



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)

Stock Code: 8215



2019
FIRST
QUARTERLY
REPORT

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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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*This report, for which the directors (“**Directors**”) of First Credit Finance Group Limited (“**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (“**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this report misleading.*

The board of Directors (“Board”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months ended 31 March 2019, together with the comparative unaudited figures for the corresponding period in 2018, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED 31 MARCH 2019

		Three months ended	
		31 March	
	Note	2019	2018
		HK\$	HK\$
		(unaudited)	(unaudited)
Revenue	3	23,541,788	25,593,523
Other income	4	178	5,576,594
Other gains and losses	5	—	1,194,825
		23,541,966	32,364,942
Administrative expenses		(7,478,843)	(8,044,626)
Impairment loss on loans receivable		(7,352,850)	(1,010,362)
Other operating expenses		(3,298,430)	(3,734,135)
Finance costs	6	(70,285)	(1,124,655)
Profit before tax	7	5,341,558	18,451,164
Income tax expense	8	(957,117)	(2,455,653)
Profit and total comprehensive income for the period attributable to owners of the Company		4,384,441	15,995,511
		HK cents	HK cents
Earnings per share			
Basic	10	0.12	0.44
Diluted	10	N/A	N/A

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED 31 MARCH 2019

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated results of the Group for the three months ended 31 March 2019 have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), the applicable disclosure requirements of the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the GEM Listing Rules. They have been prepared under the historical cost convention unless mentioned otherwise (e.g. certain financial instruments are measured at fair value). These unaudited condensed consolidated results of the Group are presented in Hong Kong dollars (“**HK\$**”).

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 2019. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations.

The Group has initially adopted HKFRS 16 Leases from 1 January 2019. A number of other new standards are effective from 1 January 2019 but they do not have a material effect 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 which remain substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

HKFRS 16 is effective for financial periods beginning on or after 1 January 2019. The Group applied the simplified transition approach and did not restate comparative amounts for the period prior to first adoption.

3. REVENUE

	Three months ended 31 March	
	2019	2018
	HK\$	HK\$
	(unaudited)	(unaudited)
Interest income charged on loan facilities	23,541,082	25,585,258
Commission income from securities brokerage	706	8,265
	23,541,788	25,593,523

4. OTHER INCOME

	Three months ended 31 March	
	2019	2018
	HK\$	HK\$
	(unaudited)	(unaudited)
Bank interest income	120	28
Other interest income	—	366,821
Compensation income (Note)	—	5,208,489
Sundry income	58	1,256
	178	5,576,594

Note: On 7 February 2018, Mr. Sin Kwok Lam resigned as the chairman and executive director of the Company. Following his resignation, Mr. Sin remained as a consultant to the Group providing advisory services on the Group's business until 6 February 2019.

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 an amount of HK\$5,208,489 in cash upon the early termination of his employment as a director of the Company.

5. OTHER GAINS AND LOSSES

	Three months ended 31 March	
	2019	2018
	HK\$	HK\$
	(unaudited)	(unaudited)
Realised gain from financial assets at fair value through profit or loss	—	1,194,825

6. FINANCE COSTS

	Three months ended 31 March	
	2019	2018
	HK\$	HK\$
	(unaudited)	(unaudited)
Interest on other borrowings wholly repayable within five years	—	1,124,655
Interest on the lease liability	70,285	—
	70,285	1,124,655

7. PROFIT BEFORE TAX

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

	Three months ended 31 March	
	2019 HK\$ (unaudited)	2018 HK\$ (unaudited)
Depreciation	2,224,922	1,112,244
Amortisation of leasehold land under finance leases	10,883	10,883
Directors' emoluments:		
Salaries, bonuses and allowances	600,000	830,588
Pension scheme contributions	9,000	47,288
Compensation income (<i>Note</i>)	—	(5,208,489)
	609,000	(4,330,613)
Employee benefits expense (excluding directors' emoluments):		
Salaries, bonuses and allowances	3,760,680	3,985,264
Pension scheme contributions	246,884	228,549
	4,007,564	4,213,813
Minimum lease rental payments in respect of land and buildings under an operating lease	—	1,368,879
Net charge for impairment allowance for loans receivable	7,352,850	1,010,362

Note: Compensation income of HK\$5,208,489 is included in other income which is disclosed in note 4.

