



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

2014

Third Quarterly Report



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 and nine months ended 30 September 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 30 September		Nine months ended 30 September	
		2014 HK\$ (unaudited)	2013 HK\$ (unaudited)	2014 HK\$ (unaudited)	2013 HK\$ (unaudited)
Revenue	3	12,903,926	13,885,219	40,036,696	40,560,768
Other income and gains	3	367,568	1,229,092	1,091,268	4,785,163
		13,271,494	15,114,311	41,127,964	45,345,931
Administrative expenses		(4,834,512)	(4,887,874)	(14,681,794)	(14,610,626)
Other operating expenses		(3,367,132)	(6,052,163)	(15,043,781)	(11,926,789)
Finance costs	4	(986,431)	(476,016)	(2,587,666)	(1,093,288)
Profit before tax	5	4,083,419	3,698,258	8,814,723	17,715,228
Income tax expense	6	(634,845)	(469,276)	(1,397,080)	(2,463,003)
Profit for the period		3,448,574	3,228,982	7,417,643	15,252,225
Other comprehensive income, net of tax					
<i>Items that may be reclassified to profit or loss:</i>					
Fair value changes of available-for-sale investments		—	—	—	6,000
Cumulative losses/(gains) reclassified to profit or loss on disposal of available-for-sale investments		—	160,855	—	(176,555)
		—	160,855	—	(170,555)
Total comprehensive income for the period		3,448,574	3,389,837	7,417,643	15,081,670
		HK cents	HK cents	HK cents	HK cents
Earnings per share					
Basic	8	0.24	0.27	0.56	1.37
Diluted	8	N/A	N/A	N/A	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 and nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 2014 and 2013.

3. REVENUE, OTHER INCOME AND GAINS

	Three months ended 30 September		Nine months ended 30 September	
	2014 HK\$ (unaudited)	2013 HK\$ (unaudited)	2014 HK\$ (unaudited)	2013 HK\$ (unaudited)
Revenue:				
Interest income on loans	12,903,926	13,885,219	40,036,696	40,560,768
Other income:				
Other fee income	55,732	61,476	174,291	195,019
Bank interest income	1	1	72	182
Gross rental income	311,835	278,168	916,905	825,341
Dividend income	—	93,059	—	260,733
	367,568	432,704	1,091,268	1,281,275
Gains:				
Fair value gains on investment properties	—	—	—	1,700,000
Gain on disposal of available-for-sale investments	—	796,388	—	1,803,888
	—	796,388	—	3,503,888
Other income and gains	367,568	1,229,092	1,091,268	4,785,163
Total revenue, other income and gains	13,271,494	15,114,311	41,127,964	45,345,931

4. FINANCE COSTS

	Three months ended 30 September		Nine months ended 30 September	
	2014 HK\$ (unaudited)	2013 HK\$ (unaudited)	2014 HK\$ (unaudited)	2013 HK\$ (unaudited)
Finance lease charges	3,750	3,750	11,250	11,250
Interest on bank loans and overdrafts	279,668	270,622	908,786	812,449
Interest on other borrowings wholly repayable within five years	703,013	201,644	1,667,630	269,589
	986,431	476,016	2,587,666	1,093,288

5. PROFIT BEFORE TAX

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

	Three months ended 30 September		Nine months ended 30 September	
	2014 HK\$ (unaudited)	2013 HK\$ (unaudited)	2014 HK\$ (unaudited)	2013 HK\$ (unaudited)
Depreciation	336,519	382,435	1,127,889	1,156,862
Amortisation of leasehold land under finance leases	17,605	17,605	52,816	52,816
Directors' emoluments:				
Salaries, bonus and allowance	1,190,000	1,206,000	3,585,137	3,621,189
Pension scheme contributions	136,125	136,125	408,375	408,375
	1,326,125	1,342,125	3,993,512	4,029,564
Employee benefits expense (excluding directors' emoluments):				
Salaries, bonus and allowance	2,461,146	2,398,903	7,366,166	7,154,230
Pension scheme contributions	114,292	114,307	395,639	428,069
	2,575,438	2,513,210	7,761,805	7,582,299
Gain on disposal of available-for- sale investments	—	(796,388)	—	(1,803,888)
Fair value gains on investment properties	—	—	—	(1,700,000)
Minimum lease rental payments in respect of land and buildings under an operating lease	306,250	291,300	915,250	864,068
Net charge for impairment allowance for loans receivable	1,730,331	4,106,503	9,261,148	5,724,430

