# Interim Report **2013**

**First Credit Finance Group Limited**

**第一信用金融集團有限公司**

*(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

**Growth Enterprise Market ("GEM") has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

*Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.*

*This report, for which the Directors (the "Directors") of First Credit Finance Group Limited (the "Company", together with its subsidiaries, collectively the "Group") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") 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 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.*

RSM
Audit • Tax • Advisory

**TO THE BOARD OF DIRECTORS OF**
**FIRST CREDIT FINANCE GROUP LIMITED**
*(Incorporated in the Cayman Islands with limited liability)*

## INTRODUCTION

We have reviewed the interim financial information set out on pages 4 to 21 which comprises the condensed consolidated statement of financial position of First Credit Finance Group Limited (the "Company") together with its subsidiaries (collectively the "Group") as at 30 June 2013 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Without qualifying our review conclusion, we draw attention to the fact that the condensed consolidated statement of profit or loss and other comprehensive income for each of the three months ended 30 June 2013 and 2012, and the relevant explanatory notes disclosed in the interim financial information have not been reviewed in accordance with Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

**RSM Nelson Wheeler**
*Certified Public Accountants*
Hong Kong
8 August 2013

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*FOR THE SIX MONTHS ENDED 30 JUNE 2013*

| | Note | Three months ended 30 June 2013 HK$ (unaudited) | 2012 HK$ (unaudited) | Six months ended 30 June 2013 HK$ (unaudited) | 2012 HK$ (unaudited) |
|---|---|---|---|---|---|
| **Revenue** | 5 | **12,703,951** | 12,325,227 | **26,675,549** | 23,989,200 |
| Other income and gains | 5 | **521,001** | 1,328,851 | **3,556,071** | 1,750,955 |
| | | **13,224,952** | 13,654,078 | **30,231,620** | 25,740,155 |
| Administrative expenses | | **(4,802,506)** | (5,801,413) | **(9,722,752)** | (11,125,075) |
| Other operating expenses | | **(3,739,914)** | (4,493,698) | **(5,874,626)** | (9,089,082) |
| Finance costs | 6 | **(316,691)** | (181,645) | **(617,272)** | (250,333) |
| **Profit before tax** | 7 | **4,365,841** | 3,177,322 | **14,016,970** | 5,275,665 |
| Income tax expense | 8 | **(768,294)** | (637,892) | **(1,993,727)** | (1,252,561) |
| **Profit for the period attributable to owners of the Company** | | **3,597,547** | 2,539,430 | **12,023,243** | 4,023,104 |
| **Other comprehensive income, net of tax** | | | | | |
| Items that will be reclassified to profit or loss: | | | | | |
| Fair value changes of available-for-sale investments | | **(90,000)** | (140,500) | **6,000** | 1,243,400 |
| Cumulative losses reclassified to profit or loss on impairment of available-for-sale investments | | **—** | 45,000 | **—** | 67,500 |
| Cumulative gains reclassified to profit or loss on disposal of available-for-sale investments | | **—** | — | **(337,410)** | — |
| | | **(90,000)** | (95,500) | **(331,410)** | 1,310,900 |
| **Total comprehensive income for the period attributable to owners of the Company** | | **3,507,547** | 2,443,930 | **11,691,833** | 5,334,004 |
| | | **HK cents** | HK cents | **HK cents** | HK cents |
| **Earnings per share** | | | | | |
| Basic | 10 | **0.31** | 0.25 | **1.12** | 0.40 |
| Diluted | 10 | **N/A** | N/A | **N/A** | N/A |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*AT 30 JUNE 2013*

| | Note | **30 June 2013 HK$ (unaudited)** | 31 December 2012 HK$ (audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 11 | **5,337,973** | 5,266,844 |
| Investment properties | | **39,300,000** | 37,600,000 |
| Intangible assets | | **792,448** | 792,448 |
| Leasehold land under finance leases | | **25,402,039** | 25,437,250 |
| Available-for-sale investments | | **9,744,000** | 17,954,100 |
| Loans receivable | 12 | **156,279,592** | 83,669,225 |
| Deferred tax assets | | **680,755** | 680,755 |
| Total non-current assets | | **237,536,807** | 171,400,622 |
| **Current assets** | | | |
| Loans receivable | 12 | **105,449,494** | 130,926,296 |
| Prepayments, deposits and other receivables | | **1,651,363** | 2,756,319 |
| Bank and cash balances | | **6,526,003** | 8,923,960 |
| Current tax receivable | | **556,390** | 2,550,117 |
| Total current assets | | **114,183,250** | 145,156,692 |
| **Current liabilities** | | | |
| Accruals and other payables | | **2,825,100** | 3,470,906 |
| Interest-bearing loans | 13 | **51,846,341** | 45,531,107 |
| Finance lease payable | | **150,000** | 150,000 |
| Total current liabilities | | **54,821,441** | 49,152,013 |
| **Net current assets** | | **59,361,809** | 96,004,679 |
| **Total assets less current liabilities** | | **296,898,616** | 267,405,301 |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

*AT 30 JUNE 2013*

| | Note | **30 June 2013 HK$ (unaudited)** | 31 December 2012 HK$ (audited) |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Finance lease payable | | **287,500** | 362,500 |
| Deferred tax liabilities | | **106,098** | 106,098 |
| Total non-current liabilities | | **393,598** | 468,598 |
| **NET ASSETS** | | **296,505,018** | 266,936,703 |
| **Capital and reserves** | | | |
| Share capital | 14 | **12,000,000** | 10,000,000 |
| Reserves | | **284,505,018** | 256,936,703 |
| **TOTAL EQUITY** | | **296,505,018** | 266,936,703 |

Approved by the Board of Directors on 8 August 2013.

