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 INTERIM REPORT

Stock Code : 8215

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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

*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 and six months ended 30 June 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

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Note	Three months ended 30 June		Six months ended 30 June	
		2018	2017	**2018**	2017
		HK$	HK$	**HK$**	HK$
		(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Revenue	5	**22,918,078**	31,691,094	**48,511,601**	57,489,837
Other income	6	**591,534**	721,514	**6,168,128**	1,101,901
Other gains and losses	7	**–**	166,090	**1,194,825**	13,379,109
		23,509,612	32,578,698	**55,874,554**	71,970,847
Administrative expenses		**(7,495,790)**	(7,427,237)	**(15,540,416)**	(12,471,889)
Impairment loss on loans receivable		**(9,795,485)**	(1,558,640)	**(10,886,433)**	(2,796,892)
Other operating expenses		**(4,381,202)**	(3,376,056)	**(8,034,751)**	(5,472,994)
Finance costs	8	**(458,191)**	(2,884,878)	**(1,582,846)**	(4,750,772)
Profit before tax	9	**1,378,944**	17,331,887	**19,830,108**	46,478,300
Income tax expense	10	**(577,753)**	(3,226,322)	**(3,033,406)**	(5,900,425)
Profit for the period		**801,191**	14,105,565	**16,796,702**	40,577,875

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

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Note	**Three months ended 30 June**		**Six months ended 30 June**	
		2018	2017	**2018**	2017
		HK$	HK$	**HK$**	HK$
		(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Other comprehensive income, net of tax					
Items that may be reclassified to profit or loss:					
– Fair value gain on available-for-sale financial assets		**–**	83,252	**–**	83,252
– Release of investment revaluation reserve upon completion of the step acquisition of Asia Wealth Financial Holdings Limited ("**Asia Wealth**")		**–**	(83,252)	**–**	(83,252)
		–	–	**–**	–
Total comprehensive income for the period		**801,191**	14,105,565	**16,796,702**	40,577,875
Profit and total comprehensive income attributable to:					
Owners of the Company		**801,191**	14,293,044	**16,796,702**	40,765,354
Non-controlling interests		**–**	(187,479)	**–**	(187,479)
		801,191	14,105,565	**16,796,702**	40,577,875
		HK cents	HK cents	**HK cents**	HK cents
Earnings per share					
Basic	12	**0.02**	0.39	**0.46**	1.12
Diluted	12	**N/A**	N/A	**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2018

	Note	30 June 2018 HK$ (unaudited)	31 December 2017 HK$ (audited)
Non-current assets			
Property, plant and equipment	13	**4,820,453**	6,578,552
Leasehold land under finance leases		**1,263,394**	1,285,161
Goodwill		**–**	–
Intangible assets – trading right		**3,100,000**	3,100,000
Loans receivable	14	**433,306,269**	346,022,026
Other assets		**200,000**	200,000
Deferred tax assets		**2,286,553**	872,748
Total non-current assets		**444,976,669**	358,058,487
Current assets			
Loans receivable	14	**470,809,908**	533,846,738
Accounts receivable	15	**–**	4,252,258
Financial assets at fair value through profit or loss		**–**	21,925,350
Prepayments, deposits and other receivables		**3,530,429**	19,587,475
Bank balances – trust and segregated accounts		**263,233**	803,343
Bank and cash balances		**75,359,860**	202,020,501
Total current assets		**549,963,430**	782,435,665

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

AT 30 JUNE 2018

	Note	**30 June 2018 HK$ (unaudited)**	31 December 2017 HK$ (audited)
Current liabilities			
Accounts payable	16	**263,233**	793,623
Accruals and other payables		**2,992,914**	19,890,077
Interest-bearing loans		**–**	150,000,000
Current tax liabilities		**8,347,313**	3,648,488
Total current liabilities		**11,603,460**	174,332,188
Net current assets		**538,359,970**	608,103,477
Total assets less current liabilities		**983,336,639**	966,161,964
Non-current liabilities			
Deferred tax liabilities		**17,580**	269,194
NET ASSETS		**983,319,059**	965,892,770
Capital and reserves			
Share capital	17	**72,576,000**	72,576,000
Reserves		**910,743,059**	893,316,770
TOTAL EQUITY		**983,319,059**	965,892,770

Approved by the Board of Directors on 8 August 2018 and are signed on its behalf by:

Li Sin Hung Maxim	**Wong Kai Lun**
Director	*Director*

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Unaudited								
	Attributable to owners of the Company								
	Share capital HK$	Share premium HK$	Capital reserve HK$	Contributed surplus 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 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 18)*	–	–	–	–	–	–	–	9,832,516	9,832,516
Disposal of a subsidiary *(note 19)*	–	–	–	–	(5,203,775)	5,203,775	–	–	–
Dividend paid	–	–	–	–	–	–	(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
At 31 December 2017	**72,576,000**	**356,661,862**	**141,829,615**	**213,460,470**	**–**	**181,364,823**	**–**	**–**	**965,892,770**
Adjustments on initial application of HKFRS 9 *(note 2)*	**–**	**–**	**–**	**–**	**–**	**629,587**	**–**	**–**	**629,587**
Restated balance at 1 January 2018	**72,576,000**	**356,661,862**	**141,829,615**	**213,460,470**	**–**	**181,994,410**	**–**	**–**	**966,522,357**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**16,796,702**	**–**	**–**	**16,796,702**
Changes in equity for the period	**–**	**–**	**–**	**–**	**–**	**16,796,702**	**–**	**–**	**16,796,702**
At 30 June 2018	**72,576,000**	**356,661,862**	**141,829,615**	**213,460,470**	**–**	**198,791,112**	**–**	**–**	**983,319,059**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Six months ended 30 June	
	2018	2017
	HK$	HK$
	(unaudited)	(unaudited)
Net cash generated from/(used in) operating activities	**24,414,713**	(210,569,683)
Net cash generated from investing activities	**507,492**	84,330,578
Net cash (used in)/generated from financing activities	**(151,582,846)**	149,106,838
Net (decrease)/increase in cash and cash equivalents	**(126,660,641)**	22,867,733
Cash and cash equivalents at beginning of period	**202,020,501**	58,634,302
Cash and cash equivalents at end of period	**75,359,860**	81,502,035
Analysis of balances of cash and cash equivalents		
Bank and cash balances	**75,359,860**	81,502,035

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

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 GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

These condensed consolidated financial statements should be read in conjunction with the 2017 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 2017 except as stated below.

On 24 November 2017, the Securities and Futures Commission directed the Stock Exchange to suspend all dealings in the shares of the Company. As at the date of approval of these financial statements, the trading of shares of the Company remains suspended.

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

In the current period, First Credit Finance Group Limited (the "**Company**" and together with its subsidiaries are 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 2018. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations.

The Group has initially adopted HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers from 1 January 2018. A number of other new standards are effective from 1 January 2018 but they do not have a material effect on the Group's condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

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

HKFRS 9 Financial Instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. As permitted by the transitional provisions of HKFRS 9, the Group has elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings of the current period.

The adoption of HKFRS 9 resulted in the following changes to the Group's accounting policies.

(a) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss (FVTPL), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded in profit or loss.

None of the above had impact on the existing classification of the Group's financial assets.

(b) Measurement

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

At initial recognition, the Group measures financial assets at its fair value plus, in the case of financial assets not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

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

HKFRS 9 Financial Instruments (Continued)

(b) Measurement (Continued)

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVTPL: Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognsied in profit or loss and presented net within other gains/(losses) in the period in which it arises.

The Group subsequently measures all equity investments at fair value.

Changes in the fair value of financial assets at FVTPL are recognised in other gains/(losses) in the statement of profit or loss as applicable.

(c) Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For loans receivable, the Group applies the general approach, which requires an amount equal to 12-month expected credit losses to be recognised as the loss allowance for the financial instrument if the credit risk on a financial instrument has not increased significantly since initial recognition and expected lifetime losses to be recognised if the credit risk on that financial instrument has increased significantly since initial recognition.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

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

HKFRS 9 Financial Instruments (Continued)

(c) Impairment (Continued)

Set out below is the impact of the adoption of HKFRS 9 on the Group.

The following table summaries the impact on the Group's opening retained earnings as at 1 January 2018:

	HK$
Decrease in impairment losses for loans receivable *(note)*	629,587
Adjustment to retained earnings from adoption of HKFRS 9 on 1 January 2018	629,587
Attributable to owners of the Company	629,587

The impact of these changes on the Group's equity is as follows:

	Effect on retained earnings HK$
Opening balance – HKAS 39	181,364,823
Decrease in impairment losses for loans receivable *(note)*	629,587
Opening balance – HKFRS 9	181,994,410

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

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

HKFRS 9 Financial Instruments (Continued)

(c) Impairment (Continued)

For assets that fall within the scope of impairment assessment under HKFRS 9, impairment losses are generally expected to become more volatile. The Group has determined that the application of HKFRS 9 impairment model requirements at 1 January 2018 results in reversal of impairment allowance as follows:

	HK$
Impairment allowance at 31 December 2017 under HKAS 39	6,837,461
Reduction in impairment allowance recognised at 1 January 2018 on loans receivable as at 31 December 2017 *(note)*	(629,587)
Impairment allowance at 1 January 2018 under HKFRS 9	6,207,874

Note: Loans receivable that were classified as loans and receivables under HKAS 39 are now classified at amortised cost. A decrease of HK$629,587 in the allowance for impairment over these receivables was recognised in the restated opening retained earnings at 1 January 2018 on transition to HKFRS 9.

Impairment losses related to loans receivable are presented separately in the statement of profit or loss. As a result, the Group reclassified impairment losses amounting to HK$2,796,892, recognised under HKAS 39, from "other operating expenses" to "impairment loss on loans receivable" in the statement of profit or loss for the six months ended 30 June 2017.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognsied. It replaced HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

The adoption of HKFRS 15 did not result in significant changes to the Group's accounting policies regarding the recognition of interest income charged on loan facilities and revenue from the brokerage services or significant impact on the Group's condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

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:

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 31 December 2017

At 31 December 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.