8. INCOME TAX EXPENSE

	Three months ended 31 March	
	2019	2018
	HK\$	HK\$
	(unaudited)	(unaudited)
Current tax — Hong Kong Profits Tax	957,117	2,455,653

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (“**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of assessable profits of qualifying corporations will be taxed at 8.25% for a year of assessment commencing on or after 1 April 2018. Profits above HK\$2 million will continue to be subject to the tax rate of 16.5%.

Hong Kong Profits Tax has been provided by applying the two-tiered profits tax rates regime on the estimated assessable profit for the three months ended 31 March 2019 (2018: 16.5%).

9. DIVIDENDS

The Directors did not recommend the payment of any dividend to shareholders for the three months ended 31 March 2019 and 2018.

10. EARNINGS PER SHARE

Basic earnings per share

The calculation of the basic earnings per share is based on the profit for the three months ended 31 March 2019 attributable to owners of the Company of HK\$4,384,441 (for the three months ended 31 March 2018: HK\$15,995,511), and the weighted average number of ordinary shares of 3,628,800,000 (for the three months ended 31 March 2018: 3,628,800,000) in issue during the three months ended 31 March 2019.

Diluted earnings per share

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary shares during the three months ended 31 March 2019 and 2018.

11. MOVEMENT OF RESERVES

	(Unaudited)					
	Attributable to owners of the Company					
	Share capital HK\$	Share premium HK\$	Capital reserve HK\$	Contributed surplus HK\$	Retained profits HK\$	Total HK\$
At 1 January 2018	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 Financial Instruments (Note)	—	—	—	—	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
Profit and total comprehensive income for the period	—	—	—	—	15,995,511	15,995,511
Changes in equity for the period	—	—	—	—	15,995,511	15,995,511
At 31 March 2018	72,576,000	356,661,862	141,829,615	213,460,470	197,989,921	982,517,868
At 1 January 2019	72,576,000	356,661,862	141,829,615	213,460,470	207,920,003	992,447,950
Profit and total comprehensive income for the period	—	—	—	—	4,384,441	4,384,441
Changes in equity for the period	—	—	—	—	4,384,441	4,384,441
At 31 March 2019	72,576,000	356,661,862	141,829,615	213,460,470	212,304,444	996,832,391

Note: The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. The difference between the carrying amount of the impairment allowance on loans receivable as at 31 December 2017 under HKAS 39 and the carrying amount as at 1 January 2018 under HKFRS 9 is recognised in the opening retained profits as at 1 January 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

For the three months ended 31 March 2019 (“**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 relation to securities brokerage and investments in listed securities.

During the Review Period, the Group’s average loan balance increased by approximately 5.38% as compared to that for the corresponding period in the preceding year and recorded at approximately HK\$963.49 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 (“**Asia Wealth Securities**”), 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 decrease in revenue was recorded in this segment during the Review Period. This is largely due to the intense competition in the securities trading market and additional time is required for the development of customer base under the prevailing business condition of the Group and the market situation. In February 2019, Asia Wealth Securities obtained permission from the Securities and Futures Commission of Hong Kong (“**SFC**”) and the Stock Exchange to commence margin financing business. Subject to the overall economic environment and the Group’s development strategy, it is expected that the margin financing business will provide a new source of revenue to the Group in the future.

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

Looking forward, with the ultimate aim to maximise value for shareholders and enhance its position in the competitive industry, the Group will continue to strive for maintaining revenue growth and credit quality on the basis of its experience in money lending business. Meanwhile, the Group will closely monitor its capital base from time to time 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\$23.54 million (for the three months ended 31 March 2018: approximately HK\$25.59 million). The revenue for the Review Period mainly comprised loan interest income amounting to approximately HK\$23.54 million (for the three months ended 31 March 2018: approximately HK\$25.58 million) and commission income from securities brokerage services was negligible.


The decrease in revenue was mainly attributable to the decrease in average interest rate in the money lending business. While the average loan balance increased by approximately 5.38% to approximately HK\$963.49 million for the Review Period as compared to approximately HK\$914.26 million for the corresponding period in 2018, the average interest rate in the money lending business recorded a decrease from approximately 11.19% per annum for the three months ended 31 March 2018 to approximately 9.77% 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 9.49% for the Review Period (for the three months ended 31 March 2018: approximately 10.56%) for its money lending business. The decrease in net interest margin reflects the Group's pricing strategy under the low interest rate environment in the competitive money lending industry.