**Sin Kwok Lam**
Director

**Tsang Yan Kwong**
Director

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*FOR THE SIX MONTHS ENDED 30 JUNE 2013*

| | (Unaudited) | | | | | |
|---|---|---|---|---|---|---|
| | Attributable to owners of the Company | | | | | |
| | Share capital HK$ | Share premium HK$ | Capital reserve HK$ | Available-for-sale investment revaluation reserve HK$ | Retained profits HK$ | Total HK$ |
| At 1 January 2012 | 10,000,000 | 44,002,607 | 148,309,615 | (4,609,164) | 59,896,358 | 257,599,416 |
| Total comprehensive income for the period | — | — | — | 1,310,900 | 4,023,104 | 5,334,004 |
| Bonus share expenses | — | 3,000,000 | — | — | — | 3,000,000 |
| Changes in equity for the period | — | 3,000,000 | — | 1,310,900 | 4,023,104 | 8,334,004 |
| At 30 June 2012 | 10,000,000 | 47,002,607 | 148,309,615 | (3,298,264) | 63,919,462 | 265,933,420 |
| At 1 January 2013 | **10,000,000** | **78,552,607** | **148,309,615** | **170,555** | **29,903,926** | **266,936,703** |
| Total comprehensive income for the period | **—** | **—** | **—** | **(331,410)** | **12,023,243** | **11,691,833** |
| Issue of shares (note 14) | **2,000,000** | **16,000,000** | **—** | **—** | **—** | **18,000,000** |
| Share issue expenses | **—** | **(123,518)** | **—** | **—** | **—** | **(123,518)** |
| Changes in equity for the period | **2,000,000** | **15,876,482** | **—** | **(331,410)** | **12,023,243** | **29,568,315** |
| At 30 June 2013 | **12,000,000** | **94,429,089** | **148,309,615** | **(160,855)** | **41,927,169** | **296,505,018** |

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

*FOR THE SIX MONTHS ENDED 30 JUNE 2013*

| | Six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| | **HK$** | HK$ |
| | **(unaudited)** | (unaudited) |
| **Net cash used in operating activities** | **(34,633,763)** | (18,823,444) |
| **Net cash generated from/(used in) investing activities** | **8,736,362** | (12,881,327) |
| **Net cash generated from financing activities** | **27,919,237** | 9,426,603 |
| **Net increase/(decrease) in cash and cash equivalents** | **2,021,836** | (22,278,168) |
| Cash and cash equivalents at beginning of period | **(12,028,864)** | 34,935,908 |
| **Cash and cash equivalents at end of period** | **(10,007,028)** | 12,657,740 |
| **Analysis of balances of cash and cash equivalents** | | |
| Bank and cash balances | **6,526,003** | 12,657,740 |
| Bank overdrafts | **(16,533,031)** | — |
| | **(10,007,028)** | 12,657,740 |

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

*FOR THE SIX MONTHS ENDED 30 JUNE 2013*

## 1. BASIS OF PREPARATION

These condensed financial statements have been prepared in accordance with HKAS 34 issued by the HKICPA and the applicable disclosures required by the GEM Listing Rules.

These condensed financial statements should be read in conjunction with the 2012 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2012 except as stated below.

## 2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2013. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. 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 except as stated below.

### a. Amendments to HKAS 1 "Presentation of Financial Statements"

Amendments to HKAS 1 titled Presentation of Items of Other Comprehensive Income introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

The amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

## 2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

### a. Amendments to HKAS 1 "Presentation of Financial Statements" *(Continued)*

The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the change. Other than the above-mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

### b. HKFRS 13 "Fair Value Measurement"

HKFRS 13 "Fair Value Measurement" establishes a single source of guidance for all fair value measurements required or permitted by HKFRSs. It clarifies the definition of fair value as an exit price, which is defined as a price at which an orderly transaction to sell the asset or transfer the liability would take place between market participants at the measurement date under market conditions, and enhances disclosures about fair value measurements.

The adoption of HKFRS 13 only affects disclosures on fair value measurements in the condensed financial statements. HKFRS 13 has been applied prospectively.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will not have material impact on the financial statements of the Group.

## 3. FAIR VALUE MEASUREMENTS

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the condensed consolidated statement of financial position approximate their respective fair values.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

## 3. FAIR VALUE MEASUREMENTS *(Continued)*

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

The fair values of the Group's available-for-sale investments in equity securities as at 30 June 2013 and 31 December 2012 which represented the total recurring fair value measurements as at the respective dates are determined using level 1 — quoted market prices.

The Group did not have any other financial assets/liabilities measured at fair value as at 30 June 2013 (At 31 December 2012: Nil).

## 4. SEGMENT INFORMATION

During the six months ended 30 June 2013 and 2012, 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 six months ended 30 June 2013 and 2012.

