng Investments Limited, a limited liability company incorporated in the British Virgin Islands.

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The Group's unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements set out in the GEM Listing Rules and Hong Kong Financial Reporting Standards ("HKFRSs"), which collective terms include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The accounting policies used in the preparation of the Group's unaudited condensed consolidated results are consistent with those adopted in the Group's audited financial statements for the year ended 31 December 2015.

All HKFRSs effective for the accounting periods commencing from 1 January 2016 and relevant to the Group, have been adopted by the Group in the preparation of the Group's unaudited condensed consolidated results. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's 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 for the three months and six months ended 30 June 2016 are as follows:

	Three months ended 30 June		Six months ended 30 June	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Revenue				
Financial consultation service income	46,821	15,062	53,822	28,230
Investment income from investments in property development projects through limited partnerships	26,076	–	70,176	–
Platform service income	11,437	–	16,076	–
Interest income	2,499	615	4,567	1,387
	<u>86,833</u>	<u>15,677</u>	<u>144,641</u>	<u>29,617</u>
Other income				
Bank interest income	208	106	315	173
Investment income	477	2,786	1,069	4,370
Exchange gains	3,871	–	3,871	–
Others	42	(83)	42	(99)
	<u>4,598</u>	<u>2,809</u>	<u>5,297</u>	<u>4,444</u>

### 4. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Interest charged on financial liabilities carried at amortised cost				
Corporate bonds	–	2,557	–	4,365

## 5. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is arrived at after charging:

	Three months ended 30 June		Six months ended 30 June	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Auditor's remuneration	910	367	1,050	564
Depreciation of property, plant and equipment	607	211	1,499	474
Amortisation of intangible assets	826	–	1,651	–
Employee benefit expenses (including Directors' remuneration)				
Salaries and wages	8,552	4,313	18,390	8,052
Pension scheme contributions – Defined contribution plans	1,636	793	3,101	1,363
	10,188	5,106	21,491	9,415
Equity-settled share-based payment expense	7,015	–	15,633	–
Operating lease charges in respect of properties	1,682	1,416	3,432	3,408

## 6. INCOME TAX EXPENSE

	Three months ended 30 June		Six months ended 30 June	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Hong Kong Profits Tax				
– Current period	–	–	–	–
PRC Enterprise Income Tax				
– Current period	17,278	–	19,089	144
– Over-provision in the prior year	(922)	–	(922)	–
	<u>16,356</u>	<u>–</u>	<u>18,167</u>	<u>144</u>
Deferred tax	(207)	–	(413)	–
	<u>16,149</u>	<u>–</u>	<u>17,754</u>	<u>144</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% (2015: 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% (2015: 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

Dividend attributable to the interim period

	Six months ended 30 June	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Interim dividend		
– HK\$0.01 (2015: Nil) per Share	14,826	–

## 8. EARNINGS PER SHARE

The calculation of basic earnings per Share for the six months ended 30 June 2016 is based on the profit attributable to owners of the Company of approximately RMB57,808,000 (six months ended 30 June 2015: approximately RMB9,920,000) and on the weighted average number of approximately 1,552,962,000 ordinary Shares issuable throughout the six months ended 30 June 2016 (2015: 1,020,555,000 ordinary Shares). Diluted earnings per Share are same as basic earnings per Share as there were no potential ordinary Shares during the periods.

## 9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group spent approximately RMB1,215,000 (2015: approximately RMB155,000) on acquisition of furniture, fixture and office equipment.

## 10. GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets (customers relationship) are acquired through business combination of a financial services platform during the year ended 31 December 2015.

## 11. HELD-TO-MATURITY INVESTMENT

As at 30 June 2016, the Group had a held-to-maturity investment which bore fixed interest rate of 7.92% (2015: 7.92%) per annum and had maturity up to three years (2015: four years).

