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 INTERIM REPORT

Stock Code : 8215

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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 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.*

INDEPENDENT REVIEW REPORT

RSM

TO THE BOARD OF DIRECTORS OF
FIRST CREDIT FINANCE GROUP LIMITED
(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 3 to 23 which comprises the condensed consolidated statement of financial position of the First Credit Finance Group Limited (the "Company") as at 30 June 2017 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 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 inquires, 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.

OTHER MATTER

The condensed consolidated interim financial information includes comparative information as required by HKAS 34. The comparative information for the interim condensed consolidated statement of financial position is based on the audited financial statements as at 31 December 2016. The comparative information for the interim condensed consolidated statement of profit or loss and other comprehensive income and related explanatory notes for the three months ended 30 June 2017 has not been reviewed.

RSM Hong Kong
Certified Public Accountants
Hong Kong

9 August 2017

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Note	Three months ended 30 June 2017 HK$ (unaudited)	Three months ended 30 June 2016 HK$ (unaudited)	Six months ended 30 June 2017 HK$ (unaudited)	Six months ended 30 June 2016 HK$ (unaudited)
Revenue	5	**31,691,094**	21,572,982	**57,489,837**	35,671,791
Other income	6	**721,514**	375,240	**1,101,901**	705,877
Other gains and losses	7	**166,090**	(898,911)	**13,379,109**	(1,598,911)
		32,578,698	21,049,311	**71,970,847**	34,778,757
Administrative expenses		**(7,427,237)**	(4,363,635)	**(12,471,889)**	(8,704,592)
Other operating expenses		**(4,934,696)**	(4,474,991)	**(8,269,886)**	(8,081,034)
Finance costs	8	**(2,884,878)**	(94,502)	**(4,750,772)**	(191,569)
Profit before tax	9	**17,331,887**	12,116,183	**46,478,300**	17,801,562
Income tax expense	10	**(3,226,322)**	(2,104,961)	**(5,900,425)**	(3,158,172)
Profit for the period		**14,105,565**	10,011,222	**40,577,875**	14,643,390
Other comprehensive income, net of tax					
Items that may be reclassified to profit or loss:					
– Fair value gain on available-for-sale financial assets	20	**83,252**	–	**83,252**	–
– Release of investment revaluation reserve upon completion of the step acquisition of Asia Wealth Financial Holdings Limited ("Asia Wealth")	20	**(83,252)**	–	**(83,252)**	–
		–	–	**–**	–
Total comprehensive income for the period		**14,105,565**	10,011,222	**40,577,875**	14,643,390

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Note	Three months ended 30 June 2017 HK$ (unaudited)	Three months ended 30 June 2016 HK$ (unaudited)	Six months ended 30 June 2017 HK$ (unaudited)	Six months ended 30 June 2016 HK$ (unaudited)
Profit and total comprehensive income attributable to:					
Owners of the Company		**14,293,044**	10,011,222	**40,765,354**	14,643,390
Non-controlling interests		**(187,479)**	–	**(187,479)**	–
		14,105,565	10,011,222	**40,577,875**	14,643,390
		HK cents	HK cents	**HK cents**	HK cents
Earnings per share					
Basic	12	**0.39**	0.28	**1.12**	0.72
Diluted	12	**N/A**	N/A	**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2017

	Note	30 June 2017 HK$ (unaudited)	31 December 2016 HK$ (audited)
Non-current assets			
Property, plant and equipment	13	**2,802,354**	1,565,195
Leasehold land under finance leases		**1,306,928**	1,328,694
Goodwill	20	**1,423,124**	–
Intangible assets – trading right		**3,100,000**	–
Loans receivable	14	**336,847,994**	439,202,306
Available-for-sale financial assets		**–**	900,000
Other assets		**200,000**	–
Deferred tax assets		**905,748**	905,748
Total non-current assets		**346,586,148**	443,901,943
Current assets			
Loans receivable	14	**713,384,906**	442,790,299
Accounts receivable	15	**60,696,327**	–
Financial assets at fair value through profit or loss		**8,917,600**	–
Prepayments, deposits and other receivables		**23,286,933**	1,400,174
Bank and cash balances – trust and segregated accounts	16	**11,175,935**	–
Bank and cash balances		**81,502,035**	58,634,302
		898,963,736	502,824,775
Assets classified as held for sale		**–**	76,800,585
Total current assets		**898,963,736**	579,625,360
Current liabilities			
Accounts payable	17	**21,476,215**	–
Accruals and other payables		**6,818,593**	3,569,445
Interest-bearing loans	18	**200,000,000**	58,537,056
Loan notes		**32,913,891**	32,873,178
Dividend payables	11	**7,257,600**	–
Current tax payable		**8,519,250**	2,956,791
		276,985,549	97,936,470

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

AT 30 JUNE 2017

	Note	30 June 2017 HK$ (unaudited)	31 December 2016 HK$ (audited)
Liabilities directly associated with assets classified as held for sale		–	179,289
Total current liabilities		**276,985,549**	98,115,759
Net current assets		**621,978,187**	481,509,601
Total assets less current liabilities		**968,564,335**	925,411,544
Non-current liabilities			
Deferred tax liabilities		**120**	120
Total non-current liabilities		**120**	120
NET ASSETS		**968,564,215**	925,411,424
Capital and reserves			
Share capital	19	**72,576,000**	72,576,000
Reserves		**886,343,178**	847,631,649
Amounts recognised in other comprehensive income and accumulated in equity relating to assets classified as held for sale		–	5,203,775
Non-controlling interests		**9,645,037**	–
TOTAL EQUITY		**968,564,215**	925,411,424

