



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)*

# 2017

## FIRST QUARTERLY REPORT

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

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

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

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*This report, for which the directors (“**Directors**”) of First Credit Finance Group Limited (“**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 (“**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 (“**Board**”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively as the “**Group**”) for the three months ended 31 March 2017 together with the comparative unaudited figures for the corresponding period in 2016, as follows:

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

		Three months ended 31 March	
	Note	2017 HK\$ (unaudited)	2016 HK\$ (unaudited)
<b>Revenue</b>	3	<b>25,798,743</b>	14,098,809
Other income	4	<b>380,387</b>	330,637
Other gains and losses	5	–	(700,000)
		<b>26,179,130</b>	13,729,446
Administrative expenses		<b>(5,044,652)</b>	(4,340,957)
Other operating expenses		<b>(3,335,190)</b>	(3,606,043)
Finance costs	6	<b>(1,865,894)</b>	(97,067)
Gain on disposal of a subsidiary		<b>13,213,019</b>	–
<b>Profit before tax</b>	7	<b>29,146,413</b>	5,685,379
Income tax expense	8	<b>(2,674,103)</b>	(1,053,211)
<b>Profit and total comprehensive income for the period</b>		<b>26,472,310</b>	4,632,168
		<b>HK cents</b>	HK cents (Restated)
<b>Earnings per share</b>	10		
Basic		<b>0.73</b>	1.09
Diluted		<b>N/A</b>	N/A

## NOTES TO THE CONDENSED CONSOLIDATED 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 2017 have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**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 GEM Listing Rules 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, 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 consolidated results are consistent with those used in the Company’s annual financial statements for the year ended 31 December 2016 except for the adoption of all the new and revised HKFRSs issued by the HKICPA that are relevant to its operation and effective for its accounting year beginning on 1 January 2017. The adoption of these new and revised HKFRSs did not have any significant effect on the condensed consolidated financial statements of the Group.

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

### 2. SEGMENT INFORMATION

During the three months ended 31 March 2017 and 2016, 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 2017 and 2016.

### 3. REVENUE

The Group's revenue for the three months ended 31 March 2017 and 2016 represents interest income charged on credit facilities provided to borrowers.

### 4. OTHER INCOME

	Three months ended 31 March	
	2017	2016
	HK\$	HK\$
	(unaudited)	(unaudited)
Other fee income	130	128
Bank interest income	98,634	1
Gross rental income	210,219	330,508
Management fee income	60,000	–
Other interest income	11,404	–
	<b>380,387</b>	330,637

### 5. OTHER GAINS AND LOSSES

	Three months ended 31 March	
	2017	2016
	HK\$	HK\$
	(unaudited)	(unaudited)
Fair value losses on investment properties	–	(700,000)

## 6. FINANCE COSTS

	Three months ended 31 March	
	2017	2016
	HK\$	HK\$
	(unaudited)	(unaudited)
Interest on bank loans and overdrafts	62,079	97,067
Interest on other borrowings wholly repayable within five years	1,412,329	–
Effective interest expense on loan notes wholly repayable within five years	391,486	–
	<b>1,865,894</b>	97,067

## 7. PROFIT BEFORE TAX

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

	Three months ended 31 March	
	2017	2016
	HK\$	HK\$
	(unaudited)	(unaudited)
Amortisation of leasehold land under finance leases	10,883	17,408
Depreciation	376,839	86,854
Directors' emoluments:		
Salaries, bonus and allowance	1,121,577	992,001
Pension scheme contributions	112,538	96,488
	<b>1,234,115</b>	1,088,489
Employee benefits expense (excluding directors' emoluments):		
Salaries, bonus and allowance	2,366,997	2,395,298
Pension scheme contributions	144,048	152,720
	<b>2,511,045</b>	2,548,018
Fair value losses on investment properties	–	700,000
Gain on disposal of a subsidiary	(13,213,019)	–
Minimum lease rental payments in respect of land and buildings under an operating lease	528,019	276,675
Net charge for impairment allowance for loans receivable	1,197,830	1,264,991

**8. INCOME TAX EXPENSE**

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2017</b>	2016
	<b>HK\$</b>	HK\$
	<b>(unaudited)</b>	(unaudited)
Current tax – Hong Kong Profits tax	<b>2,674,103</b>	1,053,211

Hong Kong Profits Tax has been provided at a rate of 16.5% (2016: 16.5%) on the estimated assessable profit for the three months ended 31 March 2017 and 2016.

