



# 2014 Interim Report



**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

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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.*

## INDEPENDENT REVIEW REPORT



### 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 of First Credit Finance Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 4 to 19 which comprises the condensed consolidated statement of financial position of the Company as at 30 June 2014 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 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 2014 and 2013, 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 Entity".

**RSM Nelson Wheeler**  
*Certified Public Accountants*  
Hong Kong  
8 August 2014

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Note	Three months ended 30 June		Six months ended 30 June	
		2014 HK\$ (unaudited)	2013 HK\$ (unaudited)	2014 HK\$ (unaudited)	2013 HK\$ (unaudited)
<b>Revenue</b>	5	<b>12,950,024</b>	12,703,951	<b>27,132,770</b>	26,675,549
Other income and gains	5	<b>366,735</b>	521,001	<b>723,700</b>	3,556,071
		<b>13,316,759</b>	13,224,952	<b>27,856,470</b>	30,231,620
Administrative expenses		<b>(4,910,820)</b>	(4,802,506)	<b>(9,847,282)</b>	(9,722,752)
Other operating expenses		<b>(4,857,500)</b>	(3,739,914)	<b>(11,676,649)</b>	(5,874,626)
Finance costs	6	<b>(675,026)</b>	(316,691)	<b>(1,601,235)</b>	(617,272)
<b>Profit before tax</b>	7	<b>2,873,413</b>	4,365,841	<b>4,731,304</b>	14,016,970
Income tax expense	8	<b>(460,763)</b>	(768,294)	<b>(762,235)</b>	(1,993,727)
<b>Profit for the period</b>		<b>2,412,650</b>	3,597,547	<b>3,969,069</b>	12,023,243
<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		—	(90,000)	—	6,000
Cumulative gains reclassified to profit or loss on disposal of available-for-sale investments		—	—	—	(337,410)
		—	(90,000)	—	(331,410)
<b>Total comprehensive income for the period</b>		<b>2,412,650</b>	3,507,547	<b>3,969,069</b>	11,691,833
		<b>HK cents</b>	HK cents	<b>HK cents</b>	HK cents
<b>Earnings per share</b>					
Basic	10	<b>0.18</b>	0.31	<b>0.31</b>	1.12
Diluted	10	<b>N/A</b>	N/A	<b>N/A</b>	N/A

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2014

	Note	30 June 2014 HK\$ (unaudited)	31 December 2013 HK\$ (audited)
<b>Non-current assets</b>			
Property, plant and equipment	11	3,946,977	4,619,789
Investment properties		40,400,000	40,400,000
Intangible assets		792,448	792,448
Leasehold land under finance leases		25,331,618	25,366,829
Loans receivable	12	182,894,722	158,478,288
Deferred tax assets		873,189	873,189
Total non-current assets		254,238,954	230,530,543
<b>Current assets</b>			
Loans receivable	12	95,467,812	113,133,043
Prepayments, deposits and other receivables		1,627,289	2,213,058
Bank and cash balances		15,127,765	21,615,469
Current tax receivable		—	317,580
Total current assets		112,222,866	137,279,150
<b>Current liabilities</b>			
Accruals and other payables		1,988,852	4,794,430
Interest-bearing loans	13	45,578,902	66,416,469
Finance lease payable		150,000	150,000
Current tax liabilities		444,655	—
Total current liabilities		48,162,409	71,360,899
<b>Net current assets</b>		64,060,457	65,918,251
<b>Total assets less current liabilities</b>		318,299,411	296,448,794

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

AT 30 JUNE 2014

	Note	30 June 2014 HK\$ (unaudited)	31 December 2013 HK\$ (audited)
<b>Non-current liabilities</b>			
Finance lease payable		137,500	212,500
Deferred tax liabilities		192,364	192,364
Total non-current liabilities		329,864	404,864
<b>NET ASSETS</b>			
<b>Capital and reserves</b>			
Share capital	14	14,400,000	12,000,000
Reserves		303,569,547	284,043,930
<b>TOTAL EQUITY</b>		<b>317,969,547</b>	296,043,930

Approved by the Board of Directors on 8 August 2014.