Other income and other gains and losses

The Group's other income for the Review Period includes bank interest income derived from bank deposit and sundry income. The Group's other income recorded a decrease from approximately HK\$5.58 million for the three months ended 31 March 2018 to approximately HK\$200 for the Review Period. The substantial decrease was mainly due to the absence of a one-off compensation income from a former Director in the Review Period which was recognised in other income for the three months ended 31 March 2018.



The Group did not record other gains or losses for the Review Period, as compared to the other gains of approximately HK\$1.19 million for the corresponding period in 2018 which represented the realised gain from investments in listed securities (i.e. financial assets at fair value through profit or loss). No other gains was recorded for the Review Period as the Group has disposed of all its investments in such listed securities in 2018.

Administrative expenses

The Group's administrative expenses mainly comprise employment expenses, occupancy costs for its offices and branches and depreciation and amortisation charges. Employment expenses include directors' emoluments, employees' salaries and bonuses, mandatory and voluntary provident fund contributions, and 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.

For the Review Period, the Group's administrative expenses remained stable and recorded at approximately HK\$7.48 million as compared to approximately HK\$8.04 million for the corresponding period in 2018.

Impairment loss on loans receivable

The Group's impairment losses relate to expected credit loss allowance for loans receivable.

For the Review Period, the Group recorded an impairment loss on loans receivable of approximately HK\$7.35 million as compared to approximately HK\$1.01 million for the corresponding period in 2018. Such significant increase in impairment loss is principally a result of the application of new impairment methodology to recognise the expected credit loss.



Other operating expenses

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

Other operating expenses remained stable and recorded at approximately HK\$3.30 million for the Review Period (for the three months ended 31 March 2018: approximately HK\$3.73 million).

Finance costs

The Group's finance costs mainly comprise interest payments for loan(s) and interest on the lease liability after the coming into effect of HKFRS 16 in the Review Period. Finance costs decreased from approximately HK\$1.12 million for the three months ended 31 March 2018 to approximately HK\$0.07 million for the Review Period. The substantial decrease in finance costs was due to the absence of interest expense on a loan during the Review Period as the loan was fully repaid in 2018.

Profit for the period

The profit attributable to owners of the Company decreased by approximately 72.59% from approximately HK\$16.00 million for the three months ended 31 March 2018 to approximately HK\$4.38 million for the Review Period. The decrease was mainly attributable to (i) a decrease in other income for the Review Period due to the absence of a one-off compensation income from a former Director which was recorded in the corresponding period in 2018; (ii) the absence of other gains for the Review Period following the disposal by the Group of all its investments in listed securities (i.e. financial assets at fair value through profit or loss) in 2018; and (iii) an increase in impairment loss on loans receivable for the Review Period.

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

As at 31 March 2019, none of the Directors nor chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules.

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

As at 31 March 2019, the interests or short positions of the persons (other than the Directors or chief executive of the Company) in the shares or 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 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 as at 31 March 2019.

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 ordinary 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 ordinary shares, representing 10% of the issued ordinary shares of the Company as at the date of this report.

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Review Period.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards 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 SFC made under Section 8(1) of the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) ("**SMLR**") and will remain suspended until further notice. Pursuant to the delisting framework under the 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 from trading for a continuous period of 12 months. In the case of the Company where its shares have been suspended from trading for less than 12 months as at 1 August 2018, such 12-month period commenced from 1 August 2018 and 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.

Announcements were made by the Company on 1 August 2018, 1 November 2018, 1 February 2019 and 2 May 2019 pursuant to Rule 17.26A of the GEM Listing Rules.

As disclosed in the announcement of the Company dated 2 May 2019, the Company was invited to attend a meeting with the SFC in February 2019 pursuant to Section 9 of the SMLR for clarification of issues before the board of directors of the SFC ("**SFC's Board**"). Following the said meeting, the Company received a letter from the Commission Secretariat of the SFC dated 27 February 2019 ("**Secretariat's Letter**") stating the request of the SFC's Board for the provision of further information by the Company to facilitate the deliberations and decision of the SFC's Board on whether to permit the resumption of trading in the shares of the Company.

During the period from 7 March 2019 to 23 April 2019, the Company and the enforcement team of the SFC ("**ENF**") have respectively provided further information to the Commission Secretariat in response to the Secretariat's Letter.

It is expected that the SFC's Board will require time to review and consider the further information provided by the Company and the ENF. 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 May 2019