## 5. REVENUE, OTHER INCOME AND GAINS

| | **Three months ended 30 June** | | **Six months ended 30 June** | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **HK$** | HK$ | **HK$** | HK$ |
| | **(unaudited)** | (unaudited) | **(unaudited)** | (unaudited) |
| **Revenue:** | | | | |
| Interest income on loans | **12,703,951** | 12,275,569 | **26,675,549** | 23,740,124 |
| Interest income on impaired loans | **—** | 49,658 | **—** | 249,076 |
| | **12,703,951** | 12,325,227 | **26,675,549** | 23,989,200 |
| **Other income:** | | | | |
| Other fee income | **74,252** | 325,290 | **133,543** | 530,430 |
| Bank interest income | **180** | 907 | **181** | 909 |
| Gross rental income | **278,895** | 199,324 | **547,173** | 332,424 |
| Dividend income | **167,674** | 130,379 | **167,674** | 214,241 |
| | **521,001** | 655,900 | **848,571** | 1,078,004 |

## 5. REVENUE, OTHER INCOME AND GAINS *(Continued)*

| | Three months ended 30 June | | Six months ended 30 June | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **HK$** | HK$ | **HK$** | HK$ |
| | **(unaudited)** | (unaudited) | **(unaudited)** | (unaudited) |
| **Gains:** | | | | |
| Fair value gains on investment properties | **—** | 672,951 | **1,700,000** | 672,951 |
| Gain on disposal of available-for-sale investments (note) | **—** | — | **1,007,500** | — |
| | **—** | 672,951 | **2,707,500** | 672,951 |
| **Other income and gains** | **521,001** | 1,328,851 | **3,556,071** | 1,750,955 |
| Total revenue, other income and gains | **13,224,952** | 13,654,078 | **30,231,620** | 25,740,155 |

Note: During the six months ended 30 June 2013, the Group divested all of its available-for-sale investments in China Minsheng Banking Corp., Ltd (stock code: 01988) for aggregate gross sale proceeds of approximately HK$8.90 million (excluding transaction costs) for general working capital use.

## 6. FINANCE COSTS

| | Three months ended 30 June | | Six months ended 30 June | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **HK$** | HK$ | **HK$** | HK$ |
| | **(unaudited)** | (unaudited) | **(unaudited)** | (unaudited) |
| Finance lease charges | **3,750** | 1,250 | **7,500** | 1,250 |
| Interest on bank loans and overdrafts | **284,448** | 140,943 | **541,827** | 209,631 |
| Interest on other borrowings wholly repayable within five years | **28,493** | 39,452 | **67,945** | 39,452 |
| | **316,691** | 181,645 | **617,272** | 250,333 |

## 7. PROFIT BEFORE TAX

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

| | Three months ended 30 June | | Six months ended 30 June | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **HK$** | HK$ | **HK$** | HK$ |
| | **(unaudited)** | (unaudited) | **(unaudited)** | (unaudited) |
| Depreciation | **389,435** | 154,473 | **774,427** | 281,002 |
| Amortisation of leasehold land under finance leases | **17,606** | 16,595 | **35,211** | 31,439 |
| Directors' emoluments | | | | |
| Salaries, bonus and allowance | **1,201,578** | 1,202,500 | **2,415,189** | 2,258,000 |
| Bonus share expenses | **—** | 1,500,000 | **—** | 3,000,000 |
| Pension scheme contributions | **136,125** | 136,125 | **272,250** | 255,300 |
| | **1,337,703** | 2,838,625 | **2,687,439** | 5,513,300 |
| Employee benefits expense (excluding directors' emoluments) | | | | |
| Salaries, bonus and allowance | **2,343,127** | 2,067,563 | **4,755,327** | 3,943,053 |
| Pension scheme contributions | **148,424** | 153,389 | **313,762** | 280,843 |
| | **2,491,551** | 2,220,952 | **5,069,089** | 4,223,896 |
| Impairment loss on available-for-sale investments | **—** | 45,000 | **—** | 67,500 |
| Gain on disposal of available-for-sale investments | **—** | — | **(1,007,500)** | — |
| Fair value gains on investment properties | **—** | (672,951) | **(1,700,000)** | (672,951) |
| Minimum lease rental payments in respect of land and buildings under an operating lease | **276,900** | 316,800 | **572,768** | 633,600 |
| Net charge for impairment allowance for loans receivable | **1,826,376** | 2,056,838 | **1,617,927** | 4,010,823 |

## 8. INCOME TAX EXPENSE

| | Three months ended 30 June | | Six months ended 30 June | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **HK$** | HK$ | **HK$** | HK$ |
| | **(unaudited)** | (unaudited) | **(unaudited)** | (unaudited) |
| Current tax — Hong Kong Profits tax | **768,294** | 690,468 | **1,993,727** | 1,329,831 |
| Deferred tax | **—** | (52,576) | **—** | (77,270) |
| Income tax expense | **768,294** | 637,892 | **1,993,727** | 1,252,561 |

Hong Kong Profits Tax has been provided at a rate of 16.5% (2012: 16.5%) on the estimated assessable profit for the period.

## 9. DIVIDEND

On 8 August 2013, the Board of Directors (the "Board") declared an interim dividend of HK$0.003 per share payable on 17 September 2013 to shareholders of the Company whose names appear on the register of members of the Company on 27 August 2013.

## 10. EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share attributable to owners of the Company is based on the following:

| | Three months ended 30 June | | Six months ended 30 June | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **HK$** | HK$ | **HK$** | HK$ |
| | **(unaudited)** | (unaudited) | **(unaudited)** | (unaudited) |
| **Earnings** | | | | |
| Profit attributable to owners of the Company | **3,597,547** | 2,539,430 | **12,023,243** | 4,023,104 |
| **Number of shares** | | | | |
| Weighted average number of ordinary shares used in basic earnings per share calculation | **1,149,450,549** | 1,000,000,000 | **1,075,138,122** | 1,000,000,000 |

### (b) Diluted earnings per share

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary shares during the six months ended 30 June 2013 and 2012.