**Sin Kwok Lam**  
Director

**Tsang Yan Kwong**  
Director

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(Unaudited)

	Attributable to owners of the Company						Total HK\$
	Share capital HK\$	Share premium HK\$	Capital reserve HK\$	Available- for-sale investment revaluation reserve HK\$	Retained profits HK\$	Proposed final dividend 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	—	—	—	(331,410)	12,023,243	—	11,691,833
Issue of shares (note 14(a))	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
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>3,969,069</b>	—	<b>3,969,069</b>
Issue of shares on placement (note 14(b))	<b>2,400,000</b>	<b>19,200,000</b>	—	—	—	—	<b>21,600,000</b>
Share issue expenses	—	<b>(763,452)</b>	—	—	—	—	<b>(763,452)</b>
Final dividend paid	—	—	<b>(480,000)</b>	—	—	<b>(2,400,000)</b>	<b>(2,880,000)</b>
Changes in equity for the period	<b>2,400,000</b>	<b>18,436,548</b>	<b>(480,000)</b>	—	<b>3,969,069</b>	<b>(2,400,000)</b>	<b>21,925,617</b>
At 30 June 2014	<b>14,400,000</b>	<b>112,865,637</b>	<b>141,829,615</b>	—	<b>48,874,295</b>	—	<b>317,969,547</b>



# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Six months ended 30 June	
	2014 HK\$ (unaudited)	2013 HK\$ (unaudited)
<b>Net cash used in operating activities</b>	<b>(1,745,875)</b>	(34,633,763)
<b>Net cash (used in)/generated from investing activities</b>	<b>(118,487)</b>	8,736,362
<b>Net cash generated from financing activities</b>	<b>12,335,616</b>	27,919,237
<b>Net increase in cash and cash equivalents</b>	<b>10,471,254</b>	2,021,836
Cash and cash equivalents at beginning of period	<b>4,656,511</b>	(12,028,864)
<b>Cash and cash equivalents at end of period</b>	<b>15,127,765</b>	(10,007,028)
<b>Analysis of balances of cash and cash equivalents</b>		
Bank and cash balances	<b>15,127,765</b>	6,526,003
Bank overdrafts	—	(16,533,031)
	<b>15,127,765</b>	(10,007,028)

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

## 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 2013 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 2013 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 2014. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; 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.

## 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 the inputs to valuation techniques used to measure fair value into three levels:

- 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.

#### **Disclosure of level in fair value hierarchy at the end of the reporting period**

The fair value measurements of the Group's investment properties are recurring and are determined using level 2 inputs.

#### **Disclosure of valuation techniques and inputs used in fair value measurements at the end of the reporting period**

The investment properties were revalued on 30 June 2014 and 31 December 2013 respectively by RHL Appraisal Limited, independent professionally qualified valuer, on direct comparison of price properties of similar size, character and location (level 2 measurement). The key input used in the valuation is the price per square feet.

There were no changes in the valuation techniques used.

### **4. SEGMENT INFORMATION**

During the six months ended 30 June 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 six months ended 30 June 2014 and 2013.

## 5. REVENUE, OTHER INCOME AND GAINS

	Three months ended 30 June		Six months ended 30 June	
	2014 HK\$ (unaudited)	2013 HK\$ (unaudited)	2014 HK\$ (unaudited)	2013 HK\$ (unaudited)
<b>Revenue:</b>				
Interest income on loans	12,950,024	12,703,951	27,132,770	26,675,549
<b>Other income:</b>				
Other fee income	64,087	74,252	118,559	133,543
Bank interest income	70	180	71	181
Gross rental income	302,578	278,895	605,070	547,173
Dividend income	—	167,674	—	167,674
	366,735	521,001	723,700	848,571
<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>	366,735	521,001	723,700	3,556,071
<b>Total revenue, other income and gains</b>	13,316,759	13,224,952	27,856,470	30,231,620