## 12. AVAILABLE-FOR-SALE INVESTMENTS

	<b>As at 30 June 2016 (Unaudited) RMB'000</b>	<b>As at 31 December 2015 (Audited) RMB'000</b>
Unlisted equity securities, at cost <i>(note)</i>	<b>252,000</b>	98,000

*Note:* As at 30 June 2016, the Group invested in certain limited partnerships in the PRC as a limited partner. The limited partnerships engage in the business of property development in the PRC.

### 13. LOAN AND ACCOUNT RECEIVABLES

Entrusted loan receivables represent loans to borrowers through certain banks in the PRC. In an entrusted loan arrangement, the Group enters into a loan agreement with the borrower and the bank. The borrower repays the loan to the bank and then the bank returns the principal and accrued interest to the Group. While the bank supervises the loan arrangement and receives repayment from the borrower, the bank does not assume any risk of default by the borrower.

For financial consultation services fee receivables, there is no credit period and customers are obliged to settle the amounts according to the terms set out in the relevant contracts.

Investment receivables represent income from the investments in limited partnerships. The receivables are settled subject to the arrangement of the relevant limited partnership which is normally settled in 1 month after the approval of the investment income in the board meeting of the limited partnership.

Platform service fee receivables represent services fees charged to the platform users who are obligated to pay service fees to the Group.

For interest receivables, borrowers are obliged to settle the amounts according to the terms set out in the relevant loan contracts.

For finance lease receivable, borrowers are obligated to settle the amounts according to the terms set out in the relevant contracts and must acquire the leased assets at the end of the lease period. The lease period was 12 months.

Ageing analysis of the Group's loan and account receivables that were not impaired is as follows:

	<b>As at 30 June 2016 (Unaudited) RMB'000</b>	As at 31 December 2015 (Audited) RMB'000
Neither past due nor impaired	<b>159,581</b>	40,801
0 to 30 days	–	36,429
31 to 90 days	–	228
91 to 180 days	–	277
Over 180 days	–	810
	<b>159,581</b>	78,545

## 14. SHARE CAPITAL

	Number of ordinary Shares '000	RMB'000
<i>Authorised:</i>		
Ordinary Shares of HK\$0.1 each		
At 31 December 2015 and 30 June 2016	5,000,000	407,450
<i>Issued and fully paid:</i>		
Ordinary shares of HK\$0.1 each		
As at 1 January 2015	1,020,555	83,165
Issue of Shares under open offer ( <i>note a</i> )	510,278	41,662
As at 31 December 2015 and 1 January 2016	1,530,833	124,827
Issue of Shares under subscription ( <i>note b</i> )	200,000	17,126
Issue of Shares upon exercise of share options	600	51
As at 30 June 2016	1,731,433	142,004

### Notes:

- (a) On 3 November 2015, pursuant to an open offer conducted by the Company, 510,277,500 Shares were issued at the subscription price of HK\$0.4 each, of which approximately HK\$51,028,000 (equivalent to approximately RMB41,662,000) was credited to share capital of the Company and the remaining balance of approximately HK\$149,438,400 (equivalent to approximately RMB124,985,000) after deducting share issue cost was credited to the share premium account of the Company. Further details of the open offer are set out in the Company's prospectus dated 8 October 2015.
- (b) On 13 May 2016, the Company entered into subscription agreements with certain investors (the "Investors") pursuant to which the Investors have conditionally agreed to subscribe 200,000,000 new Shares at the subscription price of HK\$0.945 each. Completion of the subscriptions took place on 10 June 2016 and net proceeds of approximately HK\$188,800,000 are intended to be used for investment in potential property development projects and general working capital of the Group. The premium received was credited to the share premium account of the Company.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business review

The Group is principally engaged in investment in property development projects, operation of financial services platform, provision of financial consultation services, finance lease services and entrusted loan and pawn loan services in the PRC.