## 11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2013, the Group acquired property, plant and equipment of approximately HK$845,556 (2012: HK$1,375,725).

## 12. LOANS RECEIVABLE

| | **30 June 2013 HK$ (unaudited)** | 31 December 2012 HK$ (audited) |
|---|---|---|
| Loans to customers | **269,132,586** | 223,977,432 |
| Accrued interest receivables | **3,168,205** | 3,008,509 |
| | **272,300,791** | 226,985,941 |
| Impairment allowance on individual assessment | **(6,602,834)** | (8,721,549) |
| Impairment allowance on collective assessment | **(3,968,871)** | (3,668,871) |
| | **261,729,086** | 214,595,521 |
| Analysed as: | | |
| Non-current assets | **156,279,592** | 83,669,225 |
| Current assets | **105,449,494** | 130,926,296 |
| | **261,729,086** | 214,595,521 |

The Group seeks to maintain strict control over its outstanding loans receivable to minimise credit risk. Overdue balances are reviewed regularly by management.

## 12. LOANS RECEIVABLE *(Continued)*

The credit quality analysis of the gross loans receivable is as follows:

| | 30 June 2013 HK$ (unaudited) | 31 December 2012 HK$ (audited) |
|---|---|---|
| Neither past due nor impaired | | |
| — Unsecured | **111,354,985** | 132,467,218 |
| — Secured | **111,428,789** | 59,896,436 |
| Less than 1 month past due | **18,929,969** | 22,972,175 |
| 1 to 3 months past due | **8,811,515** | 2,689,911 |
| Over 3 months past due | **—** | 30,616 |
| | **250,525,258** | 218,056,356 |
| Impaired loans (note) | **21,775,533** | 8,929,585 |
| | **272,300,791** | 226,985,941 |

Note: Included individually impaired loans receivable for which impairment loss has been provided partially or in full.

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of individual customers that have a good track record with the Group. Based on the past experience, the directors of the Company are of the opinion that no provision for impairment on individual loans is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. Among all past due but not impaired loans, the fair value of collateral at its prevailing market price as at 30 June 2013 amounted to HK$15,020,000 (At 31 December 2012: HK$4,950,000) of the residential flats for the first mortgage loans and HK$13,060,000 (At 31 December 2012: HK$4,070,000) for the second mortgage loans.

The individually impaired loans receivable relates to clients that were in financial difficulties and only a portion of the receivable is expected to be recovered. As at 30 June 2013, the Company did not hold any collateral among the individually impaired loans receivable (At 31 December 2012: Nil).

In general, the loans department of First Credit Limited ("First Credit"), an indirect wholly-owned subsidiary of the Company, proposes to the management of the Company in the Group on a monthly basis the amount of provision to be made. The Group also performs collective assessment of the loans receivable by grouping together all its receivables with similar credit risk characteristics. The impairment review is carried out on all those loans receivable based on the historical impairment rates.

## 13. INTEREST-BEARING LOANS

| | **30 June 2013 HK$ (unaudited)** | 31 December 2012 HK$ (audited) |
|---|---|---|
| Bank loans | **25,313,310** | 24,578,283 |
| Bank overdrafts | **16,533,031** | 20,952,824 |
| Other loans | **10,000,000** | — |
| | **51,846,341** | 45,531,107 |

The Group's loans from banks with an aggregated amount of HK$25,313,310 as at 30 June 2013 (At 31 December 2012: HK$24,578,283) contained an on-demand clause and are classified as current liabilities.

Based on the original maturity terms, the Group's interest-bearing loans are repayable as follows:

| | **30 June 2013 HK$ (unaudited)** | 31 December 2012 HK$ (audited) |
|---|---|---|
| On demand or within one year | **29,267,439** | 22,274,238 |
| In the second year | **1,387,267** | 1,364,974 |
| In the third to fifth years | **4,441,756** | 4,172,364 |
| After five years | **16,749,879** | 17,719,531 |
| | **51,846,341** | 45,531,107 |

At 30 June 2013, the bank loans and overdrafts totalled HK$41,846,341 (At 31 December 2012: HK$45,531,107) are secured by:

(i) charges over the Group's buildings with carrying amount of HK$1,634,299 (At 31 December 2012: HK$1,751,732);

(ii) charges over the Group's leasehold land under finance leases with carrying amount of HK$25,402,039 (At 31 December 2012: HK$25,437,250); and

(iii) charges over the Group's investment properties with fair value of HK$39,300,000 (At 31 December 2012: HK$37,600,000).

## 13. INTEREST-BEARING LOANS *(Continued)*

The effective interest rates at 30 June 2013 were as follows:

| | **30 June 2013 HK$ (unaudited)** | 31 December 2012 HK$ (audited) |
|---|---|---|
| Bank loans | **2.5%–4.25%** | 2.5%–4.25% |
| Bank overdrafts | **5.25%** | 5.25%–7.25% |
| Other loans | **8%** | — |

## 14. SHARE CAPITAL

| | **Authorised** | | **Issued and fully paid** | |
|---|---|---|---|---|
| | **Number of shares** | **Amount HK$** | **Number of shares** | **Amount HK$** |
| Ordinary share of HK$0.01 each | | | | |
| At 1 January 2012, 31 December 2012 and 1 January 2013, audited | 500,000,000,000 | 5,000,000,000 | 1,000,000,000 | 10,000,000 |
| Issue of shares (note) | — | — | 200,000,000 | 2,000,000 |
| At 30 June 2013, unaudited | 500,000,000,000 | 5,000,000,000 | 1,200,000,000 | 12,000,000 |

Note: On 24 April 2013, the Company issued 200,000,000 ordinary new shares at a subscription price of HK$0.09 per share for a total cash consideration of HK$18,000,000. The premium on the issue of shares amounting to HK$15,876,482, net of share issue expenses, was credited to the Company's share premium account.