## 6. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2014 HK\$ (unaudited)	2013 HK\$ (unaudited)	2014 HK\$ (unaudited)	2013 HK\$ (unaudited)
Finance lease charges	3,750	3,750	7,500	7,500
Interest on bank loans and overdrafts	244,098	284,448	629,118	541,827
Interest on other borrowings wholly repayable within five years	427,178	28,493	964,617	67,945
	675,026	316,691	1,601,235	617,272

## 7. PROFIT BEFORE TAX

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

	Three months ended 30 June		Six months ended 30 June	
	2014 HK\$ (unaudited)	2013 HK\$ (unaudited)	2014 HK\$ (unaudited)	2013 HK\$ (unaudited)
Depreciation	397,066	389,435	791,370	774,427
Amortisation of leasehold land under finance leases	17,606	17,606	35,211	35,211
Directors' emoluments:				
Salaries, bonus and allowance	1,202,500	1,201,578	2,395,137	2,415,189
Pension scheme contributions	136,125	136,125	272,250	272,250
	1,338,625	1,337,703	2,667,387	2,687,439
Employee benefits expense (excluding directors' emoluments):				
Salaries, bonus and allowance	2,449,036	2,343,127	4,905,020	4,755,327
Pension scheme contributions	130,994	148,424	281,347	313,762
	2,580,030	2,491,551	5,186,367	5,069,089
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	276,900	609,000	572,768
Net charge for impairment allowance for loans receivable	2,867,062	1,826,376	7,530,817	1,617,927

## 8. INCOME TAX EXPENSE

	Three months ended 30 June		Six months ended 30 June	
	2014 HK\$ (unaudited)	2013 HK\$ (unaudited)	2014 HK\$ (unaudited)	2013 HK\$ (unaudited)
Current tax — Hong Kong Profits Tax	460,763	768,294	762,235	1,993,727

Hong Kong Profits Tax has been provided at a rate of 16.5% (2013: 16.5%) on the estimated assessable profit for the six months ended 30 June 2014 and 2013.

## 9. DIVIDENDS

	Three months ended 30 June		Six months ended 30 June	
	2014 HK\$ (unaudited)	2013 HK\$ (unaudited)	2014 HK\$ (unaudited)	2013 HK\$ (unaudited)
Final dividend for the year ended 31 December 2013 approved and paid — HK0.2 cents (2012: Nil) per ordinary share	2,880,000	—	2,880,000	—

The Directors do not recommend the payment of any interim dividend to shareholders for the six months ended 30 June 2014 (2013: HK0.3 cents per share).

## 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	
	2014 HK\$ (unaudited)	2013 HK\$ (unaudited)	2014 HK\$ (unaudited)	2013 HK\$ (unaudited)
<b>Earnings</b>				
Profit attributable to owners of the Company	2,412,650	3,597,547	3,969,069	12,023,243
<b>Number of shares</b>				
Weighted average number of ordinary shares used in basic earnings per share calculation	1,345,054,945	1,149,450,549	1,272,928,177	1,075,138,122

### (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 2014 and 2013.

## 11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group acquired property, plant and equipment of HK\$118,558 (2013: HK\$845,556).

## 12. LOANS RECEIVABLE

	30 June 2014 HK\$ (unaudited)	31 December 2013 HK\$ (audited)
Loans to customers	297,794,485	287,630,030
Accrued interest receivables	3,308,229	2,340,435
	301,102,714	289,970,465
Impairment allowance on individual assessment	(18,660,557)	(14,579,511)
Impairment allowance on collective assessment	(4,079,623)	(3,779,623)
	278,362,534	271,611,331
Analysed as:		
Non-current assets	182,894,722	158,478,288
Current assets	95,467,812	113,133,043
	278,362,534	271,611,331

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 loans receivable is as follows:

	<b>30 June 2014 HK\$ (unaudited)</b>	31 December 2013 HK\$ (audited)
Neither past due nor impaired		
— Unsecured	<b>159,366,421</b>	137,129,218
— Secured	<b>76,375,921</b>	108,997,512
Less than 1 month past due	<b>10,296,106</b>	13,992,143
1 to 3 months past due	<b>26,521,672</b>	1,054,216
	<b>272,560,120</b>	261,173,089
Impaired (note)	<b>28,542,594</b>	28,797,376
	<b>301,102,714</b>	289,970,465

Note: Represents the gross amount of individually impaired loans receivable for which impairment loss has been provided partially or in full as at period/year end date.

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 these individual loans is necessary as there has not been a significant change in credit quality and the balances are still considered fully recoverable. Amongst all past due but not impaired loans, the first mortgage loan of HK\$11,889,353 and second mortgage loan of HK\$12,409,900 (At 31 December 2013: first mortgage loan of HK\$6,804,677) was secured by the collateral residential flats with fair value based on its prevailing market price amounted to HK\$14,930,000 and HK\$55,270,000 respectively as at 30 June 2014 (At 31 December 2013: HK\$12,250,000).

The individually impaired loans receivable relate to clients that were in financial difficulties and only a portion of the receivable is expected to be recovered. As at 30 June 2014 and 31 December 2013, the Group did not hold any collateral in respect of the individually impaired loans receivable.



### 13. INTEREST-BEARING LOANS

	<b>30 June 2014 HK\$ (unaudited)</b>	31 December 2013 HK\$ (audited)
Bank loans	<b>22,578,902</b>	23,457,511
Bank overdrafts	—	16,958,958
Loans from independent third parties	<b>23,000,000</b>	26,000,000
	<b>45,578,902</b>	66,416,469

The Group's loans from banks with an aggregated amount of HK\$22,578,902 as at 30 June 2014 (At 31 December 2013: HK\$23,457,511) contained an on-demand clause and are classified as current liabilities.

The loans from independent third parties are unsecured and repayable within one year.

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

	<b>30 June 2014 HK\$ (unaudited)</b>	31 December 2013 HK\$ (audited)
On demand or within one year	<b>24,387,267</b>	44,524,574
In the second year	<b>1,431,321</b>	1,410,076
In the third to fifth year	<b>4,591,220</b>	4,312,456
After five years	<b>15,169,094</b>	16,169,363
	<b>45,578,902</b>	66,416,469

At 30 June 2014 and 31 December 2013, the bank loans and overdrafts are secured by charges over the Group's buildings classified as property, plant and equipment, leasehold land under finance leases and investment properties.

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

The average interest rates at the end of the reporting period were as follows:

	30 June 2014 (unaudited)	31 December 2013 (audited)
Bank loans	2.5%–4.25%	2.5%–4.25%
Bank overdrafts	N/A	5.25%
Loans from independent third parties	8%–8.5%	8%–8.5%

### 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 2013, audited	500,000,000,000	5,000,000,000	1,000,000,000	10,000,000
Issue of shares (note (a))	—	—	200,000,000	2,000,000
At 31 December 2013 and 1 January 2014, audited	500,000,000,000	5,000,000,000	1,200,000,000	12,000,000
Issue of shares on placement (note (b))	—	—	240,000,000	2,400,000
At 30 June 2014, unaudited	500,000,000,000	5,000,000,000	1,440,000,000	14,400,000

Note:

- (a) On 24 April 2013, the Company issued 200,000,000 new ordinary 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.
- (b) On 25 April 2014, the Company and Trinity Finance Investment Limited entered into a placing agreement in respect of the placement of 240,000,000 ordinary shares of HK\$0.01 each to independent investors at a price of HK\$0.09 per share. The placement was completed on 7 May 2014 and the premium on the placing of shares amounting to HK\$19,200,000, net of share issue expenses amounting to HK\$763,452, 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:

		Six months ended 30 June	
	Note	2014 HK\$ (unaudited)	2013 HK\$ (unaudited)
Interest income from a related company	(i)	683,090	575,574
Interest income from a former substantial shareholder	(ii)	—	486,422

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 former substantial shareholder of the Company ceased to be a shareholder of the Company on 18 April 2013.