The Group commenced its new business of investment in property development projects during the year ended 31 December 2015. As at 30 June 2016, the Group had invested in nine property development projects in Dongguan, Shenzhen and Fujian, the PRC. Some of the property development projects had brought considerable returns to the Group for the six months period ended 30 June 2016.

On 30 September 2015, the Company completed its acquisition of 51% indirect interest in 深圳市融鑫電子商務有限公司 (Shenzhen Yongxin Electric Commerce Company Limited\*), a project company operating a financial service platform, “匯理財”. Additionally, “匯聯易家” (www.hlej.com), a financial service platform website for the PRC real estate industry, officially commenced operations on 29 December 2015. There are three major channels under “匯聯易家”: (1) “匯有房”, a channel for professional services in property finance; (2) “匯生活”, a channel for professional services in community finance; and (3) “匯理財”, a channel for professional services in financial management.

### Financial review

#### Revenue

For the six months period ended 30 June 2016, the Group's revenue increased by approximately 388.4% from approximately RMB29.6 million for the corresponding period ended 30 June 2015 to approximately RMB144.6 million. The increase in the revenue was mainly due to the contributions of the investment in property development projects, operation of financial services platform and increase in financial consultation service income.

#### Investment in property development projects

For the six months period ended 30 June 2016, the Group generated revenue from investment income from the property development projects of approximately RMB70.2 million (2015: Nil).

\* For identification purposes only



### ***Operation of financial services platform***

For the six months period ended 30 June 2016, the Group generated revenue of approximately RMB16.1 million (2015: Nil) from platform services provided by the financial services platforms.

### ***Financial consultation service income***

For the six months period ended 30 June 2016, the Group's revenue from provision of financial consultation services increased by approximately 90.7% from RMB28.2 million for the corresponding period in 2015 to approximately RMB53.8 million. The Group's financial consultation service income for the six months period ended 30 June 2016 mainly related to the property development projects and financial services platform.

### ***Finance costs***

For the six months period ended 30 June 2016, there was no finance costs incurred by the Group (2015: RMB4.4 million).

### ***Other income***

The Group's other income primarily comprised bank interest income, investment income and exchange gains.

### ***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 each of the six months periods ended 30 June 2016 and 30 June 2015 were approximately RMB53.3 million and approximately RMB20.3 million, respectively, representing an increase of approximately 163.0% which was mainly attributed to (i) increase of salaries and number of the staff and (ii) increase of marketing and advertising expenses of the financial services platform during the six months period ended 30 June 2016.

### ***Profit for the period attributable to owners of the Company***

Profit attributable to owners of the Company for the six months period ended 30 June 2016 was approximately RMB57.8 million as compared to profit attributable to owners of the Company of approximately RMB9.9 million for the six months period ended 30 June 2015, representing an increase of approximately 482.7%, mainly due to contributions from the new core businesses of investment in property development projects, operation of financial services platform and relevant financial consultation services.

## **BUSINESS OUTLOOK**

### **About financial service for the industry chain of real estate**

Financial services are required in almost every aspect of the industry chain of real estate business, from financing land auction, construction and sales of properties for real estate developers, to purchase of properties by buyers followed by interior properties construction work, expense on necessities in the community and further investment demands. Both real estate developers and property buyers can use various real estate financial services designed and provided by the Group to unlock the bottlenecks along the industry chain, which provide more opportunities for the Group's future development.

### **About regional investment**

Following cooperation with Country Garden Holdings Company Limited ("Country Garden") of the investment in a property development project in Bantian, Shenzhen, the PRC, the Group will continue to cooperate with the Country Garden to invest in city projects focusing on Shenzhen, Dongguan and Huizhou, the PRC in 2016, with an aim to participate in ten projects in 2016.

### **About Internet finance**

The Group maintains its effort in the research and development of Internet finance, prepares shareholding investment strategies and applies for relevant certificates and licenses of Internet finance independently. The Group intends to establish a financial services chain emphasizing the real estate industry and connecting all business types and product modes of the industry.

