香港信貸
Hong Kong Finance

Hong Kong Finance Group Limited
香港信貸集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1273)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

The board of directors (the "**Board**" or "**Directors**") of Hong Kong Finance Group Limited (the "**Company**" or "**our Company**") is pleased to announce the interim results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 September 2018, together with the comparative figures for the corresponding period of the previous year, are as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2018

	Note	**Six months ended 30 September 2018** *HK$'000* **(Unaudited)**	2017 *HK$'000* (Unaudited)
Revenue	*6, 7*	**79,896**	60,037
Other income and gain	*7*	**1,269**	1,312
Fair value (losses)/gains on revaluation of investment properties		**(1,110)**	8,390
Provision for impairment and write-off of loans and interest receivables, net	*8*	**(8,115)**	(8,856)
Administrative expenses	*9*	**(25,693)**	(24,342)
Operating profit		**46,247**	36,541
Finance costs	*10*	**(16,973)**	(13,229)
Profit before income tax		**29,274**	23,312
Income tax expense	*11*	**(4,886)**	(2,712)
Profit and total comprehensive income for the period attributable to owners of the Company		**24,388**	20,600
Earnings per share for profit attributable to owners of the Company			
— Basic *(HK cents)*	*12(a)*	**5.88**	4.96
— Diluted *(HK cents)*	*12(b)*	**5.88**	4.96
Dividends	*13*	**4,980**	3,320

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

	Note	**As at 30 September 2018 *HK$'000* (Unaudited)**	As at 31 March 2018 *HK$'000* (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**79,304**	80,637
Investment properties		**85,060**	86,170
Available-for-sale investment		**–**	625
Financial asset at fair value through profit or loss		**800**	–
Loans receivable	*14*	**144,438**	165,917
Other asset		**573**	710
Deferred income tax assets		**2,493**	2,385
Total non-current assets		**312,668**	336,444
Current assets			
Loans receivable	*14*	**745,272**	677,562
Interest receivables	*15*	**23,374**	18,058
Repossessed assets	*16*	**35,859**	35,859
Prepayments, deposits and other receivables		**699**	2,137
Current income tax recoverable		**414**	842
Cash and cash equivalents		**29,432**	33,710
Total current assets		**835,050**	768,168
Total assets		**1,147,718**	1,104,612
EQUITY			
Equity attributable to the owners of the Company			
Share capital		**4,150**	4,150
Reserves		**552,781**	534,595
Total equity		**556,931**	538,745

	Note	As at 30 September 2018 HK$'000 (Unaudited)	As at 31 March 2018 HK$'000 (Audited)
LIABILITIES			
Current liabilities			
Other payables and accruals		**6,276**	8,249
Amount due to a fellow subsidiary	*20(b)*	**98,590**	125,284
Current income tax payable		**4,436**	1,054
Dividend payable		**4,980**	–
Bank and other borrowings	*17*	**375,075**	322,443
Bonds	*18*	**–**	27,000
Total current liabilities		**489,357**	484,030
Non-current liabilities			
Bonds	*18*	**97,569**	78,919
Deferred income tax liabilities		**3,861**	2,918
Total non-current liabilities		**101,430**	81,837
Total liabilities		**590,787**	565,867
Total equity and liabilities		**1,147,718**	1,104,612
Net current assets		**345,693**	284,138
Total assets less current liabilities		**658,361**	620,582

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

Hong Kong Finance Group Limited (the "**Company**") was incorporated in the Cayman Islands on 6 February 2013 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised), of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company is listed on the Main Board of the Stock Exchange of Hong Kong Limited.

The Company is an investment holding company. The Company and its subsidiaries (the "**Group**") are principally engaged in money lending business of providing property mortgage loans and personal loans in Hong Kong.

The ultimate holding company of the Company is Tin Ching Holdings Limited, a company incorporated in the British Virgin Islands.

