



First Quarterly Report **2012**

FIRST CREDIT HOLDINGS LIMITED **第一信用控股有限公司**

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8215



CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED

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This report, for which the directors of First Credit 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 (“GEM Listing Rules”) for the purpose of giving information with regard to the Company. The directors of 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.

The board of Directors (the "Board") is pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the three months ended 31 March 2012 together with the comparative unaudited figures for the corresponding period in 2011, as follows:

Unaudited Consolidated Statement of Comprehensive Income

		For the three months ended 31 March	
	Notes	2012 HK\$	2011 HK\$
REVENUE	3	11,663,973	11,133,442
Other income and gains	3	422,104	1,858,624
		12,086,077	12,992,066
Administrative expenses		(5,323,662)	(3,789,676)
Other operating expenses		(4,595,384)	(4,115,595)
Finance costs	6	(68,688)	(477,628)
PROFIT BEFORE TAX	5	2,098,343	4,609,167
Income tax expense	7	(614,669)	(1,126,347)
PROFIT FOR THE PERIOD		1,483,674	3,482,820
OTHER COMPREHENSIVE INCOME, NET OF TAX			
Available-for-sale assets:			
Changes in fair value	10	1,428,900	(367,780)
Transfer from available-for-sale investment revaluation reserves to profits or loss on impairment	10	(22,500)	—
		1,406,400	(367,780)

		For the three months ended 31 March	
	Notes	2012 HK\$	2011 HK\$
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		2,890,074	3,115,040
Profit attributable to owners of the Company		1,483,674	3,482,820
Total comprehensive income attributable to the owners of the Company		2,890,074	3,115,040
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted			
For profit for the period	9	0.15 Cents	14.5 Cents

Notes:

1. BASIS OF PREPARATION

The unaudited consolidated results of the Group for the three months ended 31 March 2012 have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules. They have been prepared under the historical cost convention, except for investment properties and available-for-sale investments, which have been measured at fair value. These unaudited consolidated results of the Group are presented in Hong Kong dollars ("HK\$").

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies used in the preparation of these results are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

3. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents interest received/receivable from the lending business. The Group's revenue, other income and gains recognised during the period are as follows:

	For the three months ended 31 March	
	2012	2011
	HK\$	HK\$
Revenue:		
Interest income on loans	11,464,555	10,845,001
Interest income on impaired loans	199,418	288,441
	11,663,973	11,133,442
Other income		
Other fee income	205,140	73,299
Bank interest income	2	3
Gross rental income	133,100	132,738
Dividend income	83,862	74,584
	422,104	280,624
Gains		
Fair value gains on investment properties	—	1,578,000
	—	1,578,000
Other income and gains	422,104	1,858,624
Total revenue and other income	12,086,077	12,992,066

4. OPERATING SEGMENT INFORMATION

During the three months ended 31 March 2012, all of the Group's revenue is generated from the provision and arrangement of credit facilities in Hong Kong. Revenue represents interest income earned from loans offered to the Group's customers. Information reported to the Group's chief operating decision maker, for the purpose of resources allocation and assessment of the Group's performance, is focused on the operating results of the Group as a whole as the Group's resources are integrated and no discrete financial information is available. Accordingly, no segment analysis or information about the Group's products and services is presented.

All of the Group's revenue from external customers and assets was generated from and located in Hong Kong during the three months ended 31 March 2012.

5. PROFIT BEFORE TAX

The Group's profit before tax for the period is arrived at after charging/(crediting):

	Notes	For the three months ended 31 March	
		2012 HK\$	2011 HK\$
Auditors' remuneration		212,500	175,200
Depreciation of property, plant and equipment and leasehold land		141,373	249,644
Legal and professional fees		475,578	153,917
Employee benefits expense (including directors' remuneration):			
Wages and salaries		2,930,990	2,725,629
Pension scheme contributions		246,629	245,544
Bonus share expense	11	1,500,000	—
		4,677,619	2,971,173
Impairment loss on available-for-sale investments		22,500	—
Fair value gains on investment properties		—	(1,578,000)
Minimum lease rental payments in respect of land and buildings under an operating lease		316,800	306,317
Net charge for impairment allowances for loans receivable		1,953,985	2,232,882

