



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)*

# 2018 FIRST QUARTERLY REPORT



## CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the 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.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board 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 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 referred to as the “**Group**”) for the three months ended 31 March 2018 together with the comparative unaudited figures for the corresponding period in 2017 as follows:

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

		Three months ended 31 March	
	Note	2018 HK\$ (unaudited)	2017 HK\$ (unaudited)
<b>Revenue</b>	3	<b>25,593,523</b>	25,798,743
Other income	4	<b>5,576,594</b>	380,387
Other gains and losses	5	<b>1,194,825</b>	13,213,019
		<b>32,364,942</b>	39,392,149
Administrative expenses		<b>(8,044,626)</b>	(5,044,652)
Other operating expenses		<b>(4,744,497)</b>	(3,335,190)
Finance costs	6	<b>(1,124,655)</b>	(1,865,894)
<b>Profit before tax</b>	7	<b>18,451,164</b>	29,146,413
Income tax expense	8	<b>(2,455,653)</b>	(2,674,103)
<b>Profit and other comprehensive income for the period</b>		<b>15,995,511</b>	26,472,310
		<b>HK cents</b>	HK cents
<b>Earnings per share</b>			
Basic	10	<b>0.44</b>	0.73
Diluted	10	<b>N/A</b>	N/A

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED 31 MARCH 2018

### 1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated results of the Group for the three months ended 31 March 2018 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**”), the applicable disclosure requirements of the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the GEM Listing Rules. They have been prepared under the historical cost convention unless mentioned otherwise (e.g. certain financial instruments are measured at fair value). These unaudited condensed consolidated results of the Group are presented in Hong Kong dollars (“**HK\$**”).

The principal accounting policies used in the preparation of these unaudited condensed consolidated results are consistent with those used in the Company’s annual audited consolidated financial statements for the year ended 31 December 2017.

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

In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2018. 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 unaudited condensed consolidated financial statements of the Group.

### 3. REVENUE

	Three months ended	
	31 March	
	2018	2017
	HK\$	HK\$
	(unaudited)	(unaudited)
Interest income charged on loan facilities	25,585,258	25,798,743
Commission income from securities brokerage	8,265	–
	<b>25,593,523</b>	<b>25,798,743</b>

#### 4. OTHER INCOME

	Three months ended	
	31 March	
	2018	2017
	HK\$	HK\$
	(unaudited)	(unaudited)
Bank interest income	28	98,634
Gross rental income	–	210,219
Other interest income	366,821	11,404
Share based payment compensation	5,208,489	–
Sundry income	1,256	60,130
	<b>5,576,594</b>	<b>380,387</b>

#### 5. OTHER GAINS AND LOSSES

	Three months ended	
	31 March	
	2018	2017
	HK\$	HK\$
	(unaudited)	(unaudited)
Realised gain from financial assets at fair value through profit or loss	1,194,825	–
Gain on disposal of a subsidiary	–	13,213,019
	<b>1,194,825</b>	<b>13,213,019</b>

**6. FINANCE COSTS**

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2018</b>	2017
	<b>HK\$</b>	HK\$
	<b>(unaudited)</b>	(unaudited)
Interest on bank loans	–	62,079
Interest on other borrowings wholly repayable within five years	<b>1,124,655</b>	1,412,329
Effective interest expense on loan notes wholly repayable within five years	–	391,486
	<b>1,124,655</b>	1,865,894

**7. PROFIT BEFORE TAX**

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

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2018</b>	2017
	<b>HK\$</b>	HK\$
	<b>(unaudited)</b>	(unaudited)
Amortisation of leasehold land under finance leases	<b>10,883</b>	10,883
Depreciation	<b>1,112,244</b>	376,839
Directors' emoluments:		
Salaries, bonuses and allowances	<b>830,588</b>	1,121,577
Pension scheme contributions	<b>47,288</b>	112,538
Share based payment compensation (note)	<b>(5,208,489)</b>	–
	<b>(4,330,613)</b>	1,234,115
Employee benefits expense (excluding directors' emoluments):		
Salaries, bonuses and allowances	<b>3,985,264</b>	2,366,997
Pension scheme contributions	<b>228,549</b>	144,048
	<b>4,213,813</b>	2,511,045
Minimum lease rental payments in respect of land and buildings under an operating lease	<b>1,368,879</b>	609,815
Net charge for impairment allowance for loans receivable	<b>1,010,362</b>	1,197,830

*Note: The amount is included in other income (set out in note 4 above).*

**8. INCOME TAX EXPENSE**

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2018</b>	2017
	<b>HK\$</b>	HK\$
	<b>(unaudited)</b>	(unaudited)
Current tax – Hong Kong Profits tax	<b>2,455,653</b>	2,674,103

Hong Kong Profits Tax has been provided at a rate of 16.5% (2017: 16.5%) on the estimated assessable profit for the three months ended 31 March 2018 and 2017.