These interim condensed consolidated financial statements of the Company are presented in thousands of Hong Kong dollars ("**HK$'000**"), unless otherwise stated. These interim condensed consolidated financial information were approved by the board of the Company for issue on 27 November 2018.

These interim condensed consolidated financial information are unaudited and have been reviewed.

2 BASIS OF PREPARATION

The interim condensed consolidated financial information of the Company for the six months ended 30 September 2018 have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). The interim condensed consolidated financial information should be read in conjunction with the 2018 annual report of the Company, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

3 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2018, as described in those annual financial statements, except for the estimation of income tax using a tax rate that would be applicable to expected total annual earnings and the adoption of amendments to HKFRSs effective for the financial year ending 31 March 2019.

(A) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make retrospective adjustments as a result of the adoption of HKFRS 9 "Financial Instruments" ("**HKFRS 9**") and HKFRS 15 "Revenue from Contracts with Customers" ("**HKFRS 15**").

The impact of the adoption of HKFRS 9, HKFRS 15 and the new accounting policies are disclosed in Note 3 below. The other standards did not have any material impact on the Group's accounting policies and did not require retrospective adjustments.

(B) Impact of standards issued but not yet applied by the Group

HKFRS 16 "Leases"

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the consolidated statement of financial position, as the distinction between operating leases and finance leases is removed. Under the new standard, an asset (the rights to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not be significantly changed.

The standard will affect primarily the accounting for the Group's operating leases. As at the end of the reporting period, the Group has non-cancellable operating lease commitments of HK$1,943,000. The Group estimates that none of these relate to payments for short-term and low value leases which will be recognised on a straight-line basis as an expense in profit or loss.

However, the Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

This new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

(C) Changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 and HKFRS 15 on the Group's financial information and also discloses the new accounting policies that have been applied since 1 April 2018, where they are different to those applied in prior periods.

HKFRS 9 "Financials Instruments"

HKFRS 9 replaces HKAS 39 "Financial Instruments: Recognition and Measurement" ("**HKAS 39**") for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. The adoption of HKFRS 9 from 1 April 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements.

Impact of adoption

In accordance with the transitional provisions in HKFRS 9, HKFRS 9 is generally adopted without restating comparative information with the exception of certain aspects of hedge accounting. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the statement of financial position as at 31 March 2018, but are recognised in the opening of the statement of financial position on 1 April 2018.

The following tables show the adjustments recognised for each individual line item. Line items that are not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

Consolidated statement of financial position (extract)	**As at 31 March 2018 as originally presented** *HK$'000* (Audited)	**Effect of the adoption of HKFRS 9** *HK$'000* (Unaudited)	**As at 1 April 2018 as restated** *HK$'000* (Unaudited)
Non-current assets			
Loans receivables	165,917	–	165,917
Deferred income tax assets	2,385	241	2,626
Current assets			
Loans receivables	677,562	(1,463)	676,099
Total assets	1,104,612	(1,222)	1,103,390
Equity			
Reserves	534,595	(1,222)	533,373
Total equity	538,745	(1,222)	537,523

The total impact on the Group's retained earnings as at 1 April 2018 and 1 April 2017 is summarised as follows:

	2018 *HK$'000*	2017 *HK$'000*
Closing retained earnings 31 March — HKAS 39 (Audited)	**327,714**	285,489
Increase in provisions for impairment of loans receivable (Unaudited)	**(1,463)**	–
Increase in deferred income tax assets relating to provisions of impairment (Unaudited)	**241**	–
Adjustments to retained earnings from adoption of HKFRS 9 on 1 April 2018 (Unaudited)	**(1,222)**	–
Opening retained earnings 1 April — HKFRS 9 (Unaudited)	**326,492**	285,489

Classification and measurement

On 1 April 2018 (the date of initial application of HKFRS 9 by the Group), management has assessed which business models apply to the financial assets held by the Group and classified its financial assets into the appropriate HKFRS 9 categories.

The application of the new standard does not have a significant impact on the classification and measurement of its financial assets as debt instruments currently classified as loans and receivables will continue to be measured at amortised cost.