**9. DIVIDENDS**

The Directors did not recommend the payment of any interim dividend to shareholders for the three months ended 31 March 2017 and 2016.

**10. EARNINGS PER SHARE**

**(a) Basic earnings per share**

The calculation of basic earnings per share is based on the profit for the three months ended 31 March 2017 attributable to owners of the Company of HK\$26,472,310 (2016: HK\$4,632,168), and the weighted average number of ordinary shares of 3,628,800,000 (2016: 423,959,294 (restated)) in issue during the period.

**(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 2017 and 2016.

## 11. MOVEMENT OF RESERVES

	(Unaudited)								
	Attributable to owners of the Company								
	Share capital	Share premium	Capital reserve	Contributed surplus	Property revaluation reserve	Amounts recognised in other comprehensive income and accumulated in equity relating to assets classified as held for sale	Retained profits	Proposed final dividend	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
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 placing	1,209,600	9,313,920	-	-	-	-	-	-	10,523,520
Issue of shares under rights issue	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
At 1 January 2017	72,576,000	356,661,862	141,829,615	213,460,470	-	5,203,775	128,422,102	7,257,600	925,411,424
Total comprehensive income for the period	-	-	-	-	-	-	26,472,310	-	26,472,310
Release of reserve upon disposal of a subsidiary	-	-	-	-	-	(5,203,775)	5,203,775	-	-
Changes in equity for the period	-	-	-	-	-	(5,203,775)	31,676,085	-	26,472,310
At 31 March 2017	72,576,000	356,661,862	141,829,615	213,460,470	-	-	160,098,187	7,257,600	951,883,734



## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND PROSPECTS

For the three months ended 31 March 2017 (“**Review Period**”), the Group continued with its money lending business in providing secured and unsecured loans to customers comprising individuals, corporations and foreign domestic workers.

#### *Business review*

During the Review Period, the Group’s average loan balance recorded a satisfactory growth of approximately 151.26% as compared to the corresponding period in the preceding year and achieved approximately HK\$920.90 million for the Review Period, details of which are set out in the section headed “Financial Review” below.

In early October 2016, in view of the potential development of the securities related business, the Group initiated to invest in this business field through subscribing new shares in Asia Wealth Financial Holdings Limited (“**Asia Wealth**”), which represented approximately 9.09% of the then issued share capital of Asia Wealth. Subsequently on 1 April 2017, the Group further subscribed for additional shares in Asia Wealth, thereby increasing the shareholding of the Group in Asia Wealth to approximately 88.89% of the issued share capital of Asia Wealth as enlarged by the allotment and issue of the additional shares. Asia Wealth has then become a non-wholly owned subsidiary of the Company. Through the share subscriptions in Asia Wealth, the Group has acquired an indirect equity interest in Asia Wealth Securities Limited, a wholly-owned subsidiary of Asia Wealth, which holds the licence to carry on Type 1 (dealing in securities) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (“**SFO**”). Details of the share subscriptions in Asia Wealth are disclosed in the announcements of the Company dated 5 October 2016 and 8 November 2016.

Apart from the above, the Company is also proactively exploring further potential investment opportunities, including but not limited to investments in bonds, debt instruments, listed equity securities or project-based investments, subject to the prevailing market condition and taking into account the interest of the Company and its shareholders as a whole.

Looking forward, with the ultimate aim to maximise value for shareholders and enhance its position in the competitive industry, the Group will continue to strive for maintaining revenue growth and credit quality on the back of its experience in money lending business. Meanwhile, the Group will closely monitor its capital base and ensure sufficient funding is maintained through various means to capture and support different potential opportunities.