**9. DIVIDENDS**

The Directors did not recommend the payment of any interim dividend to shareholders for the three months ended 31 March 2018 and 2017.

**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 2018 attributable to owners of the Company of HK\$15,995,511 (For the three months ended 31 March 2017: HK\$26,472,310), and the weighted average number of ordinary shares of 3,628,800,000 (For the three months ended 31 March 2017: 3,628,800,000) 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 2018 and 2017.

## 11. MOVEMENT OF RESERVES

	(Unaudited)							
	Attributable to owners of the Company							
	Share capital	Share premium	Capital reserve	Contributed surplus	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\$
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
Reclassification relating to assets classified as held for sale	-	-	-	-	(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
At 1 January 2018, restated	72,576,000	356,661,862	141,829,615	213,460,470	-	175,445,135	-	959,973,082
Total comprehensive income for the period	-	-	-	-	-	15,995,511	-	15,995,511
Changes in equity for the period	-	-	-	-	-	15,995,511	-	15,995,511
At 31 March 2018	72,576,000	356,661,862	141,829,615	213,460,470	-	191,440,646	-	975,968,593

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND PROSPECTS

For the three months ended 31 March 2018 (“**Review Period**”), the Group continued to focus on conducting money lending business by providing both secured and unsecured loans to customers, including individuals, corporations and foreign domestic workers. At the same time, the Group also carried on securities trading business for the provision of services in securities brokerage and investments in listed securities.

During the Review Period, the Group’s average loan balance remained stable as compared to the corresponding period in the preceding year and recorded at approximately HK\$914.26 million for the Review Period. Further details are set out in the section headed “Financial Review” below.

The Group also strived to develop the securities trading business during the Review Period in consideration of the potential development of the securities related business and taking into account the interest of the Group and its shareholders as a whole. The Group has been carrying on securities brokerage business through Asia Wealth Securities Limited, a wholly-owned subsidiary of the Company, 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**”).

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 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 basis 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 as well as commission received from the provision of securities brokerage services to its customers.

For the Review Period, the revenue generated remained stable at approximately HK\$25.59 million (for the three months ended 31 March 2017: approximately HK\$25.80 million). The revenue for the Review Period comprised loan interest income of approximately HK\$25.58 million (for the three months ended 31 March 2017: approximately HK\$25.80 million) and commission income from securities brokerage services of approximately HK\$0.01 million (for the three months ended 31 March 2017: Nil).

In respect of the money lending business, the average loan balance also remained steady and recorded at approximately HK\$914.26 million for the Review Period as compared to approximately HK\$920.90 million for the corresponding period in 2017.

Meanwhile, the average interest rate in the money lending business remained steady at approximately 11.19% per annum (for the three months ended 31 March 2017: approximately 11.21% per annum).

### *Net interest margin*

The net interest margin of the Group's money lending business remained steady at approximately 10.56% per annum for the Review Period (for the three months ended 31 March 2017: approximately 10.42% per annum).

### *Other income*

The Group's other income recorded a substantial increase from approximately HK\$0.38 million for the three months ended 31 March 2017 to approximately HK\$5.58 million for the Review Period. The increase was mainly due to the receipt of a one-off share based payment compensation from a former Director by the Company which was recognised in the Review Period. Other income of the Group also includes bank interest income derived from bank deposit, other interest income which was mainly generated from the provision of securities brokerage services as well as the Group's participation in a loan facility agreement during the Review Period.

### *Other gains and losses*

For the Review Period, the Group recorded other gains of approximately HK\$1.19 million as compared to approximately HK\$13.21 million for the corresponding period in 2017. Other gains recorded for the Review Period refers to the realised gain from investments in listed securities (i.e. financial assets at fair value through profit or loss). The decrease in other gains was mainly attributable to the fact that a gain on the disposal of a former subsidiary of the Company, namely Techlink Investments Limited, which was completed on 20 February 2017, was recognised in profit or loss for the three months ended 31 March 2017 and no such gain was recorded for the Review Period.

### *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 expenses. Administrative expenses also include repair and maintenance and general insurance premiums, etc.

The Group's administrative expenses for the Review Period recorded an increase of approximately 59.47% to approximately HK\$8.04 million as compared to approximately HK\$5.04 million for the corresponding period in 2017.

The overall increase in administrative expenses was attributable to increased lease rental payments, increased employment expenses as well as increased depreciation. The increase in lease rental payments and employment expenses mainly reflects (i) the cost of operation of the Group's securities related business which was not incurred for the corresponding period in 2017; and (ii) higher rental expenses arising from the relocation of the head office of the Company, which also accounted for the increased depreciation for the Review Period.