6. FINANCE COSTS

	For the three months ended 31 March	
	2012 HK\$	2011 HK\$
Interest on loans		
Wholly repayable within five years:		
— independent banks or other lenders	68,688	477,628

7. INCOME TAX

Hong Kong profits tax had been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

The amount of tax charged to profit or loss represents:

	For the three months ended 31 March	
	2012	2011
	HK\$	HK\$
Provision for the period	639,363	635,207
(Overprovision)/underprovision in prior years	—	(121,081)
Deferred tax	(24,694)	612,221
Tax charge for the period	614,669	1,126,347

8. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2012 (2011: Nil).

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

Pursuant to a written resolution on 4 October 2011, 775,961,541 shares of HK\$0.01 each were issued by way of capitalization. In connection with the Company's placing, 200,000,000 new shares of the Company of HK\$0.01 each were issued at a price of HK\$0.3 per share on 13 December 2011. The calculation of basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,000,000,000 (2011: 24,038,459) in issue during the period.

10. MOVEMENT OF RESERVES

Notes	Issued capital HK\$	Share premium HK\$	Capital reserve HK\$	Available-for-sale Investment revaluation reserve* HK\$	Retained profits HK\$	Total HK\$
At 1 January 2011	240,385	—	148,309,615	(4,291,791)	52,061,181	196,319,390
Profit for the year	—	—	—	—	5,739,740	5,739,740
Change in fair value of available-for-sale investments	—	—	—	(4,613,040)	—	(4,613,040)
Transfer from available-for-sale investment revaluation reserve to profit or loss on impairment	—	—	—	4,295,667	—	4,295,667
Total comprehensive income for the year	—	—	—	(317,373)	5,739,740	5,422,367
Capitalisation issue of shares	7,759,615	(7,759,615)	—	—	—	—
Issue of shares in connection with listing	2,000,000	58,000,000	—	—	—	60,000,000
Bonus share expenses	—	250,000	—	—	—	250,000
Share issue expense	—	(6,487,778)	—	—	—	(6,487,778)
At 31 December 2011 and at 1 January 2012	10,000,000	44,002,607	148,309,615	(4,609,164)	57,800,921	255,503,979
Profit for the year	—	—	—	—	1,483,674	1,483,674
Change in fair value of available-for-sale investments	—	—	—	1,428,900	—	1,428,900
Transfer from available-for-sale investment revaluation reserve to profit or loss on impairment	—	—	—	(22,500)	—	(22,500)
Total comprehensive income for the period	—	—	—	1,406,400	1,483,674	2,890,074
Bonus share expenses	11	1,500,000	—	—	—	1,500,000
At 31 March 2012	10,000,000	45,502,607	148,309,615	(3,202,764)	59,284,595	259,894,053

* In regard of the available-for-sale investments, there had been no divestment of such during the three months ended 31 March 2012.

11. BONUS SHARE SCHEME

The Company operates a bonus share scheme (the “Scheme”) for the purpose of providing incentives for a director of the Company to remain in service within the Group and contribute to the Group’s growth. Mr. Sin Kwok Lam (“Mr. Sin”) is entitled to 160,000,000 remuneration shares (“Remuneration Shares”) under such scheme. The Remuneration Shares have a vesting period of five years (“Vesting Period”) commencing from our Listing date on 13 December 2011. It is estimated that the fair value of the Remuneration Shares amounted to HK\$30.0 million, which has been amortising in straight line method over the Vesting Period, at HK\$500,000 per month. As a result, the Company had recognized approximately HK\$250,000 as expenses relating to the fair value of the Remuneration Shares and such amount was allocated and charged to the profit and loss account of the Group for the year ending 31 December 2011. On the same basis, during the three months ended 31 March 2012, expenses recognised in connection with the Scheme was amounted to HK\$1.5 million. For further details in relation to this bonus share scheme, please refer to our prospectus published on 30 November 2011 and our announcement of annual results dated 23 March 2012.