4. SEGMENT INFORMATION

The Group is principally engaged in the following activities:

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

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 Asia Wealth. The acquisition of the entire equity interest in Asia Wealth was completed in 2017.

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, administrative and other operating expenses, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

For the period ended 30 June 2018

	Money lending		Securities trading		Total	
	Three months ended HK$ (unaudited)	Six months ended HK$ (unaudited)	Three months ended HK$ (unaudited)	Six months ended HK$ (unaudited)	Three months ended HK$ (unaudited)	Six months ended HK$ (unaudited)
Revenue	22,917,680	48,502,938	398	8,663	22,918,078	48,511,601
Segment profit/(loss)	4,549,759	18,518,854	(1,529,869)	(2,411,123)	3,019,890	16,107,731

For the period ended 30 June 2017

	Money lending		Securities trading		Total	
	Three months ended HK$ (unaudited)	Six months ended HK$ (unaudited)	Three months ended HK$ (unaudited)	Six months ended HK$ (unaudited)	Three months ended HK$ (unaudited)	Six months ended 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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

4. SEGMENT INFORMATION (Continued)

	Money lending HK$	Securities trading HK$	Total HK$
As at 30 June 2018 (unaudited):			
Segment assets	**961,009,332**	**28,907,684**	**989,917,016**
Segment liabilities	**10,289,534**	**529,128**	**10,818,662**
As at 31 December 2017 (audited):			
Segment assets	1,033,913,848	86,812,945	1,120,726,793
Segment liabilities	162,673,650	1,407,770	164,081,420

	Three months ended 30 June		**Six months ended 30 June**	
	2018 HK$ (unaudited)	2017 HK$ (unaudited)	**2018 HK$ (unaudited)**	2017 HK$ (unaudited)
Reconciliations of reportable segment profit or loss:				
Total profit of reportable segments	**3,019,890**	16,468,205	**16,107,731**	31,750,911
Unallocated amounts:				
(Loss)/gain on disposal of a subsidiary	**–**	(830)	**–**	13,212,189
Other income	**591,095**	348,236	**6,146,851**	668,493
Other gains and losses	**–**	83,252	**–**	83,252
Administrative and other operating expenses	**(2,714,516)**	(2,401,571)	**(5,307,599)**	(4,268,256)
Finance costs	**–**	(391,727)	**–**	(845,292)
Income tax expense	**(95,278)**	–	**(150,281)**	(23,422)
Consolidated profit for the period	**801,191**	14,105,565	**16,796,702**	40,577,875

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

5. REVENUE

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	**2018**	2017
	HK$	HK$	**HK$**	HK$
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Interest income charged on loan facilities	**22,917,680**	31,525,183	**48,502,938**	57,323,926
Commission income from securities brokerage	**398**	165,911	**8,663**	165,911
	22,918,078	31,691,094	**48,511,601**	57,489,837

6. OTHER INCOME

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	**2018**	2017
	HK$	HK$	**HK$**	HK$
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Bank interest income	**382**	1,361	**410**	99,995
Dividend income	**–**	60,000	**–**	60,000
Gross rental income	**–**	–	**–**	210,218
Other interest income	**591,087**	652,255	**957,908**	663,659
Share based payment compensation *(note)*	**–**	–	**5,208,489**	–
Sundry income	**65**	7,898	**1,321**	68,029
	591,534	721,514	**6,168,128**	1,101,901

Note: *On 7 February 2018, Mr. Sin Kwok Lam resigned as the chairman and executive director of the Company. Following his resignation, Mr. Sin remains as a consultant to the Group providing advisory services on the Group's business.*

Pursuant to the director's service agreement dated 29 November 2012 entered into between Mr. Sin and the Company, Mr. Sin had compensated the Company with such amount in cash of HK$5,208,489 upon the early termination of his employment as a director of the Company.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

7. OTHER GAINS AND LOSSES

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	**2018**	2017
	HK$	HK$	**HK$**	HK$
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
(Loss)/gain on disposal of a subsidiary *(note 19)*	**–**	(830)	**–**	13,212,189
Gain on re-measurement of pre-existing interest in Asia Wealth to acquisition date fair value *(note 18)*	**–**	83,252	**–**	83,252
Loss on disposals of property, plant and equipment	**–**	(6,652)	**–**	(6,652)
Realised gain from financial assets at fair value through profit or loss	**–**	290,000	**1,194,825**	290,000
Fair value changes on financial assets at fair value through profit or loss, net	**–**	(199,680)	**–**	(199,680)
	–	166,090	**1,194,825**	13,379,109

8. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	**2018**	2017
	HK$	HK$	**HK$**	HK$
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Interest on bank loans	**–**	–	**–**	62,079
Interest on other borrowings wholly repayable within five years	**458,191**	2,493,151	**1,582,846**	3,905,480
Effective interest expense on loan notes wholly repayable within five years	**–**	391,727	**–**	783,213
	458,191	2,884,878	**1,582,846**	4,750,772