## FINANCIAL REVIEW

### *Revenue*

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

The Group's revenue for the Review Period was approximately HK\$25.80 million, representing an increase of approximately 82.99% over the revenue of approximately HK\$14.10 million recorded in the corresponding period in 2016. The increase in revenue was mainly attributable to the Group's effort in expanding the loan portfolio through diversifying the customer base, in particular individual and corporate customers from different market segments, which had driven up the average loan balance by approximately 151.26% to approximately HK\$920.90 million for the Review Period as compared to approximately HK\$366.51 million in the corresponding period in 2016.

Meanwhile, the average interest rate recorded a decrease from approximately 15.39% for the three months ended 31 March 2016 to approximately 11.21% for the Review Period.

### *Net interest margin*

The Group recorded a net interest margin of approximately 10.42% for the Review Period (three months ended 31 March 2016: approximately 15.39%). The decrease in net interest margin reflects the Group's pricing strategy under the low interest rate environment in the competitive money lending industry.

### *Other income and other gains and losses*

The Group's other income mainly comprises bank interest income derived from bank deposit, rental income, management fee income and other interest income. All of the rental income of the Group during the Review Period was generated from the investment properties held under the name of Techlink Investments Limited ("**Techlink**"), a subsidiary of the Company prior to the completion of its disposal on 20 February 2017. The investment properties have provided the Group with a steady source of rental income despite that the amount was relatively low as compared to the Group's interest income derived from loans. Nevertheless, no rental income was generated since the completion of disposal of Techlink in February 2017. Other income recorded a slight increase of approximately 15.05% from approximately HK\$0.33 million for the three months ended 31 March 2016 to approximately HK\$0.38 million for the Review Period. Meanwhile, since no investment properties were held by the Group as at 31 March 2017, no other gains and losses were recorded for the Review Period as compared to losses of HK\$0.7 million for the three months ended 31 March 2016 which was attributable to the fair value losses on investment properties.

### *Administrative expenses*

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

The Group's administrative expenses for the Review Period increased slightly to approximately HK\$5.04 million as compared to approximately HK\$4.34 million for the corresponding period in 2016. The increase in administrative expenses was mainly due to increased lease rental payments as well as a larger amount of depreciation arising from the expansion of the head office of the Company.

#### *Other operating expenses*

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

As compared to approximately HK\$3.61 million for the three months ended 31 March 2016, other operating expenses slightly decreased to approximately HK\$3.34 million for the Review Period. The decrease was mainly attributable to a decrease in advertising and promotion expenses for the Review Period as compared to the corresponding period in 2016.

#### *Finance costs*

The Group's finance costs mainly comprise interest payments for loans from lenders which are third parties independent of the Company and its connected persons ("**Independent Third Party(ies)**"), loan notes and mortgage loans from banks with collaterals on its buildings and investment properties. The increase in finance costs from approximately HK\$0.10 million for the three months ended 31 March 2016 to approximately HK\$1.87 million for the Review Period was mainly due to an increase in the interest payment for loans from Independent Third Party lenders and for the loan notes during the Review Period as compared to the corresponding period in 2016.

#### *Gain on disposal of a subsidiary*

The Group recorded a gain on disposal of a subsidiary of approximately HK\$13.2 million for the Review Period which was recognised upon the completion of disposal of Techlink on 20 February 2017. Details of the disposal of Techlink are set out in the announcements of the Company dated 29 November 2016 and 2 December 2016.

#### *Profit for the period*

The profit for the Review Period of the Group increased by approximately 471.49% from approximately HK\$4.63 million for the three months ended 31 March 2016 to approximately HK\$26.47 million. The increase was mainly attributable to an increase of approximately HK\$11.70 million in revenue and the gain on disposal of a subsidiary of approximately HK\$13.21 million for the Review Period.

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

As at 31 March 2017, the interests and short positions 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 SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

### Interests in the Company

#### *Long position*

Name of Director	Capacity	Number of ordinary shares held	Approximate percentage of the Company's issued share capital
Sin Kwok Lam	Interest of controlled corporations (Note)	599,056,000	16.51%

Note: 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 Kwok Lam, is interested in 559,856,000 shares. By virtue of the provisions of Part XV of the SFO, Mr. Sin Kwok Lam 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 Kwok Lam, is interested in 39,200,000 shares. By virtue of the provisions of Part XV of the SFO, Mr. Sin Kwok Lam is deemed to be interested in all the shares in which Enhance Pacific is interested.