This category includes the Group's loans receivables, interest receivables, deposits and other receivables and cash and cash equivalents.

The asset previously classified as available-for-sale investment is reclassified as financial asset at fair value through profit or loss under HKFRS 9.

Impairment under expected credit losses ("**ECL**") model

The Group has two types of financial assets that are subject to HKFRS 9's new ECL model, which are loans receivable and interest receivables. The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition. The impact of the change in impairment methodology on the Group's retained earnings and equity is disclosed above.

While cash and cash equivalents and deposits and other receivables are also subject to the impairment requirement of HKFRS 9, the identified impairment loss is immaterial.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the end of the reporting period. Assessments are performed based on the Group's historical credit loss exposure, adjusted for factors that are specific to the debtors, general economic conditions, current conditions at the end of the reporting period as well as the forecast of future conditions.

The Group measures the loss allowance equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment on whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the end of the reporting period with the risk of a default occurring on the financial instrument as at the date of initial recognition. When performing this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- significant deterioration in external market indicators of credit risk, e.g. a significant decrease in credit rating of the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations; and

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtors' ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate. In particular, the following qualitative indicators are taken into account in determining the risk of default occurring:

- bankruptcy; and

- deceased.

Measurement and recognition of ECL

The measure of ECL is a function of probability of default, loss given default (i.e., the magnitude of loss if there is a default) and exposure at default. The assessment of probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial assets is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The loss allowances for loans receivable and interest receivables as at 31 March 2018 reconcile to the opening loss allowances on 1 April 2018 as follows:

	Loans receivables *HK$'000*
At 31 March 2018 — HKAS 39 (Audited)	11,620
Amounts additionally provided through opening retained earnings on adoption of HKFRS 9 (Unaudited)	1,463
Opening loss allowance as at 1 April 2018 — HKFRS 9 (Unaudited)	13,083

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 supersedes HKAS 11 "Construction Contracts", HKAS 18 "Revenue" and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group has adopted HKFRS 15 from 1 April 2018 which resulted in changes in accounting policies. The Group adopted HKFRS 15 using the modified retrospective approach which means that the cumulative impact of the adoption (if any) will be recognised in retained earnings as at 1 April 2018 and that comparatives will not be restated.

The adoption of HKFRS 15 did not result in any significant impact to the financial statements as the timing of revenue recognition is not changed.

4 ESTIMATES

The preparation of the unaudited interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2018, except for the loss allowances for financial assets that are based on assumptions about risk of default and expected loss rates upon the initial adoption of HKFRS 9. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period as detailed in Note 3 above.

5 FINANCIAL RISK MANAGEMENT

(A) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risks, cash flow and fair value interest rate risk), credit risk and liquidity risk. The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 March 2018.

(B) Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

6 SEGMENT INFORMATION

The chief operating decision-maker has been identified as the management committee which comprises the executive directors and the chief executive officer of the Group. The management committee reviews the Group's internal reporting in order to assess performance and allocate resources. The management committee has determined the operating segments based on these reports.

The management committee has determined that the Group is organised into two main operating segments: (i) Property mortgage loans and (ii) Personal loans. The management committee measures the performance of the segments based on their respective segment results. The segment results derived from profit/loss before taxation, excluding unallocated income/expenses. Unallocated income/expenses mainly comprise of corporate income net off with corporate expenses including salary and other administrative expenses which are not attributable to particular reportable segment.

Segment assets exclude cash and cash equivalent and other unallocated head office and corporate assets which are managed on a group basis. Segment liabilities exclude income tax liabilities and other unallocated head office and corporate liabilities which are managed on a group basis.

There were no sales between the operating segments for the period ended 30 September 2017.

All of the Group's revenue were generated from and located in Hong Kong during the six months ended 30 September 2018 and 2017.

All of the Group's operating segments operate in Hong Kong, and accordingly geographical segment information is presented.