### **About partners**

The Group is searching for strategic partners in a cooperative and favorable way aiming to expand its market collectively. Based on the current cooperation channels and joint ventures, the Group is looking forward to opportunities to cooperate with other leading-edged enterprises and actively exploring appropriate cooperation modes with different parties including real estate developers, fiduciary institutions, securities institutions, futures institutions, fund institutions and banks in order to develop the marketing channels and realize appropriate configuration of resources.

### **About sustainable development**

The Group insists its active and stable sustainable development strategy. With constant exploration and innovation, the Group manages to positively respond to the governmental policies and changes of market environment and establish a comprehensive internal control system for appropriate risk prevention and healthy development.

### **Payment of dividends**

Encouraging results were achieved by virtue of the efforts spent by the management and the Group's staff during the first half of 2016. To share the fruits of the Company's development with its shareholders, the Board resolved to declare and pay to the shareholders of the Company an interim dividend of HK\$ 1 cent per Share for the six months ended 30 June 2016. On the basis that the Group's future results shall enjoy steady growth, it is hoped that the Company can continue to distribute returns to shareholders who support the Company continuously by way of payment of dividends.

The Group has faith in every employee and expect surprising results through their devotion and progress.

## **EVENT AFTER THE REPORTING PERIOD**

On 14 July 2016, the Company entered into a subscription agreement (the “Convertible Bonds Subscription Agreement”) with Central China International Company Limited (the “Convertible Bonds Subscriber”), pursuant to which the Convertible Bonds Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, 7% convertible bonds due 2018 (the “Convertible Bonds”) in the aggregate principal amount of HK\$100,000,000 at 100% of the principal amount of the Convertible Bonds convertible into 99,009,900 Shares at an initial conversion price of HK\$1.01 per Share. Mr. Zheng Weijing joined as a party of the Convertible Bonds Subscription Agreement as guarantor to guarantee the performance of the obligations of the Company pursuant to the Convertible Bonds Subscription Agreement. On 27 July 2016, the Convertible Bonds were issued by the Company to the Convertible Bonds Subscriber. Further details of the Convertible Bonds subscription are set out in the Company’s announcements dated 14 July 2016 and 27 July 2016.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

As at 30 June 2016, the Group had bank balances and cash of approximately RMB192.4 million (31 December 2015: approximately RMB154.5 million). The Group did not have any borrowings as at 30 June 2016 (31 December 2015: Nil). The Group had a gearing ratio (defined as total bank and other borrowings divided by total equity) of zero as at 30 June 2016 (31 December 2015: Zero). During the period under review, the Group did not use any financial instruments for hedging purposes.

## **CAPITAL STRUCTURE**

On 13 May 2016, the Company entered into shares subscription agreements (the “Shares Subscription Agreements”) with certain independent third parties, pursuant to which the independent third parties have agreed to subscribe for, and the Company has agreed to allot and issue, a total of 200,000,000 new Shares at the subscription price of HK\$0.945 per Share (the “Share Subscriptions”). On 10 June 2016, completion of the Share Subscriptions took place. Further details of the above are set out in the Company’s announcements dated 13 May 2016 and 10 June 2016.

The net proceeds from the Share Subscriptions after deducting the related expenses in connection with the Share Subscriptions of approximately HK\$188.8 million, equivalent to approximately RMB161.6 million, are intended to be used for investments in potential property development projects and general working capital of the Group. As at the date of this report, approximately RMB150 million of the net proceeds had been utilised in the investments of property development projects.