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

9. PROFIT BEFORE TAX

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

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	**2018**	2017
	HK$	HK$	**HK$**	HK$
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Amortisation of leasehold land under finance leases	**10,884**	10,884	**21,767**	21,767
Depreciation	**1,096,681**	473,992	**2,208,925**	850,831
Directors' emoluments:				
Salaries, bonuses and allowances	**600,000**	1,122,906	**1,430,588**	2,244,483
Pension scheme contributions	**9,000**	112,537	**56,288**	225,075
Share based payment compensation	**–**	–	**(5,208,489)**	–
	609,000	1,235,443	**(3,721,613)**	2,469,558
Employee benefits expense (excluding directors' emoluments):				
Salaries, bonuses and allowances	**3,645,178**	3,328,095	**7,630,442**	5,695,092
Pension scheme contributions	**242,939**	131,300	**471,488**	275,348
	3,888,117	3,459,395	**8,101,930**	5,970,440
Minimum lease rental payments in respect of land and buildings under an operating lease	**1,368,959**	1,695,917	**2,737,838**	2,305,732
Net charge for impairment allowance for loans receivable	**9,679,235**	1,526,485	**10,689,597**	2,724,315

Share based payment compensation of HK$5,208,489 is included in other income which is disclosed in note 6.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

10. INCOME TAX EXPENSE

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	**2018**	2017
	HK$	HK$	**HK$**	HK$
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Current tax – Hong Kong Profits Tax	**577,753**	3,226,322	**3,033,406**	5,900,425

Hong Kong Profits Tax has been provided at a rate of 16.5% (2017: 16.5%) on the estimated assessable profit for the six months ended 30 June 2018 and 2017.

11. DIVIDENDS

The Directors did not recommend the payment of any interim dividend to shareholders for the six months ended 30 June 2018 and 2017.

12. EARNINGS PER SHARE

Basic earnings per share

The calculation of the basic earnings per share is based on the profit for the six months and three months ended 30 June 2018 attributable to owners of the Company of HK$16,796,702 and HK$801,191 respectively (for the six months and three months ended 30 June 2017: HK$40,765,354 and HK$14,293,044 respectively), and the weighted average number of ordinary shares of 3,628,800,000 (for the six months and three months ended 30 June 2017: 3,628,800,000) in issue during the six months and three months ended 30 June 2018.

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 and three months ended 30 June 2018 and 2017.

13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired property, plant and equipment of HK$450,826 (2017: HK$2,094,642). During the six months ended 30 June 2017, HK$306,075 of the additions was through the acquisition of a subsidiary.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

14. LOANS RECEIVABLE

	30 June 2018 HK$ (unaudited)	31 December 2017 HK$ (audited)
Loans to customers	**908,027,857**	878,068,879
Accrued interest receivables	**11,506,654**	8,637,346
	919,534,511	886,706,225
Impairment allowance on individual assessment	**(1,560,438)**	(1,548,077)
Impairment allowance on collective assessment under HKFRS 9	**(13,857,896)**	–
Impairment allowance on collective assessment under HKAS 39	**–**	(5,289,384)
	904,116,177	879,868,764
Analysed as:		
Non-current assets	**433,306,269**	346,022,026
Current assets	**470,809,908**	533,846,738
	904,116,177	879,868,764

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

14. LOANS RECEIVABLE (Continued)

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

	30 June 2018 HK$ (unaudited)	31 December 2017 HK$ (audited)
Neither past due nor impaired		
– Unsecured	**516,811,638**	545,075,972
– Secured	**212,017,786**	269,159,667
Less than 1 month past due	**71,172,793**	45,176,745
1 to 3 months past due	**87,218,368**	22,025,427
Over 3 months past due	**27,500,000**	3,500,000
	914,720,585	884,937,811
Impaired *(note)*	**4,813,926**	1,768,414
	919,534,511	886,706,225

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 were 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 that these balances were still considered fully recoverable.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

14. LOANS RECEIVABLE (Continued)

Amongst all past due but not impaired loans as at 30 June 2018, a secured revolving loan of HK$27,500,000 was secured by collateral with fair value of HK$32,000,000 and a secured installment loan of HK$4,278,739 was secured by an equity interest in a private company. Loans receivable of the secured revolving loan and the past due installment of the secured installment loan were fully settled in July 2018. The Group did not hold any collateral in respect of the remaining individually past due but not impaired loans receivable as at 30 June 2018. Over 80% of the past due installments and/or loans receivable were subsequently settled after the end of the reporting period.