## 15. RELATED PARTY TRANSACTIONS

**(a) In addition to the transactions and balances disclosed elsewhere in these condensed financial statements, the Group had the following material transactions with related parties during the period:**

| | Note | **Six months ended 30 June 2013 HK$ (unaudited)** | 2012 HK$ (unaudited) |
|---|---|---|---|
| Interest income from a related company | (i) | **575,574** | 591,933 |
| Interest income from a substantial shareholder | (ii) | **486,422** | 608,953 |
| Purchase of investment properties from a related company | (iii) | **—** | 10,110,000 |
| Purchase of building and leasehold land under finance lease from a related company | (iii) | **—** | 12,390,000 |

Note:

(i) The related company is indirectly wholly-owned by a company where the chairman and director of the Company, is a substantial shareholder, chairman and director.

(ii) The substantial shareholder of the Company ceased to be a shareholder of the Company on 18 April 2013.

(iii) The related company is owned by a former substantial shareholder of the Company, who ceased to be a shareholder of the Company on 18 April 2013.

## 15. RELATED PARTY TRANSACTIONS *(Continued)*

### (b) Balances with related parties

| | Note | **30 June 2013 HK$ (unaudited)** | 31 December 2012 HK$ (audited) |
|---|---|---|---|
| Loan to a substantial shareholder | (i) | **—** | 11,365,000 |
| Loans to a related company | (ii) | **6,400,000** | 13,400,000 |

Note:

(i) The amount due is unsecured, bears interests at 14% per annum and is repayable in March 2015. The former substantial shareholder ceased to be a shareholder of the Company on 18 April 2013.

(ii) The related company is indirectly wholly-owned by a company where the chairman and director of the Company, is a substantial shareholder, chairman and director. The amounts due are unsecured, bear interests at 12% per annum and are repayable within a year.

### (c) Compensation of key management personnel of the Group

| | **Six months ended 30 June** | |
|---|---|---|
| | **2013 HK$ (unaudited)** | 2012 HK$ (unaudited) |
| Short term employee benefits including salaries, bonuses, paid annual leaves and sick leaves | **2,415,189** | 2,258,000 |
| Post-employment benefits | **272,250** | 255,300 |
| Bonus share expenses | **—** | 3,000,000 |
| | **2,687,439** | 5,513,300 |

## 16. CONTINGENT LIABILITIES

At 30 June 2013, the Group and the Company had the following significant contingent liabilities:

The Group's external legal counsel advised that the Group's loan agreements involve charging an interest rate at a rate more than 48%, but less than 60% per annum shall be presumed to be extortionate and such portion of extortionate interest is potentially unenforceable as determined by the court. Subject to the court's consideration of facts relevant to individual borrowers, this presumption may be rebutted if the court, having regard to all circumstances is satisfied that such rate is not unreasonable or unfair. As at 30 June 2013, the Group's maximum exposure to such legal risk comprised its aggregate loans receivable granted to borrowers of approximately HK$33.3 million (At 31 December 2012: HK$34.8 million).

## 17. EVENT AFTER THE REPORTING PERIOD

On 5 August 2013, First Credit disposed of 120,000 shares of HSBC Holdings plc, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 00005), on the open market for the aggregate gross sale proceeds of approximately HK$10,722,000. The Group intends to use the proceeds of the disposal for general working capital, which will enhance the liquidity of the Group.

## 18. APPROVAL OF FINANCIAL STATEMENTS

These condensed financial statements were approved and authorised for issue by the Board on 8 August 2013.

## INTERIM DIVIDEND

On 8 August 2013, the Board of Directors (the "Board") declared an interim dividend of HK$0.003 per share payable on 17 September 2013 to shareholders of the Company whose names appear on the register of members of the Company on 27 August 2013.

## MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW AND PROSPECTS

For the six months ended 30 June 2013, the Group continued with its money lending business in providing secured and unsecured loans to customers comprising individuals, corporations and foreign domestic workers.

During the period, the Company had strived to advance its loan business by maintaining the competitiveness of its loan products through strengthening marketing effort based on the prevailing market trend and motivating our staff. This successfully boosted interest income as compared to that of the corresponding period in 2012 and our objective of expanding loan portfolio had been sustained.

Given the current market condition, the Directors had evaluated the Group's business objectives stated in the prospectus of the Company dated 30 November 2011 (the "Prospectus") and considered that no modification of business objectives was required, save for those disclosed in the Company's previous announcements and financial statements.

In the coming future, the Company may consider deploying more resources to a larger number of customers by advancing smaller loans to a broader customer base in order to expand our loan portfolio and enlarge our customer coverage. A series of marketing strategies would be implemented from time to time according to the market situations corresponding to our business strategies.

With the expected continuous growth in consumer spending, banks and other finance companies have been expanding their loan businesses into the consumer lending segment in Hong Kong. This has led to intensified competition and this is expected to be continued. In response, the Company would further enhance cost-saving measures by placing stringent control on its expenses.