On 3 November 2015, a total of 510,277,500 ordinary Shares of the Company of HK\$0.1 each have been allotted and issued to qualifying shareholders of the Company on the basis of one offer Share for every two Shares held on 7 October 2015, at a subscription price of HK\$0.4 per Share. Further details of the open offer are set out in the announcement of the Company dated 7 September 2015 and the prospectus of the Company dated 8 October 2015. The net proceeds from the open offer of approximately HK\$201.1 million were intended to be applied as to approximately HK\$160 million for development and operation of the finance lease business and as to approximately HK\$40 million for general working capital of the Group. As at the date of this report, the entire net proceeds had been fully utilised as to (i) approximately HK\$160.0 million in the development and operation of the finance lease business of Zhongxi Rongzi Zulin (Shanghai) Limited; and (ii) approximately HK\$41.1 million for the general working capital of the Group.

### **SIGNIFICANT INVESTMENTS**

For the six months ended 30 June 2016, the Group invested in aggregate RMB170.0 million in certain limited partnerships. The limited partnerships engage in the business of property development in the PRC.

### **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 2016.

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

There was no specific plan for material investments or capital assets as at 30 June 2016.

### **CONTINGENT LIABILITIES**

As at 30 June 2016, the Group had no significant contingent liabilities (31 December 2015: Nil).

### **CHARGES ON GROUP ASSETS**

As at 30 June 2016, the Group did not have any charges on assets (31 December 2015: 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 2016, the Group had a total of 360 staff (31 December 2015: 286). Total staff costs (including Directors' emoluments) were approximately RMB21.5 million for the six months ended 30 June 2016 (for the six months ended 30 June 2015: approximately RMB9.4 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 share option scheme, and contributions to statutory mandatory provident fund schemes and social insurance together with housing provident funds to its employees in Hong Kong and the PRC respectively.

The emoluments of the Directors are reviewed by the remuneration committee of the Company, having regard to the relevant Director's experience, responsibility, workload and the time devoted to the Group, the Group's operating results and comparable market statistics.

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

As at 30 June 2016, the interests of the Directors and chief executive of the Company in the shares of the Company (the "Shares"), underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO") which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or were required pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

### (i) Interests in the Shares

Name of Director	Number of Shares held (Note 1)				Approximate percentage of shareholding in the Company (%)
	Beneficial interest	Interest of spouse	Interest of controlled corporation	Total	
Mr. Zheng Weijing	40,630,202 (L)	-	355,239,567 (L) (Note 2)	395,869,769 (L)	22.87

#### Notes:

1. The letter "L" denotes the Directors' long position in the Shares.
2. These Shares are held in the name of Ming Cheng Investments Limited, a company wholly-owned by Mr. Zheng Weijing.

## (ii) Interests in the Underlying Shares

Name of Director	Capacity/ Nature of interest	Number of underlying Shares		Approximate percentage of shareholding in the Company (%)
		Long position (Note 1)	Short position	
Mr. Zheng Weijing	Beneficial owner	1,000,000	–	0.06
	Interest in controlled corporation	–	20,000,000 (Note 2)	1.16
Mr. Zhang Gongjun	Beneficial owner	8,000,000	–	0.46
Ms. Guo Chanjiao	Beneficial owner	8,000,000	–	0.46
Mr. Vincent Cheng	Beneficial owner	500,000	–	0.03
Mr. Leung Po Hon	Beneficial owner	500,000	–	0.03
Dr. Miao Bo	Beneficial owner	500,000	–	0.03

### Notes:

1. Being unlisted physically settled share options to acquire ordinary shares of the Company, further details of which are set out in the section headed "Share Option Scheme" below.
2. These interests are held by Ming Cheng Investments Limited, a company wholly-owned by Mr. Zheng Weijing.

## (iii) Interests in associated corporation – 廣東匯金典當股份有限公司 (Guangdong Huijin Pawn Stock Company Limited\*) ("Guangdong Huijin")

Name of Director	Nature of interest	Equity interest (Long position)	Approximate percentage of equity interest (%)
Mr. Zheng Weijing	Interest of controlled corporation (Note)	RMB71,240,000	70.53

Note: Such registered capital was contributed by 匯聯資產管理有限公司 (Huilian Assets Management Company Limited\*) ("Huilian Assets Management"). 深圳市智匯投資諮詢有限公司 (Shenzhen Zhihui Investment Consulting Company Limited\*) ("Shenzhen Zhihui") was interested in 72% of the entire equity interest of Huilian Assets Management. Shenzhen Zhihui was owned as to 45% by Mr. Zheng Weijing.