6. INCOME TAX EXPENSE

	Three months ended 30 September		Nine months ended 30 September	
	2014 HK\$ (unaudited)	2013 HK\$ (unaudited)	2014 HK\$ (unaudited)	2013 HK\$ (unaudited)
Current tax — Hong Kong Profits Tax	634,845	469,276	1,397,080	2,463,003

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

7. DIVIDENDS

The Directors do not recommend the payment of any interim dividend to shareholders for the nine months ended 30 September 2014 (2013: HK0.3 cents per ordinary share, totalling HK\$3,600,000).

Final dividend in respect of the financial year ended 31 December 2013 of HK0.2 cents per ordinary share, totalling HK\$2,880,000, were approved and paid during current period.

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:

	Three months ended 30 September		Nine months ended 30 September	
	2014	2013	2014	2013
	HK\$	HK\$	HK\$	HK\$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Earnings				
Profit attributable to owners of the Company	3,448,574	3,228,982	7,417,643	15,252,225
Number of shares				
Weighted average number of ordinary shares used in basic earnings per share calculation	1,440,000,000	1,200,000,000	1,329,230,769	1,117,216,117

(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 nine months ended 30 September 2014 and 2013.

9. MOVEMENT OF RESERVES

	(Unaudited)						
	Share capital	Share premium	Capital reserve	Available- for-sale investment revaluation reserve	Retained profits	Proposed final dividend	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	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	—	—	—	(170,555)	15,252,225	—	15,081,670
Issue of shares	2,000,000	16,000,000	—	—	—	—	18,000,000
Share issue expenses	—	(123,518)	—	—	—	—	(123,518)
Interim dividend paid (Note 7)	—	—	(3,600,000)	—	—	—	(3,600,000)
Changes in equity for the period	2,000,000	15,876,482	(3,600,000)	(170,555)	15,252,225	—	29,358,152
At 30 September 2013	12,000,000	94,429,089	144,709,615	—	45,156,151	—	296,294,855
At 1 January 2014	12,000,000	94,429,089	142,309,615	—	44,905,226	2,400,000	296,043,930
Total comprehensive income for the period	—	—	—	—	7,417,643	—	7,417,643
Issue of shares on placement	2,400,000	19,200,000	—	—	—	—	21,600,000
Share issue expenses	—	(763,452)	—	—	—	—	(763,452)
Final dividend paid (Note 7)	—	—	(480,000)	—	—	(2,400,000)	(2,880,000)
Changes in equity for the period	2,400,000	18,436,548	(480,000)	—	7,417,643	(2,400,000)	25,374,191
At 30 September 2014	14,400,000	112,865,637	141,829,615	—	52,322,869	—	321,418,121



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

For the nine months ended 30 September 2014, the Group continued with its money lending business in providing secured and unsecured loans to customers comprising individuals, corporations and foreign domestic workers.

In September 2014, the Group proposed to implement a rights issue on the basis of three rights shares for every one consolidated share after the proposed consolidation of every ten issued and unissued shares of HK\$0.01 each into one consolidated share of HK\$0.10 each at the subscription price of HK\$0.238 per rights share ("Rights Issue"). The Rights Issue was expected to raise HK\$102,816,000 (before expenses) by issuing 432,000,000 rights shares. The net proceeds from the Rights Issue are intended to be used in lending and securities related businesses and as general working capital of the Group. Relevant information of the Rights Issue is set out in the announcements of the Company dated 18 September 2014, 19 September 2014, 6 October 2014, 17 October 2014 and 31 October 2014 respectively. In view of the aforesaid, the Board believes that the Group's prospect will be further enhanced.

Looking forward, the Group will continue to strive for maintaining revenue growth and credit quality on the back of flexibility in business operations and effective customer service. Against the tense competition in the customer financing market, the Group will provide competitively priced products to face the challenges ahead so as to secure sustainable return for the investors.