Approved by the Board of Directors on 9 August 2017 and are signed on its behalf by:

Tsang Yan Kwong
Director

Ho Siu Man
Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Unaudited									
	Attributable to owners of the Company									
	Share capital HK$	Share premium HK$	Capital reserve HK$	Contributed surplus HK$	Property revaluation reserve HK$	Amounts recognised in other comprehensive income and accumulated in equity relating to assets classified as held for sale HK$	Retained profits HK$	Proposed final dividend HK$	Non-controlling interests HK$	Total 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	–	–	–	–	–	–	14,643,390	–	–	14,643,390
Issue of shares on placing (note 19(a))	1,209,600	9,313,920	–	–	–	–	–	–	–	10,523,520
Issue of shares under rights issue (note 19(b))	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	–	–	–	–	14,643,390	–	–	430,242,484
At 30 June 2016	72,576,000	356,661,862	141,829,615	220,718,070	5,203,775	–	109,419,000	–	–	906,408,322
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	**-**	**-**	**-**	**-**	**-**	**-**	**40,765,354**	**-**	**(187,479)**	**40,577,875**
Acquisition of a subsidiary (note 20)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**9,832,516**	**9,832,516**
Disposal of a subsidiary (note 21)	**-**	**-**	**-**	**-**	**-**	**(5,203,775)**	**5,203,775**	**-**	**-**	**-**
Dividend paid (note 11)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(7,257,600)**	**-**	**(7,257,600)**
Changes in equity for the period	**-**	**-**	**-**	**-**	**-**	**(5,203,775)**	**45,969,129**	**(7,257,600)**	**9,645,037**	**43,152,791**
At 30 June 2017	**72,576,000**	**356,661,862**	**141,829,615**	**213,460,470**	**-**	**-**	**174,391,231**	**-**	**9,645,037**	**968,564,215**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Six months ended 30 June	
	2017	2016
	HK$	HK$
	(unaudited)	(unaudited)
Net cash used in operating activities	**(210,569,683)**	(358,700,056)
Net cash generated from/(used in) investing activities	**84,330,578**	(2,543,113)
Net cash generated from financing activities	**149,106,838**	439,585,951
Net increase in cash and cash equivalents	**22,867,733**	78,342,782
Cash and cash equivalents at beginning of period	**58,634,302**	28,333,804
Cash and cash equivalents at end of period	**81,502,035**	106,676,586
Analysis of balances of cash and cash equivalents		
Bank and cash balances	**81,502,035**	106,676,586

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

1. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

These condensed consolidated financial statements should be read in conjunction with the 2016 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2016 except as stated below.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, First Credit Finance Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as 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 2017. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not have any significant effect on the condensed consolidated financial statements.

3. FAIR VALUE MEASUREMENTS

Except as disclosed below, the carrying amount 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 into three levels inputs to valuation techniques used to measure fair value:

3. FAIR VALUE MEASUREMENTS (Continued)

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.

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 30 June 2017 and 31 December 2016

At 30 June 2017, the fair value measurements of the Group's investments in listed equity securities classified as financial assets at fair value through profit or loss are recurring and are determined using level 1 inputs.

At 31 December 2016, the fair value measurements of the Group's investment properties classified as held for sale are non-recurring and are determined using level 2 inputs.

Disclosure of valuation techniques and inputs used in fair value measurements at 31 December 2016

The investment properties were revalued on 31 December 2016 by RHL Appraisal Limited, independent professional qualified valuer, on direct comparison of price of properties of similar size, character and location (level 2 measurement). The key input used in the valuation is the price per square feet.

During the year ended 31 December 2016, there were no changes in the valuation techniques used.

4. SEGMENT INFORMATION

The Group is principally engaged in the following activities:

– the money lending segment – the provision and arrangement of credit financing in Hong Kong.

– the securities trading segment – the provision of securities brokerage and investments in listed securities.

4. SEGMENT INFORMATION (Continued)

The securities trading segment is a new business segment of the Group for the period ended 30 June 2017 through step acquisition of a subsidiary during current period.

Segment profit/(loss) represents the profit/(loss) increased by each segment before gain on disposal of a subsidiary, unallocated other income, other gains and losses and head office and administration cost. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

	Money lending		Securities trading		Total	
	Three months ended 30 June 2017 HK$ (unaudited)	Six months ended 30 June 2017 HK$ (unaudited)	Three months ended 30 June 2017 HK$ (unaudited)	Six months ended 30 June 2017 HK$ (unaudited)	Three months ended 30 June 2017 HK$ (unaudited)	Six months ended 30 June 2017 HK$ (unaudited)
Revenue	31,525,183	57,323,926	165,911	165,911	31,691,094	57,489,837
Segment profit/(loss)	18,072,758	33,355,464	(1,604,553)	(1,604,553)	16,468,205	31,750,911

	Money lending HK$ (unaudited)	Securities trading HK$ (unaudited)	Total HK$ (unaudited)
As at 30 June 2017:			
Segment assets	1,117,107,609	110,270,150	1,227,377,759
Segment liabilities	214,430,977	22,041,690	236,472,667

For the six months and three months ended 30 June 2016, the Group's resources are integrated and no discrete financial information is available for the purpose of resources allocation and assessment of the Group's performance. Accordingly, no segment analysis or information about the Group's products and services is presented.