For the period ended 30 September 2018

	Property mortgage loans *HK$'000*	Personal loans *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Total segment revenue	**56,238**	**23,782**	**–**	**80,020**
Inter-segment revenue	**–**	**(124)**	**–**	**(124)**
Revenue from external customers	**56,238**	**23,658**	**–**	**79,896**
Other income and gain	**228**	**5**	**1,036**	**1,269**
Fair value losses on revaluation of investment properties	**–**	**–**	**(1,110)**	**(1,110)**
Provision for impairment and write-off of loans and interest receivables, net	**(618)**	**(7,497)**	**–**	**(8,115)**
Administrative expenses	**(13,556)**	**(11,015)**	**(1,122)**	**(25,693)**
Operating profit/(loss)	**42,292**	**5,151**	**(1,196)**	**46,247**
Finance costs	**(16,973)**	**–**	**–**	**(16,973)**
Profit/(loss) before income tax	**25,319**	**5,151**	**(1,196)**	**29,274**
Income tax expense	**(4,001)**	**(831)**	**(54)**	**(4,886)**
Profit/(loss) and total comprehensive income/(loss) for the period attributable to owners of the Company	**21,318**	**4,320**	**(1,250)**	**24,388**
Other information:				
Depreciation expenses	**(606)**	**(515)**	**(344)**	**(1,465)**
Provision for individual impairment of loans and interest receivables	**–**	**(3,484)**	**–**	**(3,484)**
Provision of collective impairment of loans and interest receivables	**(618)**	**(1,145)**	**–**	**(1,763)**
Loans and interest receivables written-off	**–**	**(2,868)**	**–**	**(2,868)**

As at 30 September 2018

	Property mortgage loans *HK$'000*	Personal loans *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Segment assets	**866,457**	**163,602**	**117,659**	**1,147,718**
Segment liabilities	**(472,029)**	**(2,240)**	**(116,518)**	**(590,787)**

For the period ended 30 September 2017

	Property mortgage loans *HK$'000*	Personal loans *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Revenue	52,791	7,246	–	60,037
Other income and gain	–	–	1,312	1,312
Fair value gains on revaluation of investment properties	–	–	8,390	8,390
Provision for impairment and write-off of loans and interest receivables, net	(2,709)	(6,147)	–	(8,856)
Administrative expenses	(14,152)	(8,176)	(2,014)	(24,342)
Operating profit/(loss)	35,930	(7,077)	7,688	36,541
Finance costs	(13,229)	–	–	(13,229)
Profit/(loss) before income tax	22,701	(7,077)	7,688	23,312
Income tax expense	(3,761)	1,271	(222)	(2,712)
Profit/(loss) and total comprehensive income/(loss) for the period attributable to owners of the Company	18,940	(5,806)	7,466	20,600
Other information:				
Depreciation expenses	(781)	(596)	(345)	(1,722)
Provision for individual impairment of loans and interest receivables	(2,246)	(321)	–	(2,567)
Provision of collective impairment of loans and interest receivables	(463)	(3,383)	–	(3,846)
Loans and interest receivables written-off	–	(2,443)	–	(2,443)

As at 31 March 2018

	Property mortgage loans *HK$'000*	Personal loans *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Segment assets	800,881	143,224	160,507	1,104,612
Segment liabilities	(317,218)	(3,215)	(245,434)	(565,867)

7 REVENUE AND OTHER INCOME AND GAIN

Revenue represents the interest income earned from the money lending business of providing property mortgage loans and personal loans in Hong Kong. Revenue and other income and gain recognised during the period are as follows:

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue		
Interest income — property mortgage loans	**56,238**	52,791
Interest income — personal loans	**23,658**	7,246
Total revenue	**79,896**	60,037
Other income and gain		
Fair value gain on revaluation of an financial asset at fair value through profit or loss	**175**	–
Rental income	**1,035**	1,312
Others	**59**	–
Total other income and gain	**1,269**	1,312