FINANCIAL REVIEW

Revenue

The Group's revenue is derived from interest received from provision of various types of loan products to customers. For the nine months ended 30 September 2014, revenue remained stable from approximately HK\$40.56 million recorded in the corresponding period last year to approximately HK\$40.04 million. The slight decrease in revenue was mainly attributable to the lower average interest rate on the account of improvement in quality of the customer credit portfolio and keen competition in the customer financing market, which recorded at approximately 17.23% for the nine months ended 30 September 2014 from approximately 22.51% for the corresponding period in 2013.

Meanwhile, as the Group contributed more effort in expanding its loan portfolio, there was an increase in average loan balance by approximately 28.97% from approximately HK\$240.20 million for the nine months ended 30 September 2013 to approximately HK\$309.80 million for the corresponding period in 2014.

Net interest margin

The Group recorded a net interest margin of approximately 16.36% for the nine months ended 30 September 2014 (30 September 2013: approximately 22.29%). 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\$1.09 million for the nine months ended 30 September 2014, approximately 6.93% higher than the approximately HK\$1.02 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 nine months ended 30 September 2014 recorded a slight increase of approximately 0.49% to approximately HK\$14.68 million as compared to approximately HK\$14.61 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\$11.93 million for the nine months ended 30 September 2013, other operating expenses for the period increased to approximately HK\$15.04 million. The increase was mainly attributable to the increase of the net charge for impairment allowance for loans receivable to approximately HK\$9.26 million for the nine months ended 30 September 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\$5.82 million for the nine months ended 30 September 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\$1.09 million for the nine months ended 30 September 2013 to approximately HK\$2.59 million for the nine months ended 30 September 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\$7.42 million for the nine months ended 30 September 2014, representing an approximately 51.37% decrease as compared to approximately HK\$15.25 million for the nine months ended 30 September 2013.

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

As at 30 September 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 1)	923,520,000	—	16.03% (Note 2)

Note 1: Best Year Enterprises Limited ("Best Year") and Enhance Pacific Limited ("Enhance Pacific") are the registered and beneficial owners of these shares. Best Year, 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 is interested. Enhance Pacific, 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 is interested. By virtue of the irrevocable undertaking dated 18 September 2014 given by Best Year and Enhance Pacific in favour of Fordjoy Securities and Futures Limited ("Underwriter") and the Company ("Irrevocable Undertaking"), Best Year and Enhance Pacific are interested in 633,840,000 shares and 58,800,000 shares respectively.

Note 2: The percentage of shareholdings in the Company is calculated with reference to the number of shares to be issued immediately after completion of the Rights Issue assuming no issue of new shares on or before the record date of the Rights Issue, that is, 5,760,000,000 shares.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 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	Beneficial owner (Note 1)	845,120,000	14.67% (Note 4)
Enhance Pacific	Beneficial owner (Note 1)	78,400,000	1.36% (Note 4)
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%
The Underwriter	Beneficial owner (Note 3)	3,627,360,000	62.98% (Note 4)
Yuen Shu Ming	Interest of controlled corporation (Note 3)	3,627,360,000	62.98% (Note 4)

Note 1: Best Year and Enhance Pacific are beneficially wholly-owned by Mr. Sin. 211,280,000 Shares are currently held by Best Year and 19,600,000 Shares are currently held by Enhance Pacific. By virtue of the Irrevocable Undertaking, Best Year and Enhance Pacific are interested in 633,840,000 shares and 58,800,000 shares respectively.

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 (now known as Convoy Financial 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.

Note 3: The Underwriter is a licensed corporation to carry out business in type 1 (dealing in securities) and type 2 (dealing in futures contracts) regulated activities under the SFO and is interested in these shares by virtue of the underwriting agreement dated 18 September 2014 entered between the Company and the Underwriter. The Underwriter is owned as to 76% by Yuen Shu Ming who is deemed to be interested in the 3,627,360,000 shares for the purpose of SFO.

Note 4: The percentage of shareholdings in the Company is calculated with reference to the number of shares to be issued immediately after completion of the Rights Issue assuming no issue of new shares on or before the record date of the Rights Issue, that is, 5,760,000,000 shares.

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 September 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 nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 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 September 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 nine months ended 30 September 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, 11 November 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.