4. SEGMENT INFORMATION (Continued)

	Three months ended 30 June 2017 HK$ (unaudited)	Six months ended 30 June 2017 HK$ (unaudited)
Reconciliations of segment profit or loss:		
Total profit of reportable segments	16,468,205	31,750,911
Unallocated amounts:		
(Loss)/gain on disposal of a subsidiary	(830)	13,212,189
Other income	348,236	668,493
Other gains and losses	83,252	83,252
Administrative and other operating expenses	(2,401,571)	(4,268,256)
Finance costs	(391,727)	(845,292)
Profit before tax	14,105,565	40,601,297
Income tax expense	–	(23,422)
Consolidated profit for the period	14,105,565	40,577,875

5. REVENUE

	Three months ended 30 June		Six months ended 30 June	
	2017	2016	**2017**	2016
	HK$	HK$	**HK$**	HK$
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Interest income charged on loan facilities	**31,525,183**	21,572,982	**57,323,926**	35,671,791
Commission income from securities brokerage	**165,911**	–	**165,911**	–
	31,691,094	21,572,982	**57,489,837**	35,671,791

6. OTHER INCOME

	Three months ended 30 June		Six months ended 30 June	
	2017	2016	**2017**	2016
	HK$	HK$	**HK$**	HK$
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Bank interest income	**1,361**	210	**99,995**	211
Dividend income	**60,000**	–	**60,000**	–
Gross rental income	**–**	374,850	**210,218**	705,358
Other fee income	**7,790**	180	**7,790**	308
Other interest income	**652,255**	–	**663,659**	–
Sundry income	**108**	–	**60,239**	–
	721,514	375,240	**1,101,901**	705,877

7. OTHER GAINS AND LOSSES

	Three months ended 30 June		Six months ended 30 June	
	2017	2016	**2017**	2016
	HK$	HK$	**HK$**	HK$
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Fair value losses on investment properties	**–**	(900,000)	**–**	(1,600,000)
(Loss)/gain on disposal of a subsidiary (note 21)	**(830)**	–	**13,212,189**	–
Gain on re-measurement of pre-existing interest in Asia Wealth to acquisition date fair value (note 20)	**83,252**	–	**83,252**	–
(Loss)/gain on disposals of property, plant and equipment	**(6,652)**	1,089	**(6,652)**	1,089
Realised gain from financial assets at fair value through profit or loss	**290,000**	–	**290,000**	–
Fair value changes on financial assets at fair value through profit or loss, net	**(199,680)**	–	**(199,680)**	–
	166,090	(898,911)	**13,379,109**	(1,598,911)

8. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2017	2016	**2017**	2016
	HK$	HK$	**HK$**	HK$
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Interest on bank loans	**–**	94,502	**62,079**	191,569
Interest on other borrowings wholly repayable within five years	**2,493,151**	–	**3,905,480**	–
Effective interest expense on loan notes wholly repayable within five years	**391,727**	–	**783,213**	–
	2,884,878	94,502	**4,750,772**	191,569

9. PROFIT BEFORE TAX

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

	Three months ended 30 June		Six months ended 30 June	
	2017	2016	**2017**	2016
	HK$	HK$	**HK$**	HK$
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Amortisation of leasehold land under finance leases	**10,884**	18,690	**21,767**	36,098
Depreciation	**473,992**	297,011	**850,831**	383,865
Directors' emoluments:				
Salaries, bonuses and allowance	**1,122,906**	991,334	**2,244,483**	1,983,335
Pension scheme contributions	**112,537**	96,487	**225,075**	192,975
	1,235,443	1,087,821	**2,469,558**	2,176,310
Employee benefits expense (excluding directors' emoluments):				
Salaries, bonuses and allowance	**3,328,095**	2,208,441	**5,695,092**	4,603,739
Pension scheme contributions	**131,300**	126,734	**275,348**	279,454
	3,459,395	2,335,175	**5,970,440**	4,883,193
Minimum lease rental payments in respect of land and buildings under an operating lease	**1,695,917**	241,525	**2,305,732**	518,200
Net charge for impairment allowance for loans receivable	**1,526,485**	1,739,902	**2,724,315**	3,004,893

10. INCOME TAX EXPENSE

	Three months ended 30 June		Six months ended 30 June	
	2017	2016	**2017**	2016
	HK$	HK$	**HK$**	HK$
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Current tax – Hong Kong Profits Tax	**3,226,322**	2,104,961	**5,900,425**	3,158,172

Hong Kong Profits Tax has been provided at a rate of 16.5% (2016: 16.5%) on the estimated assessable profit for the six months ended 30 June 2017 and 2016.

11. DIVIDENDS

The declaration of final dividend for the year ended 31 December 2016 of HK0.2 cents per ordinary share was approved by the shareholders at the annual general meeting of the Company held on 28 June 2017. The dividend payable of HK$7,257,600 was settled on 28 July 2017.

The Directors did not recommend the payment of any interim dividend to shareholders for the six months ended 30 June 2017 and 2016.

12. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share is based on the profit for the six months and three months ended 30 June 2017 attributable to owners of the Company of HK$40,765,354 and HK$14,293,044 respectively (For the six months and three months ended 30 June 2016: HK$14,643,390 and HK$10,011,222 respectively), and the weighted average number of ordinary shares of 3,628,800,000 (For the six months and three months ended 30 June 2016: 2,026,379,647 and 3,628,800,000 respectively) in issue during the period.

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 2017 and 2016.

13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group acquired property, plant and equipment of HK$2,094,642 (2016: HK$2,545,124), of which HK$306,075 (2016: HK$Nil) was through the acquisition of a subsidiary.