Looking forward, the Board will continue to assess the overall performance and business opportunities available to the Company with the objective of enhancing shareholders' value and strengthening the financial position of the Group.

# FINANCIAL REVIEW

## Revenue

The Company's revenue is derived from interest received from provision of various types of loan products to our customers. For the six months ended 30 June 2013, our revenue increased by approximately 11.20% from approximately HK$23.99 million for the corresponding period last year to approximately HK$26.68 million.

The rise was mainly attributable to the increase in average loan balance by approximately 12.67% from approximately HK$203.32 million for the six months ended 30 June 2012 to approximately HK$229.09 million for the corresponding period in 2013. Meanwhile, the average interest rate remained steady at approximately 23.29% for the six months ended 30 June 2013 as compared to approximately 23.60% for the corresponding period in 2012.

## Net interest margin

The Group recorded a relatively stable net interest margin of approximately 23.16% for the six months ended 30 June 2013 (30 June 2012: 23.56%).

## Other income

The Group's other income includes income from fees received incidental to its money lending business, bank interest income, rental income and dividend income from our available-for-sale investments. Other income (excluding the rise in fair value gains on investment properties and gain on disposal of available-for-sale investments) decreased from approximately HK$1.08 million for the six months ended 30 June 2012 to approximately HK$0.85 million for the corresponding period in 2013.

## Administrative expenses

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

Following the branch network expansion, administrative expenses excluding directors' emoluments increased by approximately HK$1.42 million for the six months ended 30 June 2013 as compared with that of the corresponding period last year. Nevertheless, in the absence of the share-based payment to Mr. Sin Kwok Lam ("Mr. Sin") for which HK$3 million was recognised for the six months ended 30 June 2012, the Group's administrative expenses reduced by approximately 12.61% from approximately HK$11.13 million for the six months ended 30 June 2012 to approximately HK$9.72 million for the period under review.

## Other operating expenses

The Group's other operating expenses mainly comprise impairment allowance on loans receivable, advertising and promotion expenses, legal and professional fees and other general expenses.

As compared to approximately HK$9.09 million for the corresponding period in 2012, other operating expenses for the six months ended 30 June 2013 decreased to approximately HK$5.87 million. This was mainly on account of the reduction in advertising and promotion expenses of approximately HK$1.07 million in accordance with our cost-effective marketing approach, coupled with a significant decline in impairment allowance of approximately HK$2.39 million primarily owing to a reversal of provision for impairment of certain loans receivable for the six months ended 30 June 2013.

## Finance costs

The Group's finance costs comprise interest payments for loans from independent third party lenders and banks and mortgage loans from banks for its buildings, investment properties and motor vehicles. The increase in finance costs from approximately HK$0.25 million for the six months ended 30 June 2012 to approximately HK$0.62 million for the six months ended 30 June 2013 was mainly due to the increase in bank loans for our buildings and investment properties and bank overdrafts.

## Profit for the period

As a result of the above, the Group recorded profit attributable to owners of the Company of approximately HK$12.02 million for the six months ended 30 June 2013, representing an approximately 198.85% increase as compared to approximately HK$4.02 million for the six months ended 30 June 2012.

# COMPARISON BETWEEN BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress for the six months ended 30 June 2013 is set out below:

| Business objectives for the six months ended 30 June 2013 as stated in the Prospectus | Actual business progress for the six months ended 30 June 2013 |
|---|---|
| *Expand our loan portfolio and broaden our customer base by granting more existing loan types* | |
| • We will continue to monitor the performance of our loan products and to grow our loan portfolio by increasing the number of loan accounts of our existing loan products which shows higher risk-adjusted profitability subject to market conditions to diversify our customer and revenue bases. | • We had continued to expand our loan portfolio where gross loans receivable increased by approximately 19.96% from approximately HK$226.99 million as at 31 December 2012 to approximately HK$272.30 million as at 30 June 2013. |
| *Improve customer awareness of our brand and range of loan products* | |
| • We will review the effectiveness of our past promotional activities and will focus on promotion of our existing loan products by implementing marketing campaigns which proved effective using our internal resources. | • The current marketing activities had been reviewed by the management and marketing department on a regular basis. |
| *Expand our branch network and loan officer team and develop our website to improve customer coverage* | |
| • We may expand our network by establishing one additional branch office if we identify the suitable location which is strategically ideal for our money lending business at the reasonable cost. The branch office will be rented by operating lease. | • We had rented a branch office in Yuen Long while at the same time identifying suitable locations for further development of branch network. |

- We will expand our staff number in line with the growth of our branch network, particularly in the loan department and the credit department.
- The total number of staff as at 30 June 2013 was 55 which maintained at similar level as compared with that as at 31 December 2012. The arrangement of human resource would be regularly reviewed by the management.

*Maintain our internal control and risk management capabilities*

- We will review appropriateness and efficiency of our internal control procedures and update our internal control procedures as needed.
- The compliance committee of the Company had conducted reviews of our existing internal control procedures on a quarterly basis.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the six months ended 30 June 2013, the Group financed its operations by (i) cash flow from operating activities; (ii) funding through issuance of shares; and (iii) funding by way of loans and/or credit facilities from independent third parties and banks.

