



# 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

First Quarterly Report  
**2014**



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

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*This Report, for which the Directors (the “Directors”) of First Credit Finance Group Limited (the “Company”) 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.*



The board of Directors (the "Board") is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the three months ended 31 March 2014 together with the comparative unaudited figures for the corresponding period in 2013, as follows:

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

	Note	Three months ended 31 March	
		2014 HK\$ (unaudited)	2013 HK\$ (unaudited)
<b>Revenue</b>	3	<b>14,182,746</b>	13,971,598
Other income and gains	3	<b>356,965</b>	3,035,070
		<b>14,539,711</b>	17,006,668
Administrative expenses		<b>(4,936,462)</b>	(4,920,246)
Other operating expenses		<b>(6,819,149)</b>	(2,134,712)
Finance costs	4	<b>(926,209)</b>	(300,581)
<b>Profit before tax</b>	5	<b>1,857,891</b>	9,651,129
Income tax expense	6	<b>(301,472)</b>	(1,225,433)
<b>Profit for the period</b>		<b>1,556,419</b>	8,425,696
<b>Other comprehensive income, net of tax</b>			
<i>Items that may be reclassified to profit or loss:</i>			
Fair value changes of available-for-sale investments		—	96,000
Cumulative gains reclassified to profit or loss on disposal of available-for-sale investments		—	(337,410)
		—	(241,410)
<b>Total comprehensive income for the period</b>		<b>1,556,419</b>	8,184,286
		<b>HK cents</b>	HK cents
<b>Earnings per share</b>			
Basic	8	<b>0.13</b>	0.84
Diluted	8	<b>N/A</b>	N/A

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated results of the Group for the three months ended 31 March 2014 have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), 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 condensed consolidated results of the Group are presented in Hong Kong dollars (“HK\$”).

The principal accounting policies used in the preparation of these unaudited condensed results are consistent with those used in the Company’s annual financial statements for the year ended 31 December 2013 except for the adoption of certain new and revised HKFRSs issued by the HKICPA that are relevant to its operation and effective for its accounting year beginning on 1 January 2014. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of these unaudited condensed consolidated results and amounts reported for the current period and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

### 2. SEGMENT INFORMATION

During the three months ended 31 March 2014 and 2013, 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 2014 and 2013.

### 3. REVENUE, OTHER INCOME AND GAINS

	Three months ended 31 March	
	2014	2013
	HK\$	HK\$
	(unaudited)	(unaudited)
<b>Revenue:</b>		
Interest income on loans	14,182,746	13,971,598
<b>Other income:</b>		
Other fee income	54,472	59,291
Bank interest income	1	1
Gross rental income	302,492	268,278
	<b>356,965</b>	327,570
<b>Gains:</b>		
Fair value gains on investment properties	—	1,700,000
Gain on disposal of available-for-sale investments	—	1,007,500
	—	2,707,500
<b>Other income and gains</b>	<b>356,965</b>	3,035,070
Total revenue, other income and gains	<b>14,539,711</b>	17,006,668

### 4. FINANCE COSTS

	Three months ended 31 March	
	2014	2013
	HK\$	HK\$
	(unaudited)	(unaudited)
Finance lease charges	3,750	3,750
Interest on bank loans and overdrafts	385,020	257,379
Interest on other borrowings wholly repayable within five years	537,439	39,452
	<b>926,209</b>	300,581

## 5. PROFIT BEFORE TAX

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

	Three months ended	
	31 March	
	2014	2013
	HK\$	HK\$
	(unaudited)	(unaudited)
Depreciation	394,304	384,992
Amortisation of leasehold land under finance leases	17,605	17,605
Directors' emoluments:		
Salaries, bonus and allowance	1,192,637	1,213,611
Pension scheme contributions	136,125	136,125
	1,328,762	1,349,736
Employee benefits expense (excluding directors' emoluments):		
Salaries, bonus and allowance	2,455,984	2,412,200
Pension scheme contributions	150,353	165,338
	2,606,337	2,577,538
Gain on disposal of available-for-sale investments	—	(1,007,500)
Fair value gains on investment properties	—	(1,700,000)
Minimum lease rental payments in respect of land and buildings under an operating lease	304,500	295,868
Net charge/(reversal) for impairment allowance for loans receivable	4,663,755	(208,449)

## 6. INCOME TAX EXPENSE

	Three months ended	
	31 March	
	2014	2013
	HK\$	HK\$
	(unaudited)	(unaudited)
Current tax — Hong Kong Profits Tax	301,472	1,225,433

Hong Kong Profits Tax has been provided at a rate of 16.5% (2013: 16.5%) on the estimated assessable profit for the three months ended 31 March 2014 and 2013.