14. LOANS RECEIVABLE

	30 June 2017 HK$ (unaudited)	31 December 2016 HK$ (audited)
Loans to customers	**1,047,980,177**	883,564,878
Accrued interest receivables	**10,391,847**	8,920,396
	1,058,372,024	892,485,274
Impairment allowance on individual assessment	**(1,749,740)**	(5,003,285)
Impairment allowance on collective assessment	**(6,389,384)**	(5,489,384)
	1,050,232,900	881,992,605
Analysed as:		
Non-current assets	**336,847,994**	439,202,306
Current assets	**713,384,906**	442,790,299
	1,050,232,900	881,992,605

The Group seeks to maintain strict control over its outstanding loans receivable to minimise credit risk. Overdue balances are reviewed regularly by management.

The loans receivable above were denominated in Hong Kong dollars.

14. LOANS RECEIVABLE (Continued)

The credit quality analysis of the loans receivable is as follows:

	30 June 2017 HK$ (unaudited)	31 December 2016 HK$ (audited)
Neither past due nor impaired		
– Unsecured	**696,927,649**	636,003,288
– Secured	**352,564,954**	228,478,133
Less than 1 month past due	**2,608,133**	3,905,863
1 to 3 months past due	**44,008**	185,396
Over 3 months past due	**4,446,937**	946,937
	1,056,591,681	869,519,617
Impaired (note)	**1,780,343**	22,965,657
	1,058,372,024	892,485,274

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 past experience, the directors are of the opinion that no provision for impairment on these individual loans was necessary as these loans receivable were substantially/fully settled subsequent to the reporting period or there had not been a significant change in credit quality of the relevant customers and hence these balances were considered fully recoverable.

Amongst all past due but not impaired loans, the first mortgage loan of HK$3,500,000 (At 31 December 2016: HK$Nil) and second mortgage loan of HK$946,937 (At 31 December 2016: HK$1,262,288) were secured by collaterals with fair value (based on its prevailing market price) which amounted to HK$5,000,000 (At 31 December 2016: HK$Nil) and HK$10,300,000 (At 31 December 2016: HK$12,000,000) respectively as at 30 June 2017.

14. LOANS RECEIVABLE (Continued)

The individually impaired loans receivable relate to clients that were in financial difficulties and only a portion of the receivable was expected to be recovered. As at 30 June 2017, the Group did not hold any collateral in respect of the individually impaired loans receivable. At 31 December 2016, the Group did not hold any collateral in respect of the individually impaired loans receivable except that the impaired loan in the amount of HK$17,440,510 was secured by collaterals with fair value (based on its prevailing market price) which amounted to HK$16,700,000.

15. ACCOUNTS RECEIVABLE

	30 June 2017 HK$ (unaudited)	31 December 2016 HK$ (audited)
Accounts receivable arising from business of dealing in securities:		
– Clients	52,046,327	–
– Clearing house	8,650,000	–
	60,696,327	–

The aging analysis of the accounts receivable is as follows:

	30 June 2017 HK$ (unaudited)	31 December 2016 HK$ (audited)
Current	14,466,529	–
Past due		
– Less than 1 month	45,638,408	–
– 1 to 3 months	591,390	–
	46,229,798	–
	60,696,327	–

15. ACCOUNTS RECEIVABLE (Continued)

The settlement terms of accounts receivable arising from the business of dealing in securities are two days after trade date or at specific terms agreed with clearing house and clients.

The past due accounts receivable from clients in the amount of HK$46,229,798 bear an interest of 8% per annum and relate to a wide range of clients who had no recent history of default. The Group has a right to off-set the accounts receivable from these clients by the securities held by the Group on behalf of such clients. At 30 June 2017, the total market value of their portfolios of securities was HK$96,457,280 (2016: N/A).

16. BANK AND CASH BALANCES – TRUST AND SEGREGATED ACCOUNTS

The Group maintains segregated trust accounts with licensed banks or authorised institutions to hold clients' monies arising from its normal course of business. The Group classified the clients' monies as cash held on behalf of clients under the current assets section of the condensed consolidated statement of financial position and recognised the corresponding accounts payable to respective clients.

17. ACCOUNTS PAYABLE

	30 June 2017 HK$ (unaudited)	31 December 2016 HK$ (audited)
Accounts payable arising from business of dealing in securities:		
– Clients	**19,911,855**	–
– Clearing house	**1,564,360**	–
	21,476,215	–

The settlement terms of accounts payable arising from the business of dealing in securities are two days after trade date or at specific terms agreed with clearing house. No aging analysis is disclosed as in the opinion of the directors of the Company, the aging analysis does not give additional value in view of the nature of the securities trading business.

18. INTEREST-BEARING LOANS

	30 June 2017 HK$ (unaudited)	31 December 2016 HK$ (audited)
Bank loan	–	8,537,056
Loan from an independent third party	200,000,000	50,000,000
	200,000,000	58,537,056

The borrowings are repayable as follows:

	30 June 2017 HK$ (unaudited)	31 December 2016 HK$ (audited)
On demand or within one year	200,000,000	50,665,908
In the second year	–	694,767
In the third to fifth year	–	2,269,441
After five years	–	4,906,940
	200,000,000	58,537,056
Portion of bank loan that is due for repayment after one year but contains a repayment on demand clause (shown under current liabilities)	–	(7,871,148)
Amount due for settlement within 12 months (shown under current liabilities)	200,000,000	50,665,908

The carrying amounts of the Group's borrowings are denominated in Hong Kong dollars.

At 30 June 2017 and 31 December 2016, the Group had no available undrawn borrowing facility.

