



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

## THIRD 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 and nine months ended 30 September 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 THREE MONTHS AND NINE MONTHS ENDED 30 SEPTEMBER 2018

	Note	Three months ended 30 September		Nine months ended 30 September	
		2018 HK\$ (unaudited)	2017 HK\$ (unaudited)	2018 HK\$ (unaudited)	2017 HK\$ (unaudited)
<b>Revenue</b>	3	<b>22,983,305</b>	29,627,142	<b>71,494,906</b>	87,116,979
Other income	4	<b>338</b>	1,197,634	<b>6,168,466</b>	2,299,535
Other gains and losses	5	<b>(2,539)</b>	(946,132)	<b>1,192,286</b>	12,432,977
		<b>22,981,104</b>	29,878,644	<b>78,855,658</b>	101,849,491
Administrative expenses		<b>(7,482,523)</b>	(10,277,619)	<b>(23,022,939)</b>	(22,749,508)
Impairment loss on loans receivable		<b>(2,614,857)</b>	(537,601)	<b>(13,501,290)</b>	(3,334,493)
Other operating expenses		<b>(4,495,946)</b>	(3,525,310)	<b>(12,530,697)</b>	(8,998,304)
Finance costs	6	<b>-</b>	(2,580,904)	<b>(1,582,846)</b>	(7,331,676)
<b>Profit before tax</b>	7	<b>8,387,778</b>	12,957,210	<b>28,217,886</b>	59,435,510
Income tax expense	8	<b>(2,018,185)</b>	(2,874,334)	<b>(5,051,591)</b>	(8,774,759)
<b>Profit for the period</b>		<b>6,369,593</b>	10,082,876	<b>23,166,295</b>	50,660,751
<b>Other comprehensive income, net of tax</b>					
<i>Items that may be reclassified to profit or loss:</i>					
– Fair value gain on available- for-sale financial assets		-	-	-	83,252
– Release of investment revaluation reserve upon completion of the step acquisition of Asia Wealth Financial Holdings Limited (“ <b>Asia Wealth</b> ”)		-	-	-	(83,252)
		-	-	-	-
<b>Total comprehensive income for the period</b>		<b>6,369,593</b>	10,082,876	<b>23,166,295</b>	50,660,751

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

FOR THE THREE MONTHS AND NINE MONTHS ENDED 30 SEPTEMBER 2018

	Note	Three months ended 30 September		Nine months ended 30 September	
		2018 HK\$ (unaudited)	2017 HK\$ (unaudited)	2018 HK\$ (unaudited)	2017 HK\$ (unaudited)
<b>Profit and total comprehensive income attributable to:</b>					
Owners of the Company		<b>6,369,593</b>	10,274,646	<b>23,166,295</b>	51,040,000
Non-controlling interests		–	(191,770)	–	(379,249)
		<b>6,369,593</b>	10,082,876	<b>23,166,295</b>	50,660,751
		<b>HK cents</b>	HK cents	<b>HK cents</b>	HK cents
<b>Earnings per share</b>					
Basic	10	<b>0.18</b>	0.28	<b>0.64</b>	1.41
Diluted	10	<b>N/A</b>	N/A	<b>N/A</b>	N/A

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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

These unaudited condensed consolidated results of the Group for the three months and nine months ended 30 September 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 (Cap. 622) 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 (“**HKS**”).

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 except as stated in Note 2 below.

### 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 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.

#### 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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

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

#### HKFRS 9 Financial Instruments (Continued)

##### (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.

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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

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

#### HKFRS 9 Financial Instruments (Continued)

##### (b) *Measurement (Continued)*

- 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 recognised 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.

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

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

#### HKFRS 9 Financial Instruments (Continued)

##### (c) Impairment (Continued)

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

	HK\$
Decrease in impairment losses for loans receivable ( <i>note</i> )	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:

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



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

### 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\$3,334,493, recognised under HKAS 39, from "other operating expenses" to "impairment loss on loans receivable" in the statement of profit or loss for the nine months ended 30 September 2017.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

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

#### HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. 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.

### 3. REVENUE

	Three months ended		Nine months ended	
	30 September		30 September	
	2018	2017	2018	2017
	HK\$	HK\$	HK\$	HK\$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interest income charged on loan facilities	<b>22,983,032</b>	29,505,094	<b>71,485,970</b>	86,829,020
Commission income from securities brokerage	<b>273</b>	122,048	<b>8,936</b>	287,959
	<b>22,983,305</b>	29,627,142	<b>71,494,906</b>	87,116,979