Amongst all past due but not impaired loans as at 31 December 2017, a secured fixed loan of HK$20,000,000 was secured by collateral with fair value of HK$17,205,279 (based on the quoted market price on the Stock Exchange). Such loan was fully settled in February 2018. A first mortgage loan of HK$3,500,000 and a second mortgage loan of HK$1,992,826 were secured by collaterals with fair value (based on their prevailing market prices) amounted to HK$5,200,000 and HK$11,800,000 respectively. The Group did not hold any collateral in respect of the remaining individually past due but not impaired loans receivable as at 31 December 2017. Over 90% of the past due installments and/or loans receivable were subsequently settled after the end of the reporting period.

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 2018, the Group did not hold any collateral in respect of the individually impaired loans receivable except for a loan in the principal amount of HK$3,500,000 (at 31 December 2017: Nil), which was secured by collateral with fair value (based on its prevailing market price) amounting to HK$5,500,000 (at 31 December 2017: N/A). In light of the expected time, effort and costs required in recovering the loan receivable, impairment was made to such secured loan during the Review Period.

15. ACCOUNTS RECEIVABLE

	30 June 2018 HK$ (unaudited)	31 December 2017 HK$ (audited)
Accounts receivable arising from the securities trading business:		
– Clients	**–**	4,252,258

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

15. ACCOUNTS RECEIVABLE (Continued)

The aging analysis of the accounts receivable is as follows:

	30 June 2018 HK$ (unaudited)	31 December 2017 HK$ (audited)
Past due		
– 1 to 3 months	**–**	4,252,258

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

At 31 December 2017, the past due accounts receivable from clients in the amount of HK$4,252,258 bear an interest of 8% per annum. The balance was fully settled during the six months ended 30 June 2018.

16. ACCOUNTS PAYABLE

	30 June 2018 HK$ (unaudited)	31 December 2017 HK$ (audited)
Accounts payable arising from the securities trading business:		
– Clients	**263,233**	793,623

The settlement terms of accounts payable arising from the securities trading business are two days after trade date or at specific terms agreed with clients. 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

17. SHARE CAPITAL

	Authorised		Issued and fully paid	
	Number of shares	Amount	Number of shares	Amount
		HK$		HK$
Ordinary shares of HK$0.02 each:				
At 1 January 2017, 31 December 2017 and 1 January 2018, audited and at 30 June 2018, unaudited	250,000,000,000	5,000,000,000	3,628,800,000	72,576,000

18. 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 under the Acquisition. Asia Wealth became a non-wholly owned subsidiary of the Company. Through the Acquisition, 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 securities trading business.

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

18. 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 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 inflows arising from acquisition:	
Cash consideration	(79,100,000)
Cash and cash equivalents acquired	84,050,107
	4,950,107

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

18. 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 recoverable amounts of the cash-generating units ("**CGU**") have been determined on the basis of their value in use using discounted cash flow method. The key assumptions for the discounted cash flow method are those regarding the discount rates and budgeted gross margin and revenue during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. Budgeted gross margin and turnover are based on past practices and expectations on market development.

On 24 October 2017, the Group acquired the remaining approximately 11.11% of the issued shares of Asia Wealth held by the non-controlling interests for a cash consideration of HK$15,000,000. Asia Wealth became a wholly-owned subsidiary of the Group since then.

Due to the tense competition in the securities trading market, the Group expected that there would not be sufficient trading activities to cover all relevant costs and expenses for this CGU in the near term. Consequently, the directors determined to impair the goodwill amounting to HK$1,423,124 during the year ended 31 December 2017.

19. 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 profit or 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

20. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2018	2017
	HK$	HK$
	(unaudited)	(unaudited)
Interest income from a related company *(note i)*	**–**	358,279
Commission expenses relating to loan notes paid to a related company *(note ii)*	**–**	40,713
Consultancy services fee paid to a related party *(note iii)*	**198,512**	–

Note:

(i) The related company was Surplus Huge Limited, of which the former director of the Company, Mr. Tsang Yan Kwong, was a director. Mr. Tsang ceased to be a director of the Company on 22 September 2017.

(ii) The related company was Convoy Asset Management Limited, which is indirectly wholly-owned by Convoy Global Holdings Limited, a former substantial shareholder of the Company. Convoy Global Holdings Limited ceased to be a substantial shareholder on 18 July 2018.

(iii) The related party was Mr. Sin Kwok Lam, the ultimate beneficial owner of a former substantial shareholder of the Company. Mr. Sin ceased to have any interests in the shares of the Company on 2 March 2018.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

20. RELATED PARTY TRANSACTIONS (Continued)

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

	Six months ended 30 June	
	2018	2017
	HK$	HK$
	(unaudited)	(unaudited)
Short-term employee benefits including salaries, bonuses, paid annual leaves and sick leaves	**1,430,588**	2,244,483
Post-employment benefits	**56,288**	225,075
Share based payment compensation	**(5,208,489)**	–
	(3,721,613)	2,469,558

21. CONTINGENT LIABILITIES

At 30 June 2018, 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 interest rate at a rate more than 48%, but less than 60% per annum shall be presumed to be extortionate and such portion of extortionate interest is potentially unenforceable as determined by the court. This presumption may be rebutted if the court, having regard to the facts relevant to the individual borrowers and all other circumstances, is satisfied that such rate is not unreasonable or unfair. As at 30 June 2018, the Group's maximum exposure to such legal risk comprised its aggregate loans receivable of approximately HK$12.97 million (at 31 December 2017: approximately HK$14.77 million).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

22. NEW AND REVISED HKFRSs IN ISSUE BUT NOT YET EFFECTIVE

A number of new HKFRSs and amendments to HKFRSs are effective for annual periods beginning after 1 January 2018 and earlier application is permitted. The Group has not early adopted any new or amended HKFRSs that have been issued but is not yet effective.