Management Discussion and Analysis

The Group offers a wide range of loan products and services to meet the financial needs of our customers, including individuals, corporations and foreign domestic workers. During the first quarter of 2012, the Group's turnover is mainly derived from the provision of both secured and unsecured loans to our customers.

Business Review and Prospects

During the first quarter of 2012, the demand for the Group's products and services remained steady. The net proceeds raised from listing enabled the Group to expand its loan portfolio and to better satisfy different customers' financial needs.

Upon the listing of the Group, the market has also become more aware of the Group's loan products and services and more customers have approached the Group for financing services which increase business opportunities of the Group. In the meantime, the Group shall endeavor to expand its loan portfolio by broadening customer and revenue bases according to the prevailing market conditions and observing our customers' needs.

Further to our intention to expand branch network described in the prospectus of the Company dated 30 November 2011 (the "Prospectus"), the Group had identified a suitable location in Central and conditionally acquired the office units located adjacent to our headquarters (which was approved at the Extraordinary General Meeting ("EGM") held on 26 March 2012 and was completed on 4 May 2012). In order to achieve the dual objectives of expanding our loan portfolio and further increase customer coverage, our Group intends to apportion the aforesaid office units for foreign domestic workers loan centre as well as the marketing department. On the one hand, the new loan centre is expected to attract more business from foreign domestic workers due to its easy accessibility. In addition, the close proximity of this new loan centre with our headquarters enables the marketing department to be more effective in implementing various marketing campaigns and formulating marketing strategies.

In view of our intention to expand into China, the Group is exploring business opportunities in Northern China as well as in the Pearl River Delta region. Seeing promising returns from and vast market demand of credit industry in China, we may invest more resources into our new perspectives of business expansion if we identify suitable location for development.

Financial Review

Revenue

We derived our revenue from interest received from provision of loans in the course of our money lending business. For the three months ended 31 March 2012, our revenue increased by approximately 4.8% from HK\$11.1 million for the corresponding period last year to HK\$11.7 million. Such increase was mainly attributable to the increase in average loan balance from approximately HK\$181.2 million for the three months ended 31 March 2011 to approximately HK\$195.6 million for the corresponding period in 2012.

Yet, the Group's average interest rate decreased from approximately 24.6% for the three months ended 31 March 2011 to approximately 23.9% for the corresponding period in 2012. The decrease was a result of the increase in loan balance of corporate loans and subordinated property mortgage loans during the three months ended 31 March 2012.

Net Interest Margin

Our Group had a relatively stable net interest margin of 23.9% for the three months ended 31 March 2012 (2011: 23.7%). For the unsecured loans, the net interest margin had decreased from 30.1% for the three months ended 31 March 2011, to 27.6% for the three months ended 31 March 2012. Meanwhile, the net interest margin of secured loans had increased from 10.2% for the three months ended 31 March 2011 to 13.9% for the three months ended 31 March 2012. Such offsetting changes in the net interest margin have brought about an increase in our overall net interest margin of approximately 0.2%.

Other income

The Group's other income includes income from fees received incidental to our money lending business, bank interest income, rental income and dividend income from our available-for-sale investments. Other income (excluding fair value gains on investment properties) increased from approximately HK\$0.3 million for the first quarter of 2011 to approximately HK\$0.4 million for the corresponding period of 2012.

Administrative expenses

The Group's administrative expenses mainly comprise employees' expenses and office and branches occupancy costs. Employees' expenses include directors' remuneration, salaries and bonuses, mandatory and voluntary provident fund contributions, employees' insurance, directors' and officers' insurance and etc. Occupancy costs include rental and management fees, government rent and rates and utilities. Administrative expenses also include repair and maintenance, general insurance expenses, depreciation charges and etc.

