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## **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)**

### **DISCLOSEABLE TRANSACTION INVOLVING RENEWAL OF ASSET MANAGEMENT AGREEMENT**

The Board wishes to announce that on 4 September 2014, Qianhai Flying Financial (as the Assets Trustor), Minmetals Securities (as the Manager) and the Bank (as the Custodian), as the parties to the Original Asset Management Agreement, entered into the Supplemental Asset Management Agreement to renew the Original Asset Management Agreement for a period of three years commencing from the expiry date of the Original Asset Management Agreement. Under the Original Asset Management Agreement, Qianhai Flying Financial has entrusted with the Manager a total amount of RMB90.18 million (among which, RMB0.18 million has been paid to the Manager as the management fee incurred under the Original Asset Management Agreement). Pursuant to the Original Asset Management Agreement, the Manager has invested RMB90 million in the Partnership Beneficiary Rights. Pursuant to the Supplemental Asset Management Agreement, Qianhai Flying Financial will continue to hold such Partnership Beneficiary Rights through the Manager.

As the relevant percentage ratio for the transaction contemplated under the Supplemental Asset Management Agreement calculated under Rule 19.07 of the GEM Listing Rules is more than 5% but less than 25%, the Supplemental Asset Management Agreement and the transaction contemplated thereunder constitute a discloseable transaction under Chapter 19 of the GEM Listing Rules.

## BACKGROUND

Reference is made to the announcement of the Company dated 22 August 2013 in relation to the Original Asset Management Agreement.

The Original Asset Management Agreement has a term of one year commencing from the day of entrusting the Entrusted Assets (i.e. 4 September 2013) and expired on 4 September 2014. The Board wishes to announce that on 4 September 2014, Qianhai Flying Financial (as the Assets Trustor), Minmetals Securities (as the Manager) and the Bank (as the Custodian), as the parties to the Original Asset Management Agreement, entered into the Supplemental Asset Management Agreement to renew the Original Asset Management Agreement for a period of three years commencing from the expiry date of the Original Asset Management Agreement. Pursuant to the Supplemental Asset Management Agreement, the terms and conditions of the Original Asset Management Agreement, other than the entrusted management period, will remain unchanged.

## THE SUPPLEMENTAL ASSET MANAGEMENT AGREEMENT

### Date

4 September 2014

### Parties

1. Qianhai Flying Financial, an indirect wholly-owned subsidiary of the Company, as the Assets Trustor;
2. Minmetals Securities as the Manager; and
3. the Bank as the Custodian.

### Investment scope

The Manager shall manage and invest the Entrusted Assets in accordance with the instructions of the Assets Trustor. The investment scope of the Entrusted Assets shall be limited to various investment products including the beneficiary rights to limited partnership, rights to trust income, asset management plans of securities companies and fund accounts. Pursuant to the Original Asset Management Agreement, the Manager has invested RMB90 million in certain beneficiary rights (the “**Partnership Beneficiary Rights**”) of a limited partnership (the “**Limited Partnership**”).

### Entrusted management period

The Original Asset Management Agreement will be renewed for a period of three years commencing from the expiry date of the Original Asset Management Agreement, subject to early termination in accordance with the relevant laws of the PRC, in accordance with the terms of the Supplemental Asset Management Agreement, by request of the relevant regulatory bodies or by mutual agreement.

## **Management fee and custodian fee**

Under the Original Asset Management Agreement, a total of RMB0.18 million has been paid to the Manager as the management fee during the one-year entrusted management period.

Pursuant to the Supplemental Asset Management Agreement, the management fee to be charged by the Manager shall be calculated as follows:

$$\text{Management fee} = (\text{total value of the Entrusted Assets}) \times (\text{management fee rate}) \times (\text{total number of days of investment and management of the Entrusted Assets for the relevant year}) / 360$$

The management fee rate is 0.2% per annum. The management fee shall be paid by the Assets Trustor annually during the entrusted management period and shall be settled by deducting from the Entrusted Assets directly within five business days from the first, second and third anniversary date of entrusting the Entrusted Assets, respectively.

Under the Original Asset Management Agreement, a total of RMB18,000 has been paid to the Custodian as the custodian fee during the one-year entrusted management period.

Pursuant to the Supplemental Asset Management Agreement, the custodian fee to be charged by the Custodian shall be calculated as follows:

$$\text{Custodian fee} = (\text{total value of the Entrusted Assets}) \times (\text{custodian fee rate}) \times (\text{total number of days of entrustment of the Entrusted Assets for the relevant year}) / 360$$

The custodian fee rate is 0.02% per annum. The custodian fee shall be paid by the Assets Trustor annually during the entrusted management period and shall be payable to the Custodian within five business days from the first, second and third anniversary date of entrusting the Entrusted Assets, respectively.

In the event that the Supplemental Asset Management Agreement were unilaterally terminated by the Assets Trustor, the management fee and the custodian fee already paid by the Assets Trustor would not be refunded by the Manager and the Custodian, respectively.

## **Performance return**

Pursuant to the Supplemental Asset Management Agreement, there is no performance return by the Manager. No profit or loss was made by the Manager during the term of the Original Asset Management Agreement.

## **Withdrawal of Entrusted Assets**

During the entrusted management period, the Assets Trustor may withdraw part of the amount of the Entrusted Assets provided that the remaining balance of the Entrusted Assets in the account shall not be less than RMB1 million.