The Group has the following updates to the information provided in the last annual financial statements about the possible impacts of the new HKFRSs issued but not yet effective which may have a significant impact on the Group's condensed consolidated financial statements.

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees, the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). HKFRS 16 carries forward the accounting requirements for lessors in HKAS 17 without substantial changes. Lessors will therefore continue to classify leases as operating or financing leases.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Based on a preliminary assessment, the standard will affect primarily the accounting for the Group's operating leases. The Group's office property leases are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under HKFRS 16 the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

The Group's future minimum lease payments under non-cancellable operating leases for its office properties amounted to HK$9,318,343 as at 30 June 2018. These leases are expected to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The amounts will be adjusted for the effects of discounting and the transition reliefs available to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

For the six months ended 30 June 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 declined by approximately 6.46% as compared to the corresponding period in the preceding year and recorded at approximately HK$920.50 million for the Review Period which, in addition to the decrease in average interest rate to approximately 10.54% during the Review Period (during the corresponding period in 2017: approximately 11.65%), drove down the revenue to approximately HK$48.51 million for the Review Period. Further details are set out in the section headed "Financial Review" below.

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**"). Despite the continuous effort of the Group in the development of the securities trading business, a decline in revenue was recorded in securities trading business during the Review Period. This is largely due to the intense competition in the securities trading market and additional time is required for development of customer base under the prevailing business condition of the Group and market situation.

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. In consideration of the potential development of the securities market, the Group will consider exploring the possibility of other securities related business apart from the provision of securities brokerage services. 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 decreased to approximately HK$48.51 million (for the six months ended 30 June 2017: approximately HK$57.49 million). The revenue for the Review Period comprised loan interest income of approximately HK$48.50 million (for the six months ended 30 June 2017: approximately HK$57.32 million) and commission income from securities brokerage services of approximately HK$0.01 million (for the six months ended 30 June 2017: approximately HK$0.17 million).

The decrease in revenue was mainly attributable to the decrease in both the average loan balance and average interest rate in the money lending business. The average loan balance decreased by approximately 6.46% to approximately HK$920.50 million for the Review Period as compared to approximately HK$984.05 million for the corresponding period in 2017. The average interest rate in the money lending business recorded a decrease from approximately 11.65% per annum for the six months ended 30 June 2017 to approximately 10.54% per annum for the Review Period. The revenue derived from the securities trading segment has decreased as a result of reduced trading transactions during the Review Period.

Net interest margin

The Group recorded a net interest margin of approximately 9.98% for the Review Period (for the six months ended 30 June 2017: approximately 10.70%) for its money lending business. 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 recorded a substantial increase from approximately HK$1.10 million for the six months ended 30 June 2017 to approximately HK$6.17 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 recognized 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$13.38 million for the corresponding period in 2017. Other gains recorded for the Review Period were resulted from 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 disposal of a subsidiary was recognised in profit or loss for the six months ended 30 June 2017 following the disposal of a former subsidiary of the Company, namely Techlink Investments Limited, which was completed on 20 February 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 24.60% to approximately HK$15.54 million as compared to approximately HK$12.47 million for the corresponding period in 2017.

The increase in administrative expenses was attributable to (i) the increased lease rental payments arising from the relocation of the head office of the Company, which also accounted for the increased depreciation for the Review Period; and (ii) the increased expenses attributable to the Group's securities related business.

Impairment loss on loans receivable

The Group's impairment losses relate to impairment allowance for loans receivable on individual assessment and collective assessment.

For the Review Period, the Group recorded an impairment loss on loans receivable of approximately HK$10.89 million as compared to approximately HK$2.80 million for the corresponding period in 2017.

Such significant increase in impairment loss is principally a result of the application of new impairment methodology to recognise the expected credit loss as set out in note 2 to the condensed consolidated financial statements.

Other operating expenses

The Group's other operating expenses mainly comprise advertising and promotion expenses, legal and professional fees and other general expenses.

As compared to approximately HK$5.47 million for the six months ended 30 June 2017, other operating expenses increased to approximately HK$8.03 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$4.75 million for the six months ended 30 June 2017 to approximately HK$1.58 million for the Review Period. The decrease in finance costs was due to a decrease in the interest payment resulting from the full repayment of the loan ("**Relevant 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. Besides, there was no interest expense on loan notes during the Review Period as there was no outstanding loan note during the Review Period.