## 7. DIVIDENDS

The Directors do not recommend the payment of any interim dividend to shareholders for the three months ended 31 March 2014 (2013: Nil).

## 8. 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:

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2014</b>	2013
	<b>HK\$</b>	HK\$
	<b>(unaudited)</b>	(unaudited)
<hr/>		
<b>Earnings</b>		
Profit attributable to owners of the Company	<b>1,556,419</b>	8,425,696
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<b>Number of shares</b>		
Weighted average number of ordinary shares used in basic earnings per share calculation	<b>1,200,000,000</b>	1,000,000,000
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### (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 three months ended 31 March 2014 and 2013.



## 9. MOVEMENT OF RESERVES

	(Unaudited)						
	Share capital HK\$	Share premium HK\$	Capital reserve HK\$	Available-for-sale investment revaluation reserve HK\$	Retained profits HK\$	Proposed final dividend HK\$	Total HK\$
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	—	—	—	(241,410)	8,425,696	—	8,184,286
Changes in equity for the period	—	—	—	(241,410)	8,425,696	—	8,184,286
At 31 March 2013	10,000,000	78,552,607	148,309,615	(70,855)	38,329,622	—	275,120,989
At 1 January 2014	<b>12,000,000</b>	<b>94,429,089</b>	<b>142,309,615</b>	—	<b>44,905,226</b>	<b>2,400,000</b>	<b>296,043,930</b>
Total comprehensive income for the period	—	—	—	—	<b>1,556,419</b>	—	<b>1,556,419</b>
Changes in equity for the period	—	—	—	—	<b>1,556,419</b>	—	<b>1,556,419</b>
At 31 March 2014	<b>12,000,000</b>	<b>94,429,089</b>	<b>142,309,615</b>	—	<b>46,461,645</b>	<b>2,400,000</b>	<b>297,600,349</b>



## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND PROSPECTS

For the three months ended 31 March 2014, 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, due to the continued effort in expanding its loan portfolio, the Group's average loan balance has maintained a momentum of satisfactory growth of approximately 38.77% as compared to the corresponding period in the preceding year and achieved at approximately HK\$301.65 million for the three months ended 31 March 2014, which drove the revenue up to approximately HK\$14.18 million.

While strengthening the core business, the Group has continued with its effort in accelerating progress of the business development plan in Tianjin. The application for approval of setting up consumer loan financing business is under process. It is believed that this will further enhance the Group's prospect and serve as one key step towards the China market.

Meanwhile, in order to enhance the Company's shareholders' base and raise additional funds at a reasonable cost for the Company, on 25 April 2014, a placing agreement was entered into between the Company as issuer and a placing agent in relation to a placing of up to 240,000,000 shares of the Company through the placing agent (the "Placing"). On 7 May 2014, the Company completed the Placing ("Completion of Placing") for aggregate gross proceeds of HK\$21.6 million and 240,000,000 fully paid placing shares were allotted and issued by the Company to not less than six places through the placing agent. Relevant information of the Placing is set out in the announcements of the Company dated 25 April 2014 and 7 May 2014 respectively.

Looking ahead, the Group will endure to focus on maintaining the growth and credit quality of its loan portfolio by closely assessing the credit market from time to time given the fast changing market conditions and challenging economic environment.

### FINANCIAL REVIEW

#### *Revenue*

The Group's revenue is derived from interest received from the provision of various types of loan products to customers. For the three months ended 31 March 2014, revenue rose to approximately HK\$14.18 million, representing an increase of approximately 1.51% over the revenue of approximately HK\$13.97 million recorded in the corresponding period in 2013. The increase in revenue was mainly attributable to the growth in average loan balance on the account of the Group's effort in expanding loan portfolio, which recorded at approximately HK\$301.65 million for the three months ended 31 March 2014 with approximately HK\$217.38 million in the corresponding period in 2013.