### *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\$3.34 million for the three months ended 31 March 2017, other operating expenses increased to approximately HK\$4.74 million for the Review Period. The increase was mainly attributable to the increase in legal and professional fees and consultancy services fees for the Review Period.

### *Finance costs*

The Group's finance costs mainly comprise interest payments for loan(s). Finance costs decreased from approximately HK\$1.87 million for the three months ended 31 March 2017 to approximately HK\$1.12 million for the Review Period. The decrease in finance costs was due to a decrease in the interest payment resulting from a decrease in the outstanding principal amount of the loan owed to a lender which is a third party independent of the Company and its connected persons ("Independent Third Party") during the Review Period as compared to that in the corresponding period in 2017. Besides, there was no interest expense on loan notes during the Review Period as there was no outstanding loan notes for the Review Period.

### *Profit for the period*

The profit for the three months ended 31 March 2018 of the Group decreased by approximately 39.58% from approximately HK\$26.47 million for the three months ended 31 March 2017 to approximately HK\$16.00 million. While the revenue generated from the principal business of the Group remained steady at approximately HK\$25.59 million for the Review Period as compared to that of approximately HK\$25.80 million for the corresponding period in 2017, the decrease in the profit for the three months ended 31 March 2018 was mainly attributable to the combined effect of one-off events occurred during the three months ended 31 March 2017 and 2018 respectively. A gain on disposal of a subsidiary of approximately HK\$13.21 million was recognised under other gains and losses during the three months ended 31 March 2017 while a share based payment compensation of approximately HK\$5.21 million was received by the Company and recognised under other income during the Review Period.

In addition, the increase in lease rental payments, employment expenses and depreciation accounted for a significant portion of the increase in administrative expenses for the Review Period, thereby contributing to the decrease in profit for the Review Period.

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

As at 31 March 2018, 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 2018, 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%
Ng Kam Lung Volais	Beneficial owner	1,013,040,000	27.92%

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 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.

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 31 March 2018, 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, 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 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 362,880,000 shares, being 10% of the shares of the Company in issue as at the date on which the shareholders’ resolution for refreshing the Scheme Mandate Limit was passed.

As at 31 March 2018, no share option had 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.

## BREACH OF LOAN AGREEMENT

On 2 March 2018, the Company announced that First Credit Limited (“**FCL**”), a wholly-owned subsidiary of the Company, had breached the repayment terms of an interest-bearing loan in the outstanding principal amount of HK\$50,000,000 (“**1st Loan**”) obtained from an Independent Third Party lender. The 1st Loan together with the interest accrued thereon in the aggregate amount of approximately HK\$52,500,000 was due and repayable on 27 February 2018. FCL made a partial repayment of approximately HK\$22,500,000 on the due date and the remaining principal amount of HK\$30,000,000 became past due on the same date.

As the breach of repayment term of the 1st Loan constituted an event of default, the lender requested FCL and the Company, which served as the guarantor of FCL under the loan agreement, for immediate repayment by 13 March 2018 for all amounts owing by FCL to it including the overdue principal of the 1st Loan in the sum of HK\$30,000,000 as mentioned above, the outstanding principal in the amount of HK\$50,000,000 ("**2nd Loan**") which was originally due and payable on 30 March 2018 and the interests accrued on the overdue portion of the 1st Loan and on the 2nd Loan.

On 19 April 2018, FCL and the Company received a writ of summons with a statement of claim issued in the Court of First Instance of the High Court of Hong Kong by the lender claiming for, among other matters, the payment of the outstanding principal and interest accrued thereon. Further details are disclosed in the announcement of the Company dated 20 April 2018. The Company has from time to time made partial payments to the lender. As at the date of this report, the overdue principal of the 1st Loan and the interest accrued thereon has been settled while an aggregate amount of approximately HK\$32,940,000 remained outstanding as the principal and interest of the 2nd Loan as at the date of this report. The Group and the lender are in the course of negotiating a repayment schedule and will keep the shareholders informed of the development by way of further announcement(s) as and when appropriate.

The management has reviewed the Group's financial position and is of the view that the Group will have sufficient cash resources to satisfy its working capital requirements and to meet its obligation including the overdue borrowings.

## **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 had complied with all the code provisions of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules.

## 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 four existing independent non-executive Directors, namely, Mr. Choy Sze Chung Jojo (as the chairman of the Audit Committee), Dr. Fung Kam Man, Mr. Wang Zhiwei and Mr. Chan Tung Tak Alain. 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**  
**Li Sin Hung Maxim**  
*Chairman*

Hong Kong, 14 May 2018