Profit for the period

The profit attributable to owners of the Company decreased by approximately 58.80% from approximately HK$40.77 million for the six months ended 30 June 2017 to approximately HK$16.80 million for the Review Period. In addition to the impact arising from the increase in impairment loss on loans receivable and the decrease in revenue for the Review Period, the decrease in the profit attributable to owners of the Company for the Review Period was also attributable to the combined net effect of one-off events occurred during the six months ended 30 June 2017 and 2018 respectively, whereby a gain on disposal of a subsidiary of approximately HK$13.21 million was recognised under other gains and losses during the six months ended 30 June 2017 and 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.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2018, the Group had bank and cash balances (excluding trust and segregated accounts) of approximately HK$75.36 million (31 December 2017: approximately HK$202.02 million), all of which are denominated in Hong Kong dollars. The decrease in bank and cash balances was mainly due to the full repayment of the Relevant Loan during the Review Period. Given the nature of the Group's principal money lending business and the fact that there is no minimum capital requirement for such business, the Board considers that the cash level of the Group as at 30 June 2018 was satisfactory in terms of fund utilisation.

As at 30 June 2018, the Group had no loan notes (31 December 2017: Nil) and no interest-bearing loan (31 December 2017: HK$150 million).

As at 30 June 2018, the net current assets of the Group amounted to approximately HK$538.36 million (31 December 2017: approximately HK$608.10 million) and the current ratio, being the ratio of current assets to current liabilities, was approximately 47.40 times (31 December 2017: approximately 4.49 times). The improvement in current ratio was mainly attributable to the full settlement of the Relevant Loan during the Review Period.

The Group generally finances its operations by (i) cash flow from operating activities; and (ii) loans and/or credit facilities from Independent Third Parties and banks.

SETTLEMENT OF LITIGATION

As disclosed in the section headed "Breach of Loan Agreement" in the first quarterly report of the Company for the three months ended 31 March 2018 and the announcement of the Company dated 20 April 2018, the Company and its wholly-owned subsidiary, First Credit Limited ("**FCL**"), received a writ of summons ("**Writ**") with a statement of claim issued in the Court of First Instance of the High Court of Hong Kong by an Independent Third Party lender ("**Lender**") claiming for, among other matters, the payment of a loan in the outstanding principal which was alleged to be approximately HK$62.7 million and the interest accrued thereon.

On 30 May 2018, FCL, the Company and the Lender reached a settlement arrangement in relation to the claim made by the Lender under the Writ ("**Action**") and a consent order ("**Consent Order**") was issued by the court. Pursuant to the Consent Order, it is ordered that (i) FCL and the Company shall pay the Lender the sums and in such manner as set out in the minutes of agreement ("**Settlement Agreement**") dated 30 May 2018 entered into among the parties; and (ii) all further proceedings in the Action be stayed upon the terms set out in the Settlement Agreement save for the purpose of carrying the said terms and the Consent Order into effect.

As at the date of the Settlement Agreement, the aggregate amount of the outstanding principal and interests payable by FCL and the Company to the Lender was approximately HK$23 million. Under the Settlement Agreement, it was agreed, among other matters, that FCL and the Company should pay the Lender a sum of HK$23,043,122.96 in five weekly instalments with the last instalment to be due on 29 June 2018. On 22 June 2018, the Group fully settled all amounts payable under the Settlement Agreement and the Lender filed a Notice of Discontinuance to discontinue its claim in the Action on 27 June 2018.

Further details of the above are set out in the announcements of the Company dated 2 March, 12 March, 20 April, 11 June and 25 June 2018.

SIGNIFICANT INVESTMENTS HELD

As at 30 June 2018, the Group did not hold any significant investment.

MATERIAL ACQUISITION AND DISPOSAL

During the Review Period, there had been no material acquisition or disposal of subsidiaries, associates and joint ventures by the Group.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group had no specific plan for material investments or capital assets as at 30 June 2018.

INFORMATION ON EMPLOYEES

As at 30 June 2018, the Group employed a total of 43 staff (31 December 2017: 50 staff). Total remuneration of employees for the Review Period (including directors' emoluments) was approximately HK$9.59 million (30 June 2017: approximately HK$8.44 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 2018, none of the Group's assets was pledged as security for liability.

GEARING RATIO

Gearing ratio is calculated as the net debt (being borrowings and obligations under finance lease less bank and cash balances) divided by the sum of the adjusted capital (being the share capital, retained profits and other reserves) and net debt. The Group recorded net cash (i.e. negative net debt) of approximately HK$64 million as at 30 June 2018 as compared to net cash of approximately HK$28.30 million as at 31 December 2017. The increase in net cash was mainly attributable to the full repayment of the Relevant Loan during the Review Period, thereby reducing the amount of borrowings as at 30 June 2018. Therefore, the gearing ratio was negative (i.e. approximately -6.96%) as at 30 June 2018 (31 December 2017: approximately -3.02%).

FOREIGN EXCHANGE EXPOSURE

The Group is principally engaged in the money lending business and securities trading 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 21 to the condensed consolidated financial statements.