\* For identification purposes only

Save as disclosed above, as at 30 June 2016, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

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

As at 30 June 2016, 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	Number of Shares held (Notes 1 and 2)					Approximate percentage (%)
	Beneficial Interest	Interest of spouse	Security interest	Interest of controlled corporation	Total	
Ming Cheng Investments Limited	355,239,567 (L)	-	-	-	355,239,567 (L)	20.52
	20,000,000 (S)	-	-	-	20,000,000 (S)	1.16
	(Note 3)					
Ms. Zhang Chushan	- 396,869,769 (L)	-	-	-	396,869,769 (L)	22.93
	- 20,000,000 (S)	-	-	-	20,000,000 (S)	1.16
	(Note 4)					
Sino-Africa Resources Holdings Limited	255,676,042 (L)	-	-	-	255,676,042 (L)	14.77
	(Note 5)					
Peace Bloom Limited	145,429,087 (L)	-	-	-	145,429,087 (L)	8.40
	(Note 6)					

Number of Shares held (Notes 1 and 2)

Name of Shareholder	Beneficial Interest	Interest of spouse	Security interest	Interest of controlled corporation		Total	Approximate percentage (%)
Upsoar Limited	155,518,650 (L) (Note 7)	-	-	-	-	155,518,650 (L)	8.99
Mr. Huang Xiguang	-	-	-	255,676,042 (L) (Note 5)	-	255,676,042 (L)	14.77
Mr. Hu Jinxi	22,200,000 (L)	-	-	145,429,087 (L) (Note 6)	-	167,629,087 (L)	9.68
Ms. Fu Shanping	-	-	-	155,518,650 (L) (Note 7)	-	155,518,650 (L)	8.99
GF Investments (Hong Kong) Company Limited (Note 8)	20,000,000 (L)	-	383,929,769 (L)	-	-	403,929,769 (L)	23.34
GF Holdings (Hong Kong) Corporation Limited (Note 8)	-	-	-	403,929,769 (L)	-	403,929,769 (L)	23.34
GF Securities Co., Ltd. (Note 8)	-	-	-	403,929,769 (L)	-	403,929,769 (L)	23.34

Notes:

1. The letter "L" denotes the corporation's/person's long position in the Shares.
2. The letter "S" denotes the corporation's/person's short position in the Shares.
3. Ming Cheng Investments Limited is a company wholly-owned by Mr. Zheng Weijing.
4. Ms. Zhang Chushan is the spouse of Mr. Zheng Weijing. By virtue of the provisions of Part XV of the SFO, Ms. Zhang Chushan is deemed to be interested in all the interests in which Mr. Zheng Weijing is interested or deemed to be interested in.
5. Sino-Africa Resources Holdings Limited is a company wholly-owned by Mr. Huang Xiguang.
6. Peace Bloom Limited is a company wholly-owned by Mr. Hu Jinxi.



7. Upsoar Limited is a company wholly-owned by Ms. Fu Shanping.
8. Based on the notices of disclosure of interests filed by each of GF Investments (Hong Kong) Company Limited (“GF Investments”), GF Holdings (Hong Kong) Corporation Limited and GF Securities Co., Ltd. on 15 June 2016, these long positions in the Shares are held by GF Investments which is directly wholly-owned by GF Holdings (Hong Kong) Corporation Limited, which in turn is wholly-owned by GF Securities Co., Ltd. Under the SFO, GF Holdings (Hong Kong) Corporation Limited and GF Securities Co., Ltd. are deemed to be interested in these long positions in the Shares held by GF Investments.

Save as disclosed above, as at 30 June 2016, 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 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 other technological support to the Group.