Save as disclosed above, as at 31 March 2017, none of the Directors nor chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules.

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

As at 31 March 2017, the interests and short positions of the persons (other than the Directors or chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

### *Long position*

<b>Name</b>	<b>Capacity</b>	<b>Number of ordinary shares held</b>	<b>Approximate percentage of the Company's issued share capital</b>
Convoy Global Holdings Limited	Interest of controlled corporations (Note 1)	1,070,400,000	29.50%
Convoy (BVI) Limited	Interest of controlled corporations (Note 1)	1,070,400,000	29.50%
Convoy Collateral Limited	Beneficial owner (Note 1)	1,070,400,000	29.50%
GET Holdings Limited	Interest of controlled corporations (Note 2)	720,000,000	19.84%
Lucky Famous Limited	Interest of controlled corporations (Note 2)	720,000,000	19.84%
Perfect Growth Limited	Beneficial owner (Note 2)	720,000,000	19.84%
Best Year	Beneficial owner (Note 3)	559,856,000	15.43%
Jun Yang Financial Holdings Limited	Interest of controlled corporations (Note 4)	350,000,000	9.65%

Note 1: These shares are held by Convoy Collateral Limited, which is a company incorporated in Hong Kong with limited liability. Convoy Collateral Limited is wholly-owned by Convoy (BVI) Limited, which is in turn wholly-owned by Convoy Global Holdings Limited (stock code: 01019), whose shares are listed on the Main Board of the Stock Exchange. By virtue of the SFO, Convoy (BVI) Limited and Convoy Global Holdings Limited are deemed to be interested in all the shares in which Convoy Collateral Limited is interested.

Note 2: These shares are held by Perfect Growth Limited, which is a company incorporated in Hong Kong with limited liability. Perfect Growth Limited is wholly-owned by Lucky Famous Limited, which is in turn 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 3: Best Year is a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Mr. Sin Kwok Lam.

Note 4: These shares are held by Classictime Investments Limited, which is a company incorporated in the British Virgin Islands with limited liability and is 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. By virtue of the SFO, Jun Yang Financial Holdings Limited is deemed to be interested in all the shares in which Classictime Investments Limited is interested.

Save as disclosed above, the Directors are not aware of any other person (other than the Directors or chief executive of the Company) which had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

## SHARE OPTION SCHEME

The Company has adopted a share option scheme (“**Share Option Scheme**”) 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 of its subsidiaries; (b) any director (including executive, non-executive and independent non-executive director) of the Company and/or any of its 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 of its subsidiaries who, at the sole determination of the Board, have contributed or will contribute to the Company and/or any of its subsidiaries.

No share option had been granted/lapsed/cancelled under the Share Option Scheme since its adoption on 24 November 2011.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Review 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 shareholders' interests. To the best knowledge of the Board, throughout the Review Period, the Company has met the code provisions set out in the Corporate Governance Code contained in Appendix 15 to the GEM Listing Rules.

## COMPETING INTERESTS

The Directors confirm that none of the Directors, controlling shareholders of the Company and their respective close associates had any business or interest which competes or may compete with the business of the Group or had any other conflicts of interest with the Group during the Review Period.

## AUDIT COMMITTEE

As at the date of this report, the audit committee of the Company ("**Audit Committee**") comprises three existing independent non-executive Directors, namely, Mr. Fung Kam Man, Mr. Wang Zhiwei and Mr. Yu Wan Hei. The Group's unaudited condensed consolidated results for the three months ended 31 March 2017 have been reviewed by the Audit Committee. The Board is of the opinion that the preparation of such financial information has 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.

For and on behalf of the Board  
**First Credit Finance Group Limited**  
**Tsang Yan Kwong**  
*Chief Executive Officer and Executive Director*

Hong Kong, 9 May 2017