



First Credit Finance Group Limited
第一信用金融集團有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)
Stock Code: 8215



2016
FIRST 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 ended 31 March 2016 together with the comparative unaudited figures for the corresponding period in 2015, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Three months ended 31 March	
		2016 HK\$ (unaudited)	2015 HK\$ (unaudited)
Revenue	3	14,098,809	14,736,494
Other income	3	330,637	366,757
		14,429,446	15,103,251
Administrative expenses		(5,040,957)	(4,738,288)
Other operating expenses		(3,606,043)	(3,927,530)
Finance costs	4	(97,067)	(1,320,895)
Profit before tax	5	5,685,379	5,116,538
Income tax expense	6	(1,053,211)	(875,535)
Profit and total comprehensive income for the period		4,632,168	4,241,003
		HK cents	HK cents (restated)
Earnings per share			
Basic	8	1.10	1.85
Diluted	8	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 ended 31 March 2016 have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. These unaudited condensed consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

These unaudited condensed consolidated financial statements have been prepared under the historical cost convention, except for investment properties that are 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 2015 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 2016. 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 early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2016. The directors anticipate that the new and revised HKFRSs will be adopted in the Group’s consolidated financial statements when they become effective. The Group is in the process of assessing, where applicable, the potential effect of all new and revised HKFRSs that will be effective in future periods but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

2. SEGMENT INFORMATION

During the three months ended 31 March 2016 and 2015, all of the Group's revenue has been 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 2016 and 2015.

3. REVENUE AND OTHER INCOME

	Three months ended 31 March	
	2016 HK\$ (unaudited)	2015 HK\$ (unaudited)
Revenue:		
Interest income on loans	14,098,809	14,736,494
Other income:		
Other fee income	128	43,968
Bank interest income	1	1
Gross rental income	330,508	322,788
	330,637	366,757
Total revenue and other income	14,429,446	15,103,251

4. FINANCE COSTS

	Three months ended 31 March	
	2016 HK\$ (unaudited)	2015 HK\$ (unaudited)
Finance lease charges	—	3,750
Interest on bank loans and overdrafts	97,067	347,419
Interest on other borrowings wholly repayable within five years	—	969,726
	97,067	1,320,895

5. PROFIT BEFORE TAX

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

	Three months ended 31 March	
	2016 HK\$ (unaudited)	2015 HK\$ (unaudited)
Depreciation	86,854	213,762
Amortisation of leasehold land under finance leases	17,408	17,605
Directors' emoluments:		
Salaries, bonuses and allowances	992,001	1,190,000
Pension scheme contributions	96,488	136,125
	1,088,489	1,326,125
Employee benefits expense (excluding directors' emoluments):		
Salaries, bonuses and allowances	2,395,298	2,443,521
Pension scheme contributions	152,720	148,934
	2,548,018	2,592,455
Fair value loss on investment properties	700,000	—
Minimum lease rental payments in respect of land and buildings under an operating lease	276,675	325,050
Net charge for impairment allowance for loans receivable	1,264,991	1,610,332

6. INCOME TAX EXPENSE

	Three months ended 31 March	
	2016	2015
	HK\$	HK\$
	(unaudited)	(unaudited)
Current tax — Hong Kong Profits Tax	1,053,211	875,535

Hong Kong Profits Tax has been provided at a rate of 16.5% (2015: 16.5%) on the estimated assessable profit for the three months ended 31 March 2016 and 2015.

7. DIVIDENDS

The Directors do not recommend the payment of any interim dividend for the three months ended 31 March 2016 and 2015.

8. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the following:

	Three months ended 31 March	
	2016	2015
	HK\$	HK\$
	(unaudited)	(unaudited)
Earnings		
Profit attributable to owners of the Company	4,632,168	4,241,003

	Three months ended 31 March	
	2016	2015
	Number of shares	Number of shares
	(unaudited)	(unaudited)
Shares		
Weighted average number of ordinary shares used in basic earnings per share calculation (note)	421,493,785	229,391,014

Note: The weighted average number of ordinary shares for the three months ended 31 March 2015 has been retrospectively adjusted for the share consolidation with effect from 11 December 2015 and the rights issue completed on 31 March 2016.

(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 2016 and 2015.