On 17 December 2015, options to subscribe for an aggregate of 76,000,000 shares of the Company have been granted by the Company to the existing directors, employees and advisors of the Group under the Share Option Scheme; 30% of share options have an exercise period from 1 June 2016 to 19 December 2021 (“Share Option 1”); 30% of share options have an exercise period from 1 June 2017 to 19 December 2021 (“Share Option 2”); and the remaining share options have an exercise period from 1 June 2018 to 19 December 2021 (“Share Option 3”). All share options are subject to the fulfillment of relevant profit targets by the Company, as set out below, and share options shall not be vested if any of the profit targets is failed to meet.

Details of the specific categories of options are as follows:

	<b>Date of grant</b>	<b>Vesting date</b>	<b>Exercise period</b>	<b>Exercise price</b> <i>HK\$</i>	<b>Vesting conditions</b>
Share Option 1	17 December 2015	31 May 2016	1 June 2016 to 19 December 2021	1.046	<p>Profit after income tax (but before share-based payment expenses) according to the audited consolidated financial statement of the Company for the year ended 31 December 2015:</p> <ul style="list-style-type: none"> <li>– Equal to or more than RMB35 million, 100% of Share Option 1 shall be vested;</li> <li>– Equal to or more than RMB25 million but less than RMB35 million, 50% of Share Option 1 shall be vested; and</li> <li>– Less than RMB25 million, no Share Option 1 shall be vested.</li> </ul>
Share Option 2	17 December 2015	31 May 2017	1 June 2017 to 19 December 2021	1.046	<p>Profit after income tax (but before share-based payment expenses) according to the audited consolidated financial statement of the Company for the year ended 31 December 2016:</p> <ul style="list-style-type: none"> <li>– Equal to or more than RMB65 million, 100% of Share Option 2 shall be vested;</li> <li>– Equal to or more than RMB50 million but less than RMB65 million, 50% of Share Option 2 shall be vested; and</li> <li>– Less than RMB50 million, no Share Option 2 shall be vested.</li> </ul>

	Date of grant	Vesting date	Exercise period	Exercise price HK\$	Vesting conditions
Share Option 3	17 December 2015	31 May 2018	1 June 2018 to 19 December 2021	1.046	<p>Profit after income tax (but before share-based payment expenses) according to the audited consolidated financial statement of the Company for the year ended 31 December 2017:</p> <ul style="list-style-type: none"> <li>- Equal to or more than RMB100 million, 100% of Share Option 3 shall be vested;</li> <li>- Equal to or more than RMB80 million but less than RMB100 million, 50% of Share Option 3 shall be vested; and</li> <li>- Less than RMB80 million, no Share Option 3 shall be vested.</li> </ul>

On 31 May 2016, options to subscribe for an aggregate of 22,800,000 Shares, being 100% of Share Option 1, have been vested to the grantees of the options.

As at 30 June 2016, the total number of securities available for issue under the Share Option Scheme pursuant to its terms was 73,900,000 Shares, representing in aggregate approximately 4.3% of the Company's issued share capital.

Details of movements of the share options granted under the Share Option Scheme for the six months ended 30 June 2016 were as follows:

Name	Date of grant	Number of share options				Outstanding as at 30 June 2016
		Outstanding as at 1 January 2016	Grant during the period	Exercised during the period	Cancelled during the period	
<b>Executive Directors</b>						
Mr. Zheng Weijing	17 December 2015	1,000,000	-	-	-	1,000,000
Mr. Zhang Gongjun	17 December 2015	8,000,000	-	-	-	8,000,000
Ms. Guo Chanjiao	17 December 2015	8,000,000	-	-	-	8,000,000
<b>Independent non-executive Directors</b>						
Mr. Vincent Cheng	17 December 2015	500,000	-	-	-	500,000
Mr. Leung Po Hon	17 December 2015	500,000	-	-	-	500,000
Dr. Miao Bo	17 December 2015	500,000	-	-	-	500,000
Sub-total		18,500,000	-	-	-	18,500,000
<b>Employees in aggregate</b>	17 December 2015	51,500,000	-	(600,000)	(1,500,000)	49,400,000
<b>Advisors in aggregate</b>	17 December 2015	6,000,000	-	-	-	6,000,000
Total		76,000,000	-	(600,000)	(1,500,000)	73,900,000