## **Entrusted Assets**

Under the Original Asset Management Agreement, Qianhai Flying Financial has entrusted with the Manager a total amount of RMB90.18 million (among which, RMB0.18 million has been paid to the Manager as the management fee incurred under the Original Asset Management Agreement), which was satisfied by the Group's internal resources. Pursuant to the Original Asset Management Agreement, the Manager has invested RMB90 million in the Partnership Beneficiary Rights. As advised by the Manager, the Limited Partnership has advanced, among other investment, part of the funds invested by the Manager as a loan to a borrower (the “**LP Loan**”). The borrower subsequently defaulted several loans including the LP Loan. As advised by the Manager, the assets of the borrower has been sealed up by the local government, and a debt restructuring exercise of the borrower has been initiated by the local government with an aim to return the loan amounts to the respective lenders (including the Limited Partnership). The recoverability of the LP Loan would thus depend on the amount which the Limited Partnership would receive from such debt restructuring exercise. Based on the information from the Manager, the debt restructuring plan has yet to finalise and the debt restructuring exercise has not been completed as at the date of this announcement.

## **REASONS FOR AND BENEFITS OF THE TRANSACTION**

As disclosed above, as the debt restructuring exercise of the borrower has not been completed as of the date of this announcement, there are practical difficulties for the Limited Partnership to obtain repayment of the loan (or any part) thereof from such borrower and hence in turn, there would also be difficulties for the Company to realise its investment through the Manager in the Limited Partnership as of the date of this announcement. Pursuant to the Supplemental Asset Management Agreement, Qianhai Flying Financial will continue to hold such Partnership Beneficiary Rights through the Manager. The Directors consider that it is more cost effective and of administrative convenience for the Manager to handle and keep track on the development of the debt restructuring exercise of the borrower and recovering the LP Loan on behalf of Qianhai Flying Financial under the Supplemental Asset Management Agreement. Taking into account the potential uncertainty in implementing the schedule of the debt restructuring exercise, the Assets Trustor, the Manager and the Custodian agreed to an entrusted management period of three years after arm's length negotiation. For further details of the investment made by the Limited Partnership, please refer to note 11 of the notes to the unaudited interim results set out in the interim report of the Company for the six months ended 30 June 2014 published on the websites of the Stock Exchange and the Company on 14 August 2014. The Directors (including independent non-executive Directors) are therefore of the view that the terms of the Supplemental Asset Management Agreement (and entrusting funds in accordance therewith) are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

## **INFORMATION OF THE GROUP, THE MANAGER AND THE CUSTODIAN**

The principal activities of the Group are the provision of integrated short-term financing services, including pawn loan services and entrusted loan services. The Group also provides financial consultation services to its customers.

Minmetals Securities is a company incorporated in the PRC with limited liability and an asset management company approved by the China Security Regulatory Commission. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Minmetals Securities and its ultimate beneficial owners are Independent Third Parties. The principal business of Minmetals Securities includes securities brokerage and securities investment.

The Bank is a bank licensed and incorporated under the laws of the PRC. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Bank and its ultimate beneficial owners are Independent Third Parties. The principal business of the Bank includes the provision of a spectrum of financial services in the sectors of corporate banking, retail companies, individual banking, credit card and financing center.

## **IMPLICATION UNDER THE GEM LISTING RULES**

As the relevant percentage ratio for the transaction contemplated under the Supplemental Asset Management Agreement calculated under Rule 19.07 of the GEM Listing Rules is more than 5% but less than 25%, the Supplemental Asset Management Agreement and the transaction contemplated thereunder constitute a discloseable transaction under Chapter 19 of the GEM Listing Rules.

## **DEFINITIONS**

In this announcement, the following terms shall have the meanings set opposite them unless the context requests otherwise:

“Bank” or “Custodian”	寧波銀行股份有限公司 (Bank of Ningbo Co., Ltd.), a bank licensed and incorporated under the laws of the PRC
“Company”	Flying Financial Service Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on GEM
“Director(s)”	the director(s) of the Company
“Entrusted Assets”	the entrusted assets under the Original Asset Management Agreement and the Supplemental Asset Management Agreement from time to time
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Parties”	third parties independent of the Company and its connected persons
“Minmetals Securities” or “Manager”	五礦證券有限公司 (Minmetals Securities Co., Ltd.), a company incorporated in the PRC with limited liability and an asset management company approved by the China Security Regulatory Commission
“Original Asset Management Agreement”	the asset management agreement dated 22 August 2013 entered into by Qianhai Flying Financial, Minmetals Securities and the Bank in relation to the investment and management of the Entrusted Assets
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Qianhai Flying Financial” or “Assets Trustor”	前海匯聯金融服務(深圳)有限公司 (Qianhai Flying Financial (Shenzhen) Services Co., Ltd.*), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Asset Management Agreement”	the supplemental asset management agreement dated 4 September 2014 entered into by Qianhai Flying Financial, Minmetals Securities and the Bank to renew the Original Asset Management Agreement
“%”	per cent.

By order of the Board  
**Flying Financial Service Holdings Limited**  
**Li Zhongyu**  
*Chairman*

Hong Kong, 4 September 2014

*As at the date of this announcement, the executive Directors are Mr. Li Zhongyu (Chairman), Mr. Zheng Weijing (Vice-chairman) and Mr. Peng Zuohao (Chief Executive Officer); and the independent non-executive Directors are Mr. Vincent Cheng, Mr. Leung Po Hon and Mr. Zhang Gongjun.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM for the purpose 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 announcement 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 in this announcement misleading.*

*This announcement will remain on the “Latest Company Announcements” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for a minimum period of seven days from the date of its publication and on the Company’s website at [www.flyingfinancial.hk](http://www.flyingfinancial.hk).*

*\* For identification purpose only*