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

### 4. OTHER INCOME

	Three months ended		Nine months ended	
	30 September		30 September	
	2018	2017	2018	2017
	HK\$	HK\$	HK\$	HK\$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Bank interest income	8	30,758	418	130,753
Dividend income	–	263,600	–	323,600
Gross rental income	–	–	–	210,218
Other interest income	–	894,366	957,908	1,558,025
Share based payment compensation (note)	–	–	5,208,489	–
Sundry income	330	8,910	1,651	76,939
	<b>338</b>	1,197,634	<b>6,168,466</b>	2,299,535

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 INFORMATION (Continued)

### 5. OTHER GAINS AND LOSSES

	Three months ended		Nine months ended	
	30 September		30 September	
	2018	2017	2018	2017
	HK\$	HK\$	HK\$	HK\$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Gain on disposal of a subsidiary	-	-	-	13,212,189
Gain on re-measurement of pre-existing interest in Asia Wealth to acquisition date fair value	-	-	-	83,252
Loss on disposals of property, plant and equipment	<b>(2,539)</b>	(502,292)	<b>(2,539)</b>	(508,944)
Realised (loss)/gain from financial assets at fair value through profit or loss	-	(474,430)	<b>1,194,825</b>	(184,430)
Fair value changes on financial assets at fair value through profit or loss, net	-	30,590	-	(169,090)
	<b>(2,539)</b>	(946,132)	<b>1,192,286</b>	12,432,977

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

### 6. FINANCE COSTS

	Three months ended		Nine months ended	
	30 September		30 September	
	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	-	2,421,919	<b>1,582,846</b>	6,327,399
Effective interest expense on loan notes wholly repayable within five years	-	158,985	-	942,198
	-	2,580,904	<b>1,582,846</b>	7,331,676

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

### 7. PROFIT BEFORE TAX

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

	Three months ended		Nine months ended	
	30 September		30 September	
	2018	2017	2018	2017
	HK\$	HK\$	HK\$	HK\$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Amortisation of leasehold land				
under finance leases	<b>10,883</b>	10,883	<b>32,650</b>	32,650
Depreciation	<b>1,123,568</b>	724,667	<b>3,332,493</b>	1,575,498
Directors' emoluments:				
Salaries, bonuses and allowances	<b>600,000</b>	2,014,261	<b>2,030,588</b>	4,258,744
Pension scheme contributions	<b>9,000</b>	130,277	<b>65,288</b>	355,352
Share based payment compensation	–	–	<b>(5,208,489)</b>	–
	<b>609,000</b>	2,144,538	<b>(3,112,613)</b>	4,614,096
Employee benefits expense (excluding directors' emoluments):				
Salaries, bonuses and allowances	<b>3,545,407</b>	4,856,358	<b>11,175,849</b>	10,551,450
Pension scheme contributions	<b>236,489</b>	182,813	<b>707,977</b>	458,161
	<b>3,781,896</b>	5,039,171	<b>11,883,826</b>	11,009,611
Minimum lease rental payments in respect of land and buildings under an operating lease	<b>1,294,129</b>	1,665,050	<b>4,031,967</b>	3,970,782
Net charge for impairment allowance for loans receivable	<b>2,474,978</b>	501,195	<b>13,164,575</b>	3,225,510

Share based payment compensation of HK\$5,208,489 is included in other income which is disclosed in note 4.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

### 8. INCOME TAX EXPENSE

	Three months ended		Nine months ended	
	30 September		30 September	
	2018	2017	2018	2017
	HK\$	HK\$	HK\$	HK\$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Current tax –				
Hong Kong Profits tax	<b>2,018,185</b>	2,874,334	<b>5,051,591</b>	8,774,759

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

### 9. DIVIDENDS

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

### 10. EARNINGS PER SHARE

#### Basic earnings per share

The calculation of the basic earnings per share is based on the profit for the nine months and three months ended 30 September 2018 attributable to owners of the Company of HK\$23,166,295 and HK\$6,369,593 respectively (for the nine months and three months ended 30 September 2017: HK\$51,040,000 and HK\$10,274,646 respectively), and the weighted average number of ordinary shares of 3,628,800,000 (for the nine months and three months ended 30 September 2017: 3,628,800,000) in issue during the nine months and three months ended 30 September 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 nine months and three months ended 30 September 2018 and 2017.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