For the 600,000 share options exercise during the period, the weighted average closing price of the Shares immediately before the date of which such options were exercised is HK\$1.097.

## 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 2016.

## INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK\$0.01 per Share for the six months ended 30 June 2016 (2015: Nil). The interim dividend is expected to be paid on or about Monday, 19 September 2016 to the shareholders of the Company whose names appear on the register of members of the Company on Monday, 5 September 2016.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Friday, 2 September 2016 to Monday, 5 September 2016, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the entitlement to the interim dividend for the six months ended 30 June 2016, all transfers of shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the office of the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 1 September 2016.

## **CORPORATE GOVERNANCE**

The Board is of the view that the Company has met the code provisions set out in the Corporate Governance Code (the "Code") as set out in Appendix 15 of the GEM Listing Rules, except for the deviation from the code provision of A.2.1 of the Code.

## **CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

Pursuant to the code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Zheng Weijing ("Mr. Zheng") acts as both the chairman and the chief executive officer of the Company. As of the date of this report, the roles of the chairman and the chief executive officer of the Company are not separate and both are performed by Mr. Zheng Weijing. The Company is in the process of identifying a suitable person to act as the chief executive officer and shall make the announcement as and when appropriate. Since the Directors meet regularly to consider major matters affecting the operations of the Company, the Directors consider that this structure will not impair the balance of power and authority between the Directors and the management of the Company and believe that this structure will enable the Company to make and implement decisions promptly and efficiently.

The Company will continue to review its corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly tightened regulatory requirements and to meet the rising expectations of shareholders and investors.

## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has also made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors during the six months ended 30 June 2016.

## 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 30 June 2016.

## CHANGES IN DIRECTORS' INFORMATION

Changes in Director's information since the date of the 2015 annual report of the Company are set out below:

Mr. Leung Po Hon, an independent non-executive Director, (i) has resigned as an independent non-executive director of China Investment Fund Company Limited, shares of which are listed on the Main Board of the Stock Exchange (Stock code: 612), with effect from 9 May 2016; and (ii) has been appointed as an independent non-executive director of MediNet Group Limited, shares of which are listed on the GEM of the Stock Exchange (Stock code: 8161), with effect from 19 May 2016.

## AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises a total of three members, namely, Mr. Vincent Cheng (Chairman), Mr. Leung Po Hon and Dr. Miao Bo, all of whom are independent non-executive Directors. The Group's unaudited condensed consolidated results, results announcement and quarterly report for the six months ended 30 June 2016 have been reviewed by the Audit Committee. The Board is of opinion that the preparation of such financial information complied with the applicable accounting standards, the requirements under the GEM Listing Rules and any other applicable legal requirements, and that adequate disclosures have been made.

By order of the Board  
**Flying Financial Service Holdings Limited**  
**Zheng Weijing**  
Chairman

Hong Kong, 12 August 2016

*As at the date of this report, the executive Directors are Mr. Zheng Weijing (Chairman and Chief Executive Officer), Mr. Zhang Gongjun and Ms. Guo Chanjiao; and the independent non-executive Directors are Mr. Vincent Cheng, Mr. Leung Po Hon and Dr. Miao Bo.*

*This report will remain on the "Latest Company Announcements" page of the GEM website ([www.hkgem.com](http://www.hkgem.com)) for at least 7 days from the date of its publication and on the website of the Company ([www.flyingfinancial.hk](http://www.flyingfinancial.hk)).*