18. INTEREST-BEARING LOANS (Continued)

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

	30 June 2017 HK$	31 December 2016 HK$
Bank loan	N/A	4.25%
Loan from an independent third party	5%	5%

19. SHARE CAPITAL

	Authorised		Issued and fully paid	
	Number of shares	Amount HK$	Number of shares	Amount HK$
Ordinary shares of HK$0.02 each:				
At 1 January 2016, audited	250,000,000,000	5,000,000,000	302,400,000	6,048,000
Issue of shares on placing (note (a))	–	–	60,480,000	1,209,600
Issue of shares under rights issue (note (b))	–	–	3,265,920,000	65,318,400
At 31 December 2016 and 1 January 2017, audited and at 30 June 2017, unaudited	250,000,000,000	5,000,000,000	3,628,800,000	72,576,000

19. SHARE CAPITAL (Continued)

Notes:

(a) On 17 December 2015, the Company and Jun Yang Securities Company Limited entered into a placing agreement in respect of the placing of a maximum of 60,480,000 ordinary shares of HK$0.02 each to independent investors at a price of HK$0.174 per share. The placing was completed on 8 January 2016 and an aggregate of 60,480,000 ordinary shares of HK$0.02 each were allotted and issued by the Company. The premium on the placing of shares amounting to HK$9,313,920, net of share issue expenses amounting to HK$402,518, was credited to the Company's share premium account.

(b) Pursuant to a resolution passed at the special general meeting of the Company held on 19 February 2016, the issue by way of rights issue on the basis of nine rights shares of HK$0.02 each for every share in issue and held on the record date ("Rights Issue") at the subscription price of HK$0.127 per rights share was approved.

On 31 March 2016, the Rights Issue was completed and 3,265,920,000 rights shares of HK$0.02 each were allotted and issued by the Company. On the same day, the premium on the issue of rights shares of HK$0.02 each amounting to HK$349,453,440, net of share issue expenses amounting to HK$9,293,748, was credited to the Company's share premium account.

20. STEP ACQUISITION FROM AVAILABLE-FOR-SALE FINANCIAL ASSETS TO A SUBSIDIARY OF THE GROUP

On 1 April 2017, the Company completed its subscription for 79 shares of Asia Wealth at a cash consideration of HK$79,100,000 ("Acquisition"). The Acquisition was for the purpose of diversifying the Group's business and the risk thereof.

Immediately upon the completion of the Acquisition, the Company held approximately 88.89% of the issued share capital of Asia Wealth as enlarged by the allotment and issue of the additional shares. Asia Wealth became a non-wholly owned subsidiary of the Company. Through the share subscriptions in Asia Wealth, the Company 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) and is principally engaged in dealing in securities.

Prior to the Acquisition, the Company held approximately 9.09% equity interest in Asia Wealth (or approximately 1.11% of the issued share capital of Asia Wealth as enlarged by the allotment and issue of the additional shares under the Acquisition) and the investment was recognised as available-for-sale financial assets. The fair value has been re-measured at HK$983,252 and the fair value gain of HK$83,252 has been recognised in the other comprehensive income, which was then released to the profit or loss upon completion of the Acquisition.

20. STEP ACQUISITION FROM AVAILABLE-FOR-SALE FINANCIAL ASSETS TO A SUBSIDIARY OF THE GROUP (Continued)

The following table summarises the consideration paid for the Acquisition, and the fair value of the assets acquired, liabilities assumed and the non-controlling interests at the acquisition date.

	1 April 2017 HK$
Purchase consideration	
– Cash paid	79,100,000
– Fair value of previously held interest in Asia Wealth	983,252
	80,083,252
The fair value of identifiable assets acquired and liabilities assumed:	
Property, plant and equipment	306,075
Trading right	3,100,000
Other assets	200,000
Bank and cash balances	84,050,107
Bank and cash balances – trust and segregated accounts	3,429,962
Accounts receivable	7,682,715
Prepayments, deposits and other receivables	1,009,682
Accounts payable	(11,133,722)
Accruals and other payables	(152,175)
Total identifiable net assets	88,492,644
Non-controlling interests	(9,832,516)
Goodwill	1,423,124
	80,083,252
Net cash inflow arising on acquisition:	
Cash consideration	(79,100,000)
Cash and cash equivalents acquired	84,050,107
	4,950,107

20. STEP ACQUISITION FROM AVAILABLE-FOR-SALE FINANCIAL ASSETS TO A SUBSIDIARY OF THE GROUP (Continued)

The goodwill arising from the Acquisition is attributable to the synergies expected to arise from the business combination and future growth of Asia Wealth.

The gross contractual amounts of accounts and other receivables were HK$8,692,397. None of these receivables had been impaired nor expected to be uncollectible.

Asia Wealth contributed a revenue of HK$165,911 and incurred a loss of HK$1,687,308 in the period between the date of Acquisition and the end of the reporting period.

If the Acquisition had been completed on 1 January 2017, the total revenue of the Group for the period would have been HK$57,532,227, and profit for the period would have been HK$39,077,226. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that would actually have been achieved had the Acquisition been completed on 1 January 2017, and is not intended to be a projection of future results.

The Group has chosen to recognise the non-controlling interests at their proportionate share of Asia Wealth's total identifiable net assets for this Acquisition.

21. DISPOSAL OF A SUBSIDIARY

Pursuant to a provisional sale and purchase agreement dated 29 November 2016 entered into between the Group and an independent third party ("Purchaser"), the Group agreed to sell its entire equity interest in Techlink Investments Limited ("Techlink") and all the debts owing by Techlink to the Group as at completion to the Purchaser at an aggregate cash consideration of HK$91,000,000 subject to adjustments at completion ("Disposal"). The Disposal was completed on 20 February 2017 and the resulting gain on disposal of HK$13,212,189 was recognised in the profit and loss.