As at 30 June 2013, the Group had net current assets of approximately HK$59.36 million (31 December 2012: HK$96.00 million), including cash balances of approximately HK$6.53 million (31 December 2012: HK$8.92 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 2.08 times as at 30 June 2013 (31 December 2012: 2.95 times). The decline in the current ratio was mainly attributable to bank loans for our properties and bank overdrafts for loan portfolio expansion for the period under review.

The capital of the Group comprises only ordinary shares. Total equity attributable to owners of the Company amounted to approximately HK$296.51 million as at 30 June 2013 (31 December 2012: HK$266.94 million).

## SIGNIFICANT INVESTMENTS HELD

Our investment properties relate to our properties at (i) Units 901–902, 9th Floor, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong; and (ii) Units 905–908, 9th Floor, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong which are being leased to independent third party tenants. The investment properties are revalued at the end of each reporting period by independent professionally qualified valuers. The aggregate fair value of investment properties increased from HK$37.6 million as at 31 December 2012 to HK$39.3 million as at 30 June 2013 due to appreciation of market value of the properties.

After the listing of the shares on GEM, in line with the expected increase in the size of our loan portfolio, the Group had ceased to make any new investment in available-for-sale securities and had gradually divested our available-for-sale securities, subject to reasonable market price, to meet our cash flow requirements.

As at 30 June 2013, the fair value of the Group's listed investments classified as available-for-sale investments amounted to approximately HK$9.74 million. A decrease of approximately HK$8.21 million was recorded as compared with the fair value of such investments as at 31 December 2012. Such decrease was mainly due to the disposal of available-for-sale investments, namely, shares in China Minsheng Banking Corp., Ltd. (stock code: 01988), during the six months ended 30 June 2013. The aggregate gross sale proceeds of the disposal was approximately HK$8.90 million (excluding transaction costs) for general working capital use. Set out below was the fair value of the available-for-sale investments as at 30 June 2013:

| **Stock code** | **Name** | **HK$** |
|---|---|---|
| 00005 | HSBC Holdings plc | 9,744,000.00 |

On 5 August 2013, the Group divested all the available-for-sale investments following the disposal of shares of HSBC Holdings plc as set out in note 17 to the condensed financial statements and the announcement of the Company dated 5 August 2013.

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

During the six months ended 30 June 2013, there had been no material acquisition or disposal of subsidiaries and affiliated companies. Save as disclosed under the paragraph headed "Business Review and Prospects" on page 22 and the paragraph headed "Comparison between Business Objectives with Actual Business Progress" from page 25 to 26 of this report, there was no specific plan for material investments or capital assets as at 30 June 2013.

## INFORMATION ON EMPLOYEES

As at 30 June 2013, the Group had a total of 55 staff (31 December 2012: 56 staff). Total remuneration for the six months ended 30 June 2013 (including Directors' emoluments) was approximately HK$7.76 million (30 June 2012: HK$9.74 million). The Company's remuneration policies are formulated on the basis of performance, qualifications and experience of individual employee and made with reference to the prevailing market conditions. The Company's remuneration packages comprise monthly fixed salaries, medical insurance, contributions to statutory mandatory provident fund scheme to employees, share option scheme and directors' bonus shares scheme, etc. Discretionary year-end bonus based on individual performance will also be paid to employees as recognition of and reward for their contributions.

## CHARGES ON THE GROUP'S ASSETS

As at 30 June 2013, in addition to a motor vehicle with carrying amount of approximately HK$0.45 million (31 December 2012: HK$0.53 million) held under the finance lease obligation, the Group had pledged its properties at (i) Units 901–903, 9th Floor, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong for a 15-year mortgage loan of initially HK$11.25 million; (ii) Units 905–911, 9th Floor, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong for a 15-year mortgage loan of initially HK$16.0 million; and (iii) Factory Unit B, 4th Floor, Cantake Factory Building, 172 Wai Yip Street, Kwun Tong for a 15-year mortgage loan of initially approximately HK$1.07 million and the outstanding amounts of the said mortgage loans were approximately HK$10.66 million, HK$12.38 million and HK$0.89 million as at 30 June 2013 respectively and approximately HK$10.93 million, HK$12.73 million and HK$0.92 million as at 31 December 2012 respectively.

Save for the said mortgage loans, the Group had been granted with overdraft credit facilities amounting to a total of HK$22 million from banks in respect of the pledged properties with total outstanding amount of approximately HK$16.53 million as at 30 June 2013 (31 December 2012: HK$20.95 million).

## GEARING RATIO

As at 30 June 2013, the Group had a net debt of approximately HK$48.58 million (31 December 2012: HK$40.59 million), based on which the gearing ratio (net debt divided by the adjusted capital plus net debt) was approximately 14.08% as at 30 June 2013 (31 December 2012: 13.20%). The higher gearing ratio was mainly the result of the additional mortgage loans from banks and the cash outflow for loan portfolio expansion.

## FOREIGN EXCHANGE EXPOSURE

The Group is principally engaged in the money lending business in Hong Kong. As the revenue and cost of business are principally denominated in Hong Kong dollars, the exposure to the risk of foreign exchange rate fluctuations for the Group is minimal. Hence, no financial instrument for hedging was employed.

## CONTINGENT LIABILITIES

Details of the Group's contingent liabilities are set out in note 16 to the condensed financial statements.