### 11. MOVEMENT OF RESERVES

	(Unaudited)								Total HK\$
	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\$	
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	-	-	-	-	-	51,040,000	-	(379,249)	50,660,751
Acquisition of a subsidiary	-	-	-	-	-	-	-	9,832,516	9,832,516
Disposal of a subsidiary	-	-	-	-	(5,203,775)	5,203,775	-	-	-
Dividend paid	-	-	-	-	-	-	(7,257,600)	-	(7,257,600)
Changes in equity for the period	-	-	-	-	(5,203,775)	56,243,775	(7,257,600)	9,453,267	53,235,667
At 30 September 2017	72,576,000	356,661,862	141,829,615	213,460,470	-	184,665,877	-	9,453,267	978,647,091



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

### 11. MOVEMENT OF RESERVES (Continued)

	(Unaudited)								
	Attributable to owners of the Company					Amounts recognised in other comprehensive income and accumulated in equity relating to assets classified as held for sale	Retained profits	Proposed final dividend	Non-controlling interests
Share capital	Share premium	Capital reserve	Contributed surplus	HK\$	HK\$				
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	-	-	-	-	-	23,166,295	-	-	23,166,295
Changes in equity for the period	-	-	-	-	-	23,166,295	-	-	23,166,295
At 30 September 2018	72,576,000	356,661,862	141,829,615	213,460,470	-	205,160,705	-	-	989,688,652

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND PROSPECTS

For the nine months ended 30 September 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 decreased by approximately 8.11% as compared to that for the corresponding period in the preceding year and recorded at approximately HK\$902.37 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 license 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 decrease 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 maximize 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 provision of securities brokerage services to its customers.

For the Review Period, the revenue decreased to approximately HK\$71.49 million (for the nine months ended 30 September 2017: approximately HK\$87.12 million). The revenue for the Review Period comprised loan interest income amounting to approximately HK\$71.48 million (for the nine months ended 30 September 2017: approximately HK\$86.83 million) and commission income from securities brokerage services that amounted to approximately HK\$0.01 million (for the nine months ended 30 September 2017: approximately HK\$0.29 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 8.11% to approximately HK\$902.37 million for the Review Period as compared to approximately HK\$982.00 million for the corresponding period in 2017. The average interest rate in the money lending business recorded a decrease from approximately 11.79% per annum for the nine months ended 30 September 2017 to approximately 10.56% 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 10.08% for the Review Period (for the nine months ended 30 September 2017: approximately 10.80%) 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\$2.30 million for the nine months ended 30 September 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 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\$12.43 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 substantial decrease in other gains for the Review Period was mainly attributable to the fact that a gain on disposal of a subsidiary was recognised in profit or loss for the nine months ended 30 September 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 premium, etc.

The Group's administrative expenses for the Review Period remained steady and recorded at approximately HK\$23.02 million as compared to approximately HK\$22.75 million for the corresponding period in 2017.

### *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\$13.50 million as compared to approximately HK\$3.33 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 information.

### *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\$9.00 million for the nine months ended 30 September 2017, other operating expenses increased to approximately HK\$12.53 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\$7.33 million for the nine months ended 30 September 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 owed to a lender which is a third party independent of the Company and its connected persons 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 54.61% from approximately HK\$51.04 million for the nine months ended 30 September 2017 to approximately HK\$23.17 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 (i) a decrease in other gains for the Review Period due to the absence of a gain on disposal of a subsidiary which was recorded as one-off item for the nine months ended 30 September 2017 and (ii) the increase in other income as a result of the receipt of an one-off share based payment compensation from a former Director which was recorded for the Review Period.

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

As at 30 September 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 30 September 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*

<b>Name</b>	<b>Capacity</b>	<b>Number of ordinary shares held</b>	<b>Approximate percentage to the Company's issued share capital</b>
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 September 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 purchased, sold or redeemed any of the Company's listed securities during the Review Period.

## UPDATE ON DIRECTOR'S BIOGRAPHICAL DETAILS

Mr. Wang Zhiwei, an independent non-executive Director, resigned as an independent non-executive director of Interactive Entertainment China Cultural Technology Investments Limited (stock code: 8081), the shares of which are listed on GEM, with effect from 13 August 2018. Save as disclosed above, there is no other change or update to the Directors' information.

## 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.

## 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 came 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 and 21 September 2018, the Company received letters from the SFC which were enclosed with memoranda together with relevant documents prepared by the SFC in response to the Company's written representations. The Company is expecting to make a further submission to the SFC in November 2018 in response to the memoranda to seek the permission of the SFC for the immediate resumption in trading of the shares of the Company unconditionally.

An announcement was made by the Company on 1 November 2018 pursuant to Rule 17.26A of the GEM Listing Rules. 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, 7 November 2018