IMPORTANT EVENTS SINCE THE END OF THE REVIEW PERIOD

On 22 June 2018, the Company received a notice ("**Requisition Notice**") from Mr. Ng Kam Lung Volais ("**Requisitionist**") requisitioning for a special general meeting of the Company ("**SGM**") to be convened for the purposes of considering and passing the ordinary resolutions for the proposed appointment of five new Directors ("**Proposed Appointment**") and the proposed removal of all existing Directors ("**Proposed Removal**").

It was stated in the Requisition Notice that as at the date of the Requisition Notice, (i) the Requisitionist held 1,013,040,000 issued and fully paid shares of the Company, which represented approximately 27.92% of the paid up capital of the Company; and (ii) out of the 1,013,040,000 issued shares of the Company he held, 421,840,000 issued shares were registered in his own name.

The Company has attempted to seek further information from the Requisitionist and after certain correspondences between the respective legal representatives of the Company and the Requisitionist since 9 July 2018, the Company has received from the Requisitionist copies of the written notices of consent to act as director signed by the proposed new Directors on 16 July 2018. However, neither the Requisition Notice nor the subsequent correspondences from the Requisitionist set out any reasons and/or grounds for the Proposed Appointment and the Proposed Removal.

Pursuant to the bye-laws of the Company, the Board resolved to convene the SGM which is scheduled to be held on Thursday, 16 August 2018 in response to the Requisition Notice. Please refer to the announcements of the Company dated 5 July, 13 July and 25 July 2018, the notice of the SGM and the circular of the Company dated 30 July 2018 for further details.

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

As at 30 June 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, UNDERLYING SHARES AND DEBENTURES

As at 30 June 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
Xiao Guoliang	Beneficial owner	1,070,400,000	29.50%
Ng Kam Lung Volais	Beneficial owner	1,013,040,000	27.92%

Save as disclosed above, the Directors are not aware of any other person (other than the Directors or chief executive of the Company) who/which, as at 30 June 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 maximum number of shares of the Company 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 is 362,880,000 shares, representing 10% of the shares of the Company in issue as at the date of this report.

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 throughout the Review Period. No incident of non-compliance 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, throughout the Review Period, the Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained 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 and therefore had no issue of any competing interest of any controlling shareholder.

UPDATE ON DIRECTORS' BIOGRAPHICAL DETAILS AND EMOLUMENTS

Mr. Choy Sze Chung Jojo, one of the independent non-executive Directors, ceased to be a member of the Cash Market Consultative Panel of The Stock Exchange of Hong Kong Limited, with effect from 31 May 2018.

Mr. Li Sin Hung Maxim ("**Mr. Li**"), an executive Director and the Chairman of the Board, has entered into a service agreement with the Company on 9 January 2018 which was subsequently amended by a supplemental agreement dated 7 February 2018. Mr. Li is currently entitled to receive a fixed salary of HK$70,000 per month and an additional sum equivalent to his then current monthly salary (or such pro-rated sum for an incomplete year of service) payable in December every year. The remuneration package of Mr. Li was determined by the Board with reference to his role, qualification, level of experience, contribution to be made by him to the Company as well as the prevailing market conditions. Mr. Li is also entitled to a discretionary bonus in respect of each financial year of a sum (if any) to be determined by the Board having regard to his performance. Mr. Li is also eligible to participate in the Share Option Scheme.

Mr. Wong Kai Lun ("**Mr. Wong**"), one of the executive Directors, is currently entitled to receive a fixed salary of HK$40,000 per month, which was determined by the Board with reference to his role, qualification, level of experience, contribution to be made by him to the Company as well as the prevailing market conditions. Mr. Wong is also entitled to a discretionary bonus in respect of each financial year of a sum (if any) to be determined by the Board having regard to his performance. Mr. Wong is also eligible to participate in the Share Option Scheme.

SUSPENSION OF TRADING

Trading in the shares of the Company has been suspended since 24 November 2017 pursuant to the direction of the Securities and Futures Commission of Hong Kong ("**SFC**") made under Section 8(1) of the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and will remain suspended until further notice. Pursuant to the delisting framework under the amended GEM Listing Rules which has come into effect on 1 August 2018, the Stock Exchange may cancel the listing of any securities that have been suspended for a continuous period of 12 months. As the shares of the Company have been suspended from trading for less than 12 months as at 1 August 2018, such 12-month period will expire on 31 July 2019. If the Company fails to resume trading in its shares by 31 July 2019, the Listing Department of the Stock Exchange will recommend the GEM Listing Committee to proceed with the cancellation of the Company's listing.

The Company has submitted its written representations to the SFC on 7 February 2018 and 6 July 2018 addressing the issues and concerns raised by the SFC and seeking SFC's permission for resumption of trading in the shares of the Company. On 6 August 2018, the Company received a letter from the SFC which was enclosed with a memorandum prepared by the SFC in response to the Company's representations. The Company will seek further legal advice in respect of the SFC's letter and the memorandum. Further announcement(s) will be made by the Company as and when appropriate to keep its shareholders and potential investors informed.

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, 8 August 2018