- (b) Balances with related parties:

	30 June 2014 HK\$ (unaudited)	31 December 2013 HK\$ (audited)
Loans to a related company (note)	12,400,000	12,400,000

Note: 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 loans to the related party as at 30 June 2014 bear interest of 11% per annum and are repayable within two years (At 31 December 2013: bear interest of 10%–12% per annum and are repayable in one year).

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

- (c) The Group had paid compensation to key management personnel during the period as follows:

	Six months ended 30 June	
	2014	2013
	HK\$	HK\$
	(unaudited)	(unaudited)
Short term employee benefits including salaries, bonuses, paid annual leaves and sick leaves	2,395,137	2,415,189
Post-employment benefits	272,250	272,250
	<b>2,667,387</b>	2,687,439

## 16. CONTINGENT LIABILITIES

At 30 June 2014, 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 2014, the Group's maximum exposure to such legal risk comprised its aggregate loans receivable granted to borrowers of approximately HK\$24.91 million (At 31 December 2013: HK\$28.67 million).

## 17. APPROVAL OF FINANCIAL STATEMENTS

The condensed financial statements were approved and authorised for issue by the Board of Directors on 8 August 2014.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND PROSPECTS

For the six months ended 30 June 2014, the Company and its subsidiaries (collectively 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, despite increasing competition and challenging market dynamics, the Group’s average loan balance has maintained a momentum of satisfactory growth of approximately 30.02% as compared to the corresponding period in the preceding year and achieved approximately HK\$297.87 million for the six months ended 30 June 2014, which drove the revenue up to approximately HK\$27.13 million.

Moving ahead and in response to the challenging market conditions, the Group is intent on maintaining the growth and credit quality of its loan portfolio. The Group will strive to support its business development across a broader customer base on the strength of flexibility in business operations, by providing competitively priced products, as well as efficient customer service.

## FINANCIAL REVIEW

### Revenue

The Group’s revenue is derived from interest received from provision of various types of loan products to customers. For the six months ended 30 June 2014, revenue rose to approximately HK\$27.13 million, representing an increase of approximately 1.71% over the revenue of approximately HK\$26.68 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\$297.87 million for the six months ended 30 June 2014 from approximately HK\$229.09 million in the corresponding period in 2013.

Meanwhile, the average interest rate recorded a decline from approximately 23.29% for the six months ended 30 June 2013 to approximately 18.22% for the corresponding period in 2014.

### Net interest margin

The Group recorded a net interest margin of approximately 17.40% for the six months ended 30 June 2014 (30 June 2013: approximately 23.16%). 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 fair value gains on investment properties, dividend income from and gain on disposal of available-for-sale investments) was approximately HK\$0.72 million for the six months ended 30 June 2014, approximately 6.29% higher than the approximately HK\$0.68 million recorded for the corresponding period in 2013.

### **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 six months ended 30 June 2014 recorded a slight increase of approximately 1.28% to approximately HK\$9.85 million as compared to approximately HK\$9.72 million for the corresponding period in 2013.