9. MOVEMENT OF RESERVES

	(Unaudited)						
	Share capital	Share premium	Capital reserve	Contributed surplus	Property revaluation reserve	Retained profits	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At 1 January 2015	14,400,000	112,865,637	141,829,615	—	—	69,902,904	338,998,156
Total comprehensive income for the period	—	—	—	—	—	4,241,003	4,241,003
Issue of shares under rights issues	43,200,000	59,616,000	—	—	—	—	102,816,000
Share premium reduction	—	(168,878,070)	—	168,878,070	—	—	—
Capital reorganisation	(51,840,000)	—	—	51,840,000	—	—	—
Share issue expenses	—	(3,603,567)	—	—	—	—	(3,603,567)
Changes in equity for the period	(8,640,000)	(112,865,637)	—	220,718,070	—	4,241,003	103,453,436
At 31 March 2015	5,760,000	—	141,829,615	220,718,070	—	74,143,907	442,451,592
At 1 January 2016	6,048,000	7,590,768	141,829,615	220,718,070	5,203,775	94,775,610	476,165,838
Total comprehensive income for the period	—	—	—	—	—	4,632,168	4,632,168
Issue of shares on placement	1,209,600	9,313,920	—	—	—	—	10,523,520
Issue of shares under rights issues	65,318,400	349,453,440	—	—	—	—	414,771,840
Share issue expenses	—	(9,696,266)	—	—	—	—	(9,696,266)
Changes in equity for the period	66,528,000	349,071,094	—	—	—	4,632,168	420,231,262
At 31 March 2016	72,576,000	356,661,862	141,829,615	220,718,070	5,203,775	99,407,778	896,397,100

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

For the three months ended 31 March 2016, 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 three months ended 31 March 2016, the Group recorded an increase in profit of approximately 9.22% to approximately HK\$4.63 million, as compared to approximately HK\$4.24 million in the corresponding period last year. Details of which are set out in the following section headed "Financial Review".

On 17 December 2015, the Company and Jun Yang Securities Company Limited ("Jun Yang") entered into a placing agreement ("Placing Agreement") pursuant to which the Company has conditionally agreed to place through Jun Yang, on a best endeavour basis, up to 60,480,000 ordinary shares ("Placing Shares"), to not less than six places who and whose beneficial owners are independent third parties at a price of HK\$0.174 per Placing Share ("December Placing"), which represented a discount of approximately 13.00% to the closing price of HK\$0.20 per share as quoted on the Stock Exchange on the date of the Placing Agreement. The completion of the December Placing took place on 8 January 2016. The net proceeds after deduction of expenses from the December Placing were approximately HK\$10.12 million. The net placing price for the December Placing was approximately HK\$0.167 per Placing Share and the nominal value of the Placing Shares under the December Placing was HK\$1,209,600. The net proceeds of the December Placing has been fully deployed as intended for money lending business of the Group.

In March 2016, the Company raised net proceeds of approximately HK\$405.48 million by issuing 3,265,920,000 rights shares of HK\$0.127 each on the basis of nine rights shares for every one share ("Rights Issue"). Up to 10 May 2016, the actual use of net proceeds from the Rights Issue was summarized as follows: (i) approximately HK\$107.49 million was utilised for provision of secured lending; and (ii) approximately HK\$246.28 million was utilised for provision of unsecured lending. The Company will consider the market situation from time to time when determining the appropriate fund allocation between secured lending and unsecured lending. Relevant information of which was stated in the announcement regarding change in use of proceeds from the Rights Issue dated 19 April 2016.

To optimise the present branch network of the Company, in April 2016, the Tsuen Wan branch has been merged with the Mongkok branch. The Group will continue to monitor the market situation and assess the efficiency of the existing branch network.

Looking forward, the Group will continue to concentrate its efforts on the existing money lending operations in Hong Kong riding on its experience in money lending business. Given the rapidly changing economy and challenging external operating environment, the Group will continue to focus on maintaining the growth and credit quality of its loan portfolio while closely monitoring the capital and funding base in pursuing sustainable growth and maximising value for shareholders amid the low interest rate environment.

To ensure better control of market risks and liquidity risks associated with the core business and to ensure efficient use of capital, prudent treasury management policies will be continued in relation to surplus funds generated from the operations from time to time.

FINANCIAL REVIEW

Revenue

The Group's revenue is derived from interest received from the provision of various types of loan products to its customers.

For the three months ended 31 March 2016, the Group recorded a slight decrease in revenue to approximately HK\$14.10 million, comparing to approximately HK\$14.74 million for the corresponding period in 2015. The decline in revenue during the review period was mainly due to the shrinkage of average loan balance from approximately HK\$368.95 million for the three months ended 31 March 2015 to approximately HK\$366.51 million for the three months ended 31 March 2016.

Meanwhile, due to the above-mentioned reason, the average interest rate recorded a decrease to approximately 15.39% for the three months ended 31 March 2016, as compared to approximately 15.98% for the corresponding period in 2015.