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

As at 30 June 2013, 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 | Interest of controlled corporations (note) | 230,880,000 | — | 19.24% |

Note: Best Year Enterprises Limited and Enhance Pacific Limited are the registered and beneficial owners of these shares. Best Year Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability and wholly-owned by Mr. Sin, 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, a company incorporated in the British Virgin Islands with limited liability and wholly-owned by Mr. Sin, 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 30 June 2013, 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 the Directors or 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 1) | 211,280,000 | 17.61% |
| Convoy Collateral Limited | Beneficial owner (note 2) | 200,000,000 | 16.67% |
| Convoy Financial Group Limited | Interest of controlled corporations (note 2) | 200,000,000 | 16.67% |
| Convoy Financial Services Holdings Limited | Interest of controlled corporations (note 2) | 200,000,000 | 16.67% |
| Convoy Inc. | Interest of controlled corporations (note 2) | 200,000,000 | 16.67% |
| Perfect Team Group Limited | Interest of controlled corporations (note 2) | 200,000,000 | 16.67% |
| Easy Finance Management Limited | Beneficial owner (note 3) | 94,680,000 | 7.89% |
| Wong Ching Ping Alex | Interest of controlled corporations (note 3) | 94,680,000 | 7.89% |
| Gomes Maria Da Silva Rubi Angela | Interest of controlled corporations (note 3) | 94,680,000 | 7.89% |

Note 1: Best Year Enterprises Limited is a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Mr. Sin.

Note 2: Convoy Collateral Limited is a company incorporated in Hong Kong with limited liability and is wholly-owned by Convoy Financial Services Holdings Limited, which is in turn owned as to 75% by Convoy Financial Group Limited. Convoy Financial Group Limited is owned as to approximately 43.79% by Convoy Inc. and approximately 56.21% by Perfect Team Group Limited. By virtue of the SFO, Convoy Financial Services Holdings Limited, Convoy Financial Group Limited, Convoy Inc. and Perfect Team Group Limited are deemed to be interested in all the shares in which Convoy Collateral Limited is interested.

Note 3: Easy Finance Management Limited is a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Mr. Wong Ching Ping Alex. By virtue of the provisions of Part XV of the SFO, Mr. Wong Ching Ping Alex is deemed to be interested in all the shares in which Easy Finance Management Limited is interested. Ms. Gomes Maria Da Silva Rubi Angela is the spouse of Mr. Wong Ching Ping Alex and is deemed under the SFO to be interested in all the shares in which Mr. Wong Ching Ping Alex is deemed or taken to be interested.

Save as disclosed above, the Directors are not aware of any other corporation or person (other than the Directors or chief executive of the Company) who, as at 30 June 2013, 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 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 rewarding the eligible participants for their contribution to the Group. Such scheme also enables 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 subsidiaries; (b) any Director (including executive, non-executive and independent non-executive Director) of the Company and/or any subsidiaries; 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 subsidiaries who, at the sole determination of the Board, have contributed or will contribute to the Company and/or any subsidiaries.

No share option had been granted under the Share Option Scheme during the six months ended 30 June 2013.

## ADVANCES TO ENTITIES

On 13 May 2013, First Credit Limited ("First Credit") entered into two secured installment loan agreements, which constituted a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules, with an independent third party, Mr. Hui Kam Cheung ("Mr. Hui"). Pursuant to these agreements, First Credit has granted:

i) a 30-year secured installment loan to Mr. Hui with a loan amount of HK$4 million with annual interest rate of 1.25% above the best lending rate of First Credit (currently 6.5% per annum), as determined from time to time by First Credit at its absolute discretion; and

ii) a 30-year secured installment loan to Mr. Hui with a loan amount of HK$3.9 million with annual interest rate of 15.6%.

During the 30-year period, the secured installment loans shall be repaid by installments on a monthly basis. The loans are secured by a first legal charge/mortgage in respect of a property located in Hong Kong. As at 30 June 2013, the total outstanding balance of the loans amounted to HK$7.9 million.

## 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 2013.

## DIRECTORS' SECURITIES TRANSACTIONS

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. Having made specific enquiries of all the Directors, each of them had confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by Directors adopted by the Company during the period under review covered by the interim report for the six months ended 30 June 2013. No incident of non-compliance was noted by the Company during this period.

## CORPORATE GOVERNANCE

The Company is committed to adopting a high standard of corporate governance practices and procedures throughout the Group. The Directors firmly believe that sound and reasonable corporate governance practices are essential for the steady growth of the Group and for safeguarding the shareholders' interests. To the best knowledge of the Board, throughout the six months ended 30 June 2013, the Company had met the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules.

## COMPETING INTERESTS

As at 30 June 2013, Ms. Chan Lai Yee, a non-executive Director, is a senior management of a company where one of its subsidiaries is principally engaged in money lending business. Prior to April 2013, the spouse of Mr. Tai Kwok Leung Alexander, a non-executive Director who retired on 29 April 2013, had a wholly-owned company which was engaged in money lending business.

The Directors confirm that save and except for the competing interests 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 period under review.

## 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 30 June 2013.

## AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises three existing independent non-executive Directors of the Company, namely, Mr. Chan Hoi Wan, Mr. Lee Kin Fai and Mr. Li Kit Chee. The Audit Committee had reviewed the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters including the review of the Group's unaudited condensed consolidated results for the six months ended 30 June 2013. 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 Finance Group Limited**
**Sin Kwok Lam**
*Chairman*

Hong Kong, 8 August 2013

*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; Ms. Chan Lai Yee as non-executive Director; and Mr. Chan Hoi Wan, Mr. Lee Kin Fai and Mr. Li Kit Chee as independent non-executive Directors.*