Techlink held certain investment properties ("Properties") for rental income purpose. In view of the capital gain which was expected to be derived from the Disposal, the management of the Company considered that it was in the interest of the Company and its shareholders to dispose of Techlink in order to realise the Group's investment in the Properties and to utilise the proceeds from the Disposal for further development of the Group's money lending business.

22. RELATED PARTY TRANSACTIONS

(a) The Group had the following material transactions with its related parties during the period:

	Six months ended 30 June	
	2017	2016
	HK$	HK$
	(unaudited)	(unaudited)
Interest income from a related company (note i)	**358,279**	–
Interest income from a related company (note ii)	**–**	371,312
Commission expenses paid to a related company (note iii)	**40,713**	–

Notes:

(i) The related company is Surplus Huge Limited, of which the director of the Company, Mr. Tsang Yan Kwong, is a director.

(ii) The related company is National Arts Entertainment Limited, which is indirectly wholly-owned by a company of which Mr. Sin Kwok Lam, the chairman and a director of the Company, is a substantial shareholder, chairman and director.

(iii) The related company is Convoy Asset Management Limited, which is indirectly wholly-owned by Convoy Global Holdings Limited, a substantial shareholder of the Company.

(b) Balances with related parties

	30 June 2017	31 December 2016
	HK$	HK$
	(unaudited)	(audited)
Loan to a related company (note)	**15,000,000**	–

Note: The related company is Surplus Huge Limited, of which the director of the Company, Mr. Tsang Yan Kwong, is a director. The loan to the related company as at 30 June 2017 bears an effective interest rate of 9.25% per annum and is repayable on 28 September 2019.

22. RELATED PARTY TRANSACTIONS (Continued)

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

	Six months ended 30 June	
	2017	2016
	HK$	HK$
	(unaudited)	(unaudited)
Short-term employee benefits including salaries, bonuses, paid annual leaves and sick leaves	**2,244,483**	1,983,335
Post-employment benefits	**225,075**	192,975
	2,469,558	2,176,310

23. CONTINGENT LIABILITIES

At 30 June 2017, the Group had the following significant contingent liabilities:

The Group's external legal counsel advised that the Group's loan agreements which involve charging an effective interest rate at a rate more than 48% but less than 60% per annum could 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 2017, the Group's maximum exposure to such legal risk comprised interest income on loans receivable totalling approximately HK$14.09 million (At 31 December 2016: HK$16.36 million).

24. EVENTS AFTER REPORTING PERIOD

As at 30 June 2017, the outstanding balance of the loan notes issued by the Company bearing an interest rate of 4.5% per annum amounted to approximately HK$32.91 million. On 29 July 2017, the loan notes in the principal amount of HK$25 million were early redeemed at the requests of note holders in accordance with the terms and conditions of the loan notes. No adjustments have been made to the condensed consolidated financial statements as a result of this early redemption.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

For the six months ended 30 June 2017 ("**Review Period**"), the Company and its subsidiaries ("**Group**") continued with its money lending business in providing secured and unsecured loans to customers comprising individuals, corporations and foreign domestic workers. Meanwhile, as a result of the completion of share subscription in Asia Wealth Financial Holdings Limited ("**Asia Wealth**"), the Group has diversified its business into securities related field.

During the Review Period, the Group recorded an increase in average loan balance by approximately 79.17% to approximately HK$984.05 million as compared to approximately HK$549.22 million for the corresponding period last year, which drove the revenue up to approximately HK$57.49 million for the Review Period, the details of which are set out in the section headed "Financial Review" below.

In view of the competitive money lending market in Hong Kong, the Group actively pursued other opportunities in other industries in order to broaden the source of revenue and diversify business risk with the aim to enhance its shareholder value. In early October 2016, considering the potential development of the securities related business, the Group initiated to invest in this business field through subscribing new share in Asia Wealth, which represented approximately 9.09% of the then enlarged 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**"). Asia Wealth is currently at the stage of building and developing its customer base. It is expected that the development of the securities related business would enhance the potential return of business of the Group. Details of the share subscriptions in Asia Wealth are disclosed in the section headed "Material Acquisition and Disposal of Subsidiaries" below and the announcements of the Company dated 5 October 2016 and 8 November 2016.

On 20 June 2017, in order to maintain sufficient fund for the development of the Group, the Company and Convoy Asset Management Limited ("**Convoy**") entered into a placing agreement pursuant to which Convoy agreed to act as the placing agent of the Company and to procure, on a best endeavour basis during a period of one year commencing on the day immediately following the date of the placing agreement, placee(s) to subscribe for the 6% per annum notes ("**Notes**") to be issued by the Company in an aggregate principal amount of up to HK$100,000,000 maturing on the day immediately preceding the second anniversary of the date of issue of the Notes at the placing price which equals the principal amount of the Notes. The funds raised from the placing of the Notes was intended to be used as general working capital of the Group for its money lending, securities related business or any potential investment opportunities. Details of the placing of the Notes are disclosed in the announcement of the Company dated 20 June 2017. The Company has not issued any Notes as at the date of this report.

The Company is 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 ahead, the Group will maintain healthy development of different business segments to consolidate its business portfolio and diversify its source of income, with the ultimate aim to maximise value for shareholders. While leveraging its experience in money lending business, the Group also strives to develop its securities related business. Meanwhile, the Group will also closely monitor its capital base and ensure sufficient funding is maintained through various means to seize different potential opportunities.