Net interest margin

The Group recorded an increase of net interest margin from approximately 14.76% for the three months ended 31 March 2015 to approximately 15.39% for the three months ended 31 March 2016, despite the lower average interest rate for the period. Such increase in net interest margin was mainly attributable to reduced reliance on financial assistance from independent third party lenders and banks. Meanwhile, the Company developed its money lending business on the back of new equity funding raised from the December Placing and the Rights Issue.

Other income

The Group's other income mainly comprises income from fees received in relation to its money lending business, bank interest income derived from bank deposit and rental income. Although the amount is relatively low as compared to the Group's interest income derived from loans, rental income has provided steady cash flow, forming part of the Group's business strategies and activities.

For the three months ended 31 March 2016, other income remained steady at approximately HK\$0.33 million as compared to approximately HK\$0.37 million for the corresponding period in 2015.

Administrative expenses

The Group's administrative expenses mainly comprise employment expenses and occupancy costs for its 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 expenses, general insurance expenses and depreciation charges, etc.

The Group's administrative expenses for the three months ended 31 March 2016 recorded an increase of approximately 6.39% to approximately HK\$5.04 million, as compared to approximately HK\$4.74 million for the corresponding period last year, mainly attributable to the fair value loss on investment properties.

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\$3.93 million for the three months ended 31 March 2015, other operating expenses for the corresponding period in 2016 decreased to approximately HK\$3.61 million. Such decrease was mainly due to the decrease of the net charge for impairment allowance for loans receivable to approximately HK\$1.26 million for the three months ended 31 March 2016, as compared to approximately HK\$1.61 million for the corresponding period last year.

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 significant drop in finance costs from approximately HK\$1.32 million for the three months ended 31 March 2015 to approximately HK\$0.10 million for the three months ended 31 March 2016 was attributable to the less reliance on financial assistance from independent third party lenders and banks for the review 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\$4.63 million for the three months ended 31 March 2016, representing an increase of approximately 9.22% as compared to approximately HK\$4.24 million for the corresponding period last year.

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

As at 31 March 2016, 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 total issued share capital of the Company
Sin Kwok Lam ("Mr. Sin")	Interest of controlled corporations	889,056,000 (Note)	—	24.50%

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 849,856,000 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 39,200,000 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 2016, 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	Capacity	Long position in ordinary shares held (Note 1)	Approximate percentage of total issued share capital of the Company
Best Year Enterprises Limited	Beneficial owner	849,856,000 (Note 2)	23.42%
GET Holdings Limited	Interest of controlled corporations	360,000,000 (Note 3)	9.92%
Lucky Famous Limited	Interest of controlled corporations	360,000,000 (Note 3)	9.92%
Perfect Growth Limited	Beneficial owner	360,000,000 (Note 3)	9.92%
Jun Yang Financial Holdings Limited	Interest of controlled corporations	350,000,000 (Note 4)	9.65%

Note 1: The number of shares stated in the table above is based on the latest notices of disclosure of interests filed by the relevant shareholders as at 31 March 2016.

Note 2: Best Year Enterprises Limited is a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Mr. Sin.

Note 3: Perfect Growth Limited is a company incorporated in Hong Kong with limited liability. Meanwhile, Perfect Growth Limited is wholly-owned by Lucky Famous Limited and Lucky Famous Limited is wholly-owned by GET Holdings Limited (stock code: 08100) whose shares are listed on GEM. By virtue of the SFO, Lucky Famous Limited and GET Holdings Limited are deemed to be interested in all the shares in which Perfect Growth Limited is interested.

Note 4: The shares are held by Classictime Investments Limited, a company wholly owned by Jun Yang Financial Holdings Limited. Jun Yang Financial Holdings Limited (stock code: 0397) is a company incorporated in Bermuda with limited liability whose shares are listed on the Main Board of the Stock Exchange.

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 2016, 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.

As at 31 March 2016, save for (i) Mr. Sin who was the director of each of Best Year Enterprises Limited and Enhance Pacific Limited and (ii) Mr. Yu Wan Hei, an independent non-executive Director of the Company and a director of Golden Moral Investments Limited (which was the immediate holding company of Jun Yang Securities Company Limited) and the financial controller of Jun Yang Financial Holdings Limited, none of the Directors was a director or employee of a company which had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 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 2016.

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 2016.

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 2016, 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 2016, 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 for 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 three months ended 31 March 2016.

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 three months ended 31 March 2016 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, 10 May 2016

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.