The Group's administrative expenses for the three months ended 31 March 2012 and 2011 were approximately HK\$5.3 million and HK\$3.8 million respectively. The increase of approximately 40.5% was mainly attributed to the quarterly share-based payment of HK\$1.5 million.

Other operating expenses

Other operating expenses comprise mainly impairment allowances on loan receivables, advertising and promotion expenses, other general expenses and expenses relating to the listing of the Company on GEM. Other operating expenses had increased for the three months ended 31 March 2012 to approximately HK\$4.6 million as compared to approximately HK\$4.1 million for the corresponding period in 2011 mainly due to the increase in printer fee and legal and professional fee.

Finance costs

Our finance costs comprise interest payments for loans from independent third party lenders including mortgage loans from banks for our buildings and investment properties. Finance costs for the three months ended 31 March had decreased from approximately HK\$0.5 million in 2011 to approximately HK\$0.07 million in 2012. The 85.6% decrease was attributed to the reduction of reliance on borrowings from independent third party lenders for the three months ended 31 March 2012.

Profit for the period

Profit attributable to ordinary equity holders of the Company for the three months ended 31 March 2012 was approximately HK\$1.5 million representing a 57.4% decrease as compared to approximately HK\$3.5 million for the three months ended 31 March 2011 due to the quarterly share-based payment as disclosed in the section headed "Financial Information" of the Prospectus and note 11 of this report. Such difference is also attributable to the fair value gain in property investment for the three months ended 31 March 2011. The corresponding net profit margin decreased from 31.3% for first quarter of 2011 to 12.7% for the same period of 2012.

Use of Proceed

After Directors' evaluation on our planned business objectives, there is no modification of the business objectives and future plans regarding the use of proceed as described in the Prospectus. The actual application of the net proceeds for the purpose of expanding our loan portfolio and broaden our customer base by granting more existing loan types had been fully utilised as at 31 March 2012. Our Group is implementing the future plans as stated in the Prospectus.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 March 2012, 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 taken 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:

Interests in the Company:

Name of Director	Capacity	Long position in ordinary shares held	Number of underlying shares subject to the Pre-IPO Share Option Scheme	Approximate percentage of the Company's issued share capital
Mr. Sin Kwok Lam ("Mr. Sin")	Interest of controlled corporations (Note)	230,880,000	—	23.09%

Note: Best Year Enterprises Limited and Enhance Pacific Limited are the registered and beneficial owners of these Shares. Best Year Enterprises Limited is a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Mr. Sin. Upon completion of the initial public offering of the Company involving the placing of 200,000,000 new Shares and 100,000,000 existing Shares each a price of HK\$0.30 per Share (the "IPO"), Best Year Enterprises Limited is interested in 211,280,000 Shares. By virtue of the provisions of Part XV of the SFO, Mr. Sin is deemed to be interested in all the Shares in which Best Year Enterprises Limited is interested. Enhance Pacific Limited is a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Mr. Sin. Upon completion of the IPO, Enhance Pacific Limited is interested in 19,600,000 Shares. By virtue of the provisions of Part XV of the SFO, Mr. Sin is deemed to be interested in all the Shares in which Enhance Pacific Limited is interested.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 March 2012, so far as it was known by or otherwise notified to any Directors or the chief executive of the Company, the particulars of the corporations or persons (other than a Director or the chief executive of the Company) which had 5% or more interests in the Shares and the underlying Shares as recorded in the register to be kept under section 336 of the SFO were as follows:

Interests in the Company:

Name of substantial shareholder	Capacity	Long position in ordinary shares held	Approximate percentage of the Company's issued share capital
Best Year Enterprises Limited	Beneficial owner (Note)	211,280,000	21.13%
Tse Young Lai	Beneficial owner	114,640,000	11.46%

Note: Best Year Enterprises Limited is a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Mr. Sin.