Meanwhile, the average interest rate recorded a decline from approximately 25.71% for the three months ended 31 March 2013 to approximately 18.81% for the corresponding period in 2014.

### *Net interest margin*

The Group recorded a net interest margin of approximately 17.83% for the three months ended 31 March 2014 (31 March 2013: approximately 25.62%). The decrease in net interest margin reflects the Group's pricing strategy under the competitive interest rates environment prevailing during the period.

### *Other income*

The Group's other income includes income from fees received incidental to its money lending business, bank interest income and rental income. Other income (excluding the decline in fair value gains on investment properties and gain on disposal of available-for-sale investments) was approximately HK\$0.36 million for the three months ended 31 March 2014, approximately 8.97% higher than the approximately HK\$0.33 million recorded for the corresponding period in 2013. The increase in other income was mainly due to the increase in gross rental income received during the period.

### *Administrative expenses*

The Group's administrative expenses mainly comprise employment expenses and occupancy costs for 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.

The Group's administrative expenses for the three months ended 31 March 2014 recorded a slight increase of approximately 0.33% to approximately HK\$4.94 million as compared to approximately HK\$4.92 million for the corresponding period in 2013.

### *Other operating expenses*

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

As compared to approximately HK\$2.13 million for the three months ended 31 March 2013, other operating expenses for the period increased to approximately HK\$6.82 million. The increase was mainly attributable to the increase of the net charge for impairment allowance for loans receivable to approximately HK\$4.66 million for the three months ended 31 March 2014 which related to impairment allowance for loans receivable in respect of specific customers. The increase was also impacted by the absence of the impact from a reversal of provision for loans receivable of approximately HK\$5.60 million for the three months ended 31 March 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 with collaterals on its buildings, investment properties and motor vehicle. The increase in finance costs from approximately HK\$0.30 million for the three months ended 31 March 2013 to approximately HK\$0.93 million for the three months ended 31 March 2014 was mainly due to the increase in financial assistance obtained from independent third party lenders for the period.

### Profit for the period

As a result of the above, the Group recorded a profit attributable to owners of the Company of approximately HK\$1.56 million for the three months ended 31 March 2014, representing an approximately 81.53% decrease as compared to approximately HK\$8.43 million for the three months ended 31 March 2013.

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

As at 31 March 2014 and upon Completion of Placing, 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	
				As at 31 March 2014	Immediately after Completion of Placing
Sin Kwok Lam ("Mr. Sin")	Interest of controlled corporations (Note)	230,880,000	—	19.24%	16.03%

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 31 March 2014 and upon Completion of Placing, 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	
			As at 31 March 2014	Immediately after Completion of Placing
Best Year Enterprises Limited	Beneficial owner (Note 1)	211,280,000	17.61%	14.67%
Convoy Collateral Limited	Beneficial owner (Note 2)	200,000,000	16.67%	13.89%
Convoy Financial Services Holdings Limited	Interest of controlled corporations (Note 2)	200,000,000	16.67%	13.89%

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. By virtue of the SFO, Convoy Financial Services Holdings Limited is deemed to be interested in all the shares in which Convoy Collateral Limited is 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 31 March 2014, 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 three months ended 31 March 2014.

## 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 2014.



## 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 three months ended 31 March 2014, the Company has 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 31 March 2014, 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.

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 former 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 27 March 2014. The term of the compliance advisory engagement with Altus had been completed on 27 March 2014 following the issuance of the Company's annual report for the year ended 31 December 2013.

## AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises four existing independent non-executive Directors of the Company, namely, Mr. Lee Kin Fai, Mr. Li Kit Chee, Mr. Tai Man Hin Tony and Mr. Yu Wan Hei. The Group's unaudited condensed consolidated results for the three months ended 31 March 2014 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 Finance Group Limited**  
**Sin Kwok Lam**  
*Chairman*

Hong Kong, 9 May 2014

*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. Lee Kin Fai, Mr. Li Kit Chee, Mr. Tai Man Hin Tony and Mr. Yu Wan Hei as independent non-executive Directors.*