FINANCIAL REVIEW

Revenue

The Group's revenue is derived from interest received from the provision of various types of loan products as well as commission received from securities brokerage services to its customers.

For the Review Period, the revenue generated was approximately HK$57.49 million, representing an increase of approximately 61.16% over the revenue of approximately HK$35.67 million recorded in the corresponding period in 2016. The revenue for the Review Period comprised loan interest income amounting to approximately HK$57.32 million (30 June 2016: approximately HK$35.67 million) and commission income from securities brokerage that amounted to approximately HK$0.17 million (30 June 2016: not applicable).

The increase in revenue was mainly attributable to the growth in average loan balance in the money lending business on the account of the Group's effort in expanding its loan portfolio. In this respect, the average loan balance increased by approximately 79.17% to approximately HK$984.05 million for the Review Period as compared to approximately HK$549.22 million for the corresponding period in 2016.

Meanwhile, the average interest rate in the money lending business recorded a decrease from approximately 12.99% for the six months ended 30 June 2016 to approximately 11.65% for the Review Period.

Net interest margin

The Group recorded a net interest margin of approximately 10.70% for the Review Period (for the six months ended 30 June 2016: approximately 12.99%) for its money lending business segment. The decrease in net interest margin reflects the Group's pricing strategy under the low interest rate environment of the competitive money lending industry.

Other income

The Group's other income mainly comprises bank interest income derived from bank deposit, rental income and other interest income received from money lending and securities related business. 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 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. No rental income was generated since the completion of disposal of Techlink in February 2017. Other income recorded an increase of approximately 56.10% from approximately HK$0.71 million for the six months ended 30 June 2016 to approximately HK$1.10 million for the Review Period.

Other gains and losses

For the Review Period, the Group's other gains and losses recorded a gain of approximately HK$13.38 million as compared to losses of approximately HK$1.60 million for the corresponding period in 2016. The increase in other gains was mainly attributable to the fair value losses on investment properties in 2016 and a gain on disposal of a subsidiary 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 section headed "Material Acquisition and Disposal of Subsidiaries" below and the announcements of the Company dated 29 November 2016 and 2 December 2016.

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 expenses and general insurance premium, etc.

The Group's administrative expenses for the Review Period recorded an increase of approximately 43.28% to approximately HK$12.47 million as compared to approximately HK$8.70 million for the corresponding period in 2016. The increase in administrative expenses was mainly due to increased lease rental payments as well as increased employment expenses arising from the securities business.

Other operating expenses

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

Other operating expenses for the Review Period increased slightly to approximately HK$8.27 million from approximately HK$8.08 million for the corresponding period in 2016. The increase was mainly attributable to the newly incurred operating expenses resulting from the securities business for the six months ended 30 June 2017 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$0.19 million for the six months ended 30 June 2016 to approximately HK$4.75 million for the Review Period was mainly due to an increase in the interest payment for loan from an Independent Third Party lender and for the loan notes during the Review Period as compared to the corresponding period in 2016.

Profit for the period

The profit attributable to owners of the Company increased by approximately 178.39% from approximately HK$14.64 million for the six months ended 30 June 2016 to approximately HK$40.77 million for the Review Period. The increase was mainly attributable to an increase of approximately HK$21.82 million in revenue and the gain on disposal of a subsidiary of approximately HK$13.21 million despite the increase of approximately HK$3.77 million in administrative expenses and approximately HK$4.56 million in finance costs for the Review Period.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2017, the Group had bank and cash balances excluding trust and segregated accounts of approximately HK$81.50 million (31 December 2016: approximately HK$58.63 million), loan notes of approximately HK$32.91 million (31 December 2016: approximately HK$32.87 million) and interest-bearing loan of approximately HK$200 million (31 December 2016: approximately HK$58.54 million), all of which are denominated in Hong Kong dollars.

The loan notes bear interest at a rate of 4.5% per annum. Subject to early redemption in accordance with the terms and conditions of the loan notes, the maturity date of the loan notes will fall on the day immediately preceding the second anniversary of the relevant date of issue. The interest-bearing loan represents a credit facility from an Independent Third Party repayable within one year from the relevant dates of advances with an interest rate of 5% per annum.

As at 30 June 2017, the net current assets of the Group amounted to approximately HK$621.98 million (31 December 2016: approximately HK$481.51 million) and the current ratio, being the ratio of current assets to current liabilities, was approximately 3.25 times (31 December 2016: approximately 5.91 times).

The Group generally finances its operations by (i) cash flow from operating activities; (ii) proceeds from the issuance of equity shares; (iii) loans and/or credit facilities from Independent Third Parties and banks; and (iv) proceeds from the loan notes issued by the Company.

SIGNIFICANT INVESTMENTS HELD

As at 30 June 2017, the Group did not hold any significant investment.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

On 5 October 2016, the Company entered into a share subscription agreement with Asia Wealth, pursuant to which the Company has subscribed for one new share of Asia Wealth which represented approximately 9.09% of the then enlarged issued share capital of Asia Wealth at the price of HK$900,000 ("**First Share Subscription**").