Save as disclosed above, the Directors are not aware of any other corporation or person (other than a Director or the chief executive of the Company) who, as at 31 March 2012, had any interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Share Option Scheme

The Company has also adopted a Share Option Scheme (the "Share Option Scheme") pursuant to the written resolution of the shareholders on 24 November 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 (a) any full-time or part-time employee of the Company and/or any subsidiary; (b) any director (including executive, non-executive and independent non-executive director) of the Company and/or any subsidiary; and (c) any consultant or adviser (whether professional or otherwise and whether on an employment or contractual or honorary basis or otherwise and whether paid or unpaid), distributor, contractor, supplier, service provider, agent, customer and business partner of the Company and/or any subsidiary who, at the sole determination of the Board, have contributed or will contribute to the Company and/or any subsidiary.

No share option has been granted under the Share Option Scheme during the period.

Advances to Entities

1. On 16 February 2012, First Credit Limited (“First Credit”), an indirect wholly-owned subsidiary of the Company, entered into a revolving loan agreement with Mr. Tse Young Lai, a substantial shareholder of the Company, which constituted a connected transaction of the Company under Chapter 20 of the GEM Listing Rules. The revolving loan facility has a term of 3 years and for a principal amount of HK\$12 million at interest rate of 14.4% per annum. During the 3-year period, the revolving loan facility can be drawdown and repaid at any time, and any undrawn or repaid amount may be drawdown again with the principal amount. This transaction was approved by the shareholders by way of poll at the EGM held on 26 March 2012. As at 31 March 2012, Mr. Tse Young Lai has drawdown HK\$6.3 million from the revolving facility.

2. On 17 February 2012, First Credit entered into two revolving loan agreements, which constituted a major transaction of the Company under Chapter 19 of the GEM Listing Rules, with independent third parties, Mr. Wong Chun Loong (“Mr. Wong”) and Topazman Holdings Limited (“Topazman”). Pursuant to these agreements, First Credit has granted:
 - i) a 3-year revolving facility to Mr. Wong with a limit of HK\$16.5 million with annual interest rate of 22.68%; and

 - ii) a 3-year revolving facility to Topazman with a limit of HK\$9 million with annual interest rate of 13.2%. This revolving facility is guaranteed by Mr. Wong, who is a director and controlling shareholder of Topazman.

During the 3-year period, the revolving loan facilities can be drawdown and repaid at any time, and any undrawn or repaid amount may be drawdown again with the principal amount. This transaction was approved by the shareholders by way of poll at the EGM held on 26 March 2012. The revolving facilities to Mr. Wong and Topazman were undrawn as at 31 March 2012.

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the three months ended 31 March 2012.

Corporate Governance

The Board is of the view that the Company has met the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 to the GEM Listing Rules for the three months ended 31 March 2012.

Competing Interests

As at 31 March 2012, the spouse of Mr. Tai Kwok Leung Alexander, a non-executive Director, wholly-owns a company which is engaged in money lending business. The Directors confirm that save as disclosed above, none of the business or interest of the Directors, substantial shareholders and their respective associates had any material conflicts of interest, either directly or indirectly, with the business of the Group to which the Company or any of its subsidiaries was a party during the year.

Interest of Compliance Adviser

As notified by Altus Capital Limited ("Altus"), the Company's compliance adviser, neither Altus nor any of its directors or employees or associates had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 31 March 2012.

Audit Committee

The Audit Committee comprises a total of four members, namely, Mr. Li Kit Chee, Mr. Yang Pao An, Mr. Chan Tung Tak Alain and Mr. Chan Hoi Wan, all of whom are independent non-executive Directors. The Group's unaudited results for the three months ended 31 March 2012 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
First Credit Holdings Limited
Sin Kwok Lam
Chairman

Hong Kong, 7 May 2012

As at the date of this report, the Board comprises Mr. Sin Kwok Lam (Chairman), Mr. Tsang Yan Kwong (Chief Executive Officer), Mr. Leung Wai Hung and Ms. Ho Siu Man as executive Directors; Mr. Tai Kwok Leung Alexander as non-executive Director; and Mr. Chan Tung Tak Alain, Mr. Li Kit Chee, Mr. Yang Pao An and Mr. Chan Hoi Wan as independent non executive Directors.