### **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\$5.87 million for the six months ended 30 June 2013, other operating expenses for the period increased to approximately HK\$11.68 million. The increase was mainly attributable to the increase of the net charge for impairment allowance for loans receivable to approximately HK\$7.53 million for the six months ended 30 June 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\$5.72 million 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 with collaterals on its buildings, investment properties and motor vehicle. The increase in finance costs from approximately HK\$0.62 million for the six months ended 30 June 2013 to approximately HK\$1.60 million for the six months ended 30 June 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\$3.97 million for the six months ended 30 June 2014, representing an approximately 66.99% decrease as compared to approximately HK\$12.02 million for the six months ended 30 June 2013.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the six months ended 30 June 2014, the Group financed its operations by (i) cash flow from operating activities; (ii) funding through issuance of equity shares; and (iii) funding by way of loans and/or credit facilities from independent third parties and banks. As at 30 June 2014, the Group had net current assets of approximately HK\$64.06 million (31 December 2013: HK\$65.92 million), including bank and cash balances of approximately HK\$15.13 million (31 December 2013: HK\$21.62 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 2.33 times as at 30 June 2014 (31 December 2013: 1.92 times). The increase in the current ratio was mainly attributable to less reliance on loans from banks 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\$317.97 million as at 30 June 2014 (31 December 2013: HK\$296.04 million).

## SIGNIFICANT INVESTMENTS HELD

The Group's investment properties relate to its 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 out 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 as at 30 June 2014 was HK\$40.40 million, which was at the same level as at 31 December 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 2014, 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 20 of this report, there was no specific plan for material investments or capital assets as at 30 June 2014.

## **INFORMATION ON EMPLOYEES**

As at 30 June 2014, the Group employed a total of 54 staff (31 December 2013: 56 staff). Total remuneration for the six months ended 30 June 2014 (including Directors' emoluments) was approximately HK\$7.85 million (30 June 2013: HK\$7.76 million). The Company's remuneration policies are formulated on the basis of performance, qualifications and experience of individual employee and making reference to the prevailing market conditions. 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 2014, in addition to a motor vehicle with carrying amount of approximately HK\$0.29 million (31 December 2013: HK\$0.37 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 installment loan of initial drawdown value of 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 installment loan of initial drawdown value of HK\$16.00 million; and (iii) Factory Unit B, 4th Floor, Cantake Factory Building, 172 Wai Yip Street, Kwun Tong for a 15-year mortgage installment loan of initial drawdown value of approximately HK\$1.07 million. The outstanding amounts of the said mortgage loans were approximately HK\$10.08 million, HK\$11.66 million and HK\$0.84 million as at 30 June 2014 respectively and approximately HK\$10.37 million, HK\$12.02 million and HK\$0.87 million as at 31 December 2013 respectively.



Other than the above-mentioned mortgage installment loans, the Group has been granted with overdraft credit facilities amounting to a total of HK\$22.00 million (31 December 2013: HK\$22.00 million) from banks in respect of the pledged properties with total outstanding amount of nil as at 30 June 2014 (31 December 2013: HK\$16.96 million).

## **GEARING RATIO**

As at 30 June 2014, the Group had a net debt of approximately HK\$33.36 million (31 December 2013: HK\$50.15 million), based on which the gearing ratio (net debt divided by the adjusted capital plus net debt) was approximately 9.50% as at 30 June 2014 (31 December 2013: 14.49%). The lower gearing ratio was mainly the result of reducing reliance on loans from banks and the funds raised from a placing in May 2014 as stated in the announcement of completion of placing of new shares under general mandate of the Company dated 7 May 2014.

## **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 2014, 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
Sin Kwok Lam ("Mr. Sin")	Interest of controlled corporations (Note)	230,880,000	—	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 30 June 2014, so far as it was known by or otherwise notified to any Directors or 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	14.67%
Convoy Collateral Limited	Beneficial owner (Note 2)	200,000,000	13.89%
Convoy Financial Services Holdings Limited	Interest of controlled corporations (Note 2)	200,000,000	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 30 June 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 of Directors (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 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 six months ended 30 June 2014.

## 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 have 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 2014. 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 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 30 June 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.

## AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises three existing independent non-executive Directors of the Company, namely, Mr. Lee Kin Fai, Mr. Tai Man Hin Tony and Mr. Yu Wan Hei. The Group's unaudited condensed consolidated results for the six months ended 30 June 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, 8 August 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. Tai Man Hin Tony and Mr. Yu Wan Hei as independent non-executive Directors.*