On 8 November 2016, the Company entered into a second share subscription agreement with Asia Wealth, pursuant to which the Company agreed to further subscribe for additional shares of Asia Wealth at the price of HK$79.10 million ("**Second Share Subscription**"). The completion of the Second Share Subscription took place on 1 April 2017, upon which the shareholding percentage of the Company in Asia Wealth increased to approximately 88.89% of the enlarged issued share capital of Asia Wealth. Asia Wealth has then become a non-wholly owned subsidiary of the Company and the consolidated financial information of Asia Wealth was consolidated into the Group's consolidated financial statements. Through the acquisition of equity interest in Asia Wealth, the Company has acquired an indirect equity interest in Asia Wealth Securities Limited, which is a wholly-owned subsidiary of Asia Wealth holding the licence to carry on Type 1 (dealing in securities) regulated activity under the SFO. Details of the First Share Subscription and the Second Share Subscription are disclosed in the announcements of the Company dated 5 October 2016 and 8 November 2016 respectively.

On 29 November 2016, First Credit Limited ("**FCL**"), a wholly-owned subsidiary of the Company, entered into a provisional sale and purchase agreement with, among others, a purchaser which is an Independent Third Party. Pursuant to the provisional sale and purchase agreement, FCL has conditionally agreed to sell, and the purchaser has conditionally agreed to purchase one ordinary share of Techlink, which represents the entire issued share capital of Techlink, and all the debts owing by Techlink to FCL and its associates (if any) as at completion at an aggregate consideration of HK$91 million subject to adjustments at completion. The principal activity of Techlink was investment holding and its principal assets immediately prior to completion of the disposal was certain office premises ("**Property**"). In view of the capital gain which was expected to derive from the disposal, the Directors of the Company considered that it was in the interest of the Company and its shareholders to dispose of Techlink in order to realise the Group's investment in the Property and to utilise the proceeds from the disposal for further development of the Group's money lending business. Details of the disposal of Techlink are set out in the announcements of the Company dated 29 November 2016 and 2 December 2016. The disposal was completed on 20 February 2017 and Techlink has then ceased to be a subsidiary of the Company. The final consideration is HK$91 million and the gain on disposal is approximately HK$13.21 million.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed under the paragraph headed "Business Review and Prospects" on pages 29 to 30 of this report, the Group had no specific plan for material investments or capital assets as at 30 June 2017.

INFORMATION ON EMPLOYEES

As at 30 June 2017, the Group employed a total of 51 staff (31 December 2016: 41 staff). Total remuneration of employees for the Review Period (including Directors' emoluments) was approximately HK$8.44 million (30 June 2016: approximately HK$7.06 million). The Company's remuneration policies are formulated on the basis of performance, qualifications and experience of individual employee and with reference to the prevailing market conditions. The remuneration packages of the employees of the Group comprise monthly fixed salaries, medical insurance, contributions to statutory mandatory provident fund scheme and share option scheme etc. Discretionary year-end bonus based on individual performance may also be paid to employees as recognition of and reward for their contributions.

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2017, none of the Group's assets was pledged as security for liability.

GEARING RATIO

The gearing ratio, which is net debt divided by the sum of the adjusted capital and net debt, was approximately 15.99% as at 30 June 2017 (31 December 2016: approximately 4.09%). The increase in the gearing ratio was mainly due to the increased outstanding balance of financial assistance obtained from an Independent Third Party as at 30 June 2017.

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 by the Group during the Review Period.

CONTINGENT LIABILITIES

Details of the Group's contingent liabilities are set out in note 23 to the condensed consolidated financial statements.

IMPORTANT EVENT SINCE THE END OF THE REVIEW PERIOD

As at 30 June 2017, the outstanding balance of the loan notes issued by the Company bearing an interest rate of 4.5% per annum amounted to approximately HK$32.91 million. On 29 July 2017, the loan notes in the principal amount of HK$25 million were early redeemed at the note holder's request in accordance with the terms and conditions of the loan notes. As a result of the early redemption, the outstanding balance of the loan notes issued by the Company as at the date of this report amounted to approximately HK$7.98 million.

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

As at 30 June 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 30 June 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 30 June 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

Name	Capacity	Number of ordinary shares held	Approximate percentage of the Company's issued share capital
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) who, as at 30 June 2017, 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. The Share Option 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 of Directors ("**Board**"), have contributed or will contribute to the Company and/or any of its subsidiaries.

The shareholders of the Company approved at the annual general meeting of the Company held on 28 June 2017 ("**2016 AGM**") the refreshment of the limit imposed under the rules of the Share Option Scheme on the total number of shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme ("**Scheme Mandate Limit**") so that the maximum number of shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Group shall be re-set at 10% of the shares of the Company in issue as at the date of approval for refreshing the Scheme Mandate Limit.

No share option has been granted 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.

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 with all the Directors, each of them has confirmed that he/she had complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company during the Review Period. No incident of non-compliance with the required standard of dealings was noted by the Company 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 the shareholders' interests. To the best knowledge of the Board, save as mentioned below, the Company had complied with all the code provisions of the Corporate Governance Code ("**CG Code**") as set out in Appendix 15 to the GEM Listing Rules for the Review Period.

According to the code provision E.1.2 of the CG Code, the chairman of the board shall attend the annual general meeting of the company. At the 2016 AGM of the Company, Mr. Sin Kwok Lam, the Chairman of the Board, was unable to attend due to unexpected business engagement. Mr. Tsang Yan Kwong, an executive Director and the Chief Executive Officer of the Company, chaired the 2016 AGM pursuant to the bye-laws of the Company and was available to answer questions.

COMPETING INTERESTS

The Directors confirm that none of the Directors 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.

The Company did not have any controlling shareholder 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. Ng Ting Chi (as the chairman of the Audit Committee), Dr. Fung Kam Man and Mr. Wang Zhiwei. The Group's unaudited condensed consolidated results for the Review Period 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 August 2017