8 PROVISION FOR IMPAIRMENT AND WRITE-OFF OF LOANS AND INTEREST RECEIVABLES, NET

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Provision for individual impairment assessment of loans and interest receivables, net *(Note 14)*	**3,484**	2,567
Provision for collective impairment of loans and interest receivables *(Note 14)*	**1,763**	3,846
Write-off of loans and interest receivables *(Note 14)*	**2,868**	2,443
Total provision for impairment and write-off of loans and interest receivables, net	**8,115**	8,856

9 ADMINISTRATIVE EXPENSES

	Six months ended 30 September 2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
Employee benefit expenses (including directors' emoluments)	**10,893**	8,998
Advertising and marketing expenses	**5,505**	6,619
Depreciation of property, plant and equipment	**1,465**	1,722
Legal and professional fees	**1,118**	1,061
Referral fee	**813**	728
Valuation and search fee	**808**	856
Other expenses	**5,091**	4,358
Total administrative expenses	**25,693**	24,342

10 FINANCE COSTS

	Six months ended 30 September 2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
Interest on secured bank loans	**7,532**	5,370
Interest on bank overdrafts	**199**	108
Interest on amount due to a fellow subsidiary *(Note 20(a))*	**3,622**	1,968
Interest on bonds	**3,612**	4,538
Interest on other borrowings	**2,008**	1,245
Total finance costs	**16,973**	13,229

11 INCOME TAX EXPENSE

Hong Kong profits tax has been provided for at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits during the six months ended 30 September 2018.

The amount of income tax charged to the interim condensed consolidated statement of comprehensive income represents:

	Six months ended 30 September 2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
Hong Kong profits tax		
— Current period	**4,583**	4,091
— Over provision in prior periods	**(773)**	(53)
Deferred income tax expense/(credit)	**1,076**	(1,326)
	4,886	2,712

12 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company of HK$24,388,000 (2017: HK$20,600,000) by the weighted average number of 415,000,000 (2017: 415,000,000) ordinary shares in issue during the six months ended 30 September 2018.

	Six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company *(HK$'000)*	**24,388**	20,600
Weighted average number of ordinary shares in issue for basic earnings per share *('000)*	**415,000**	415,000
Basic earnings per share *(HK cents)*	**5.88**	4.96

(b) Diluted earnings per share

Diluted earnings per share for the six months ended 30 September 2018 is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Shares issuable under the share option scheme are the only dilutive potential ordinary shares of the Company. For the share options, the number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the period) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

	Six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company *(HK$'000)*	**24,388**	20,600
Weight average number of ordinary shares in issue for diluted earnings per share *('000)*	**415,000**	415,000
Diluted earnings per share *(HK cents)*	**5.88**	4.96

The calculation of diluted earnings per share of the six months ended 30 September 2018 does not assume the exercise of the Company's share options as the exercise prices of the outstanding share options were higher than the average market price of the shares of the Company during the period.

13 DIVIDENDS

At the date of this announcement, the Board declared an interim dividend of HK1.2 cents (2017: HK0.8 cents) per share. The interim dividend amounting to HK$4,980,000 has not been recognised as a liability as at 30 September 2018. It will be recognised in shareholders' equity in the year ending 31 March 2019.

A final dividend of HK1.2 cents per share relating to the year ended 31 March 2018, amounting to HK$4,980,000, was declared and approved in September 2018.

14 LOANS RECEIVABLE

	As at 30 September 2018 HK$'000 (Unaudited)	As at 31 March 2018 HK$'000 (Audited)
Gross loans receivable — property mortgage loans	**775,546**	722,417
Gross loans receivable — personal loans	**134,396**	140,613
Total gross loans receivable	**909,942**	863,030
Less: Provision for individual impairment of loans receivable	**(6,241)**	(3,723)
Provision for collective impairment of loans receivable	**(11,123)**	(7,897)
Written-off of loans receivable	**(2,868)**	(7,931)
Loans receivable, net of provision for impairment and write-off	**889,710**	843,479
Less: Non-current portion	**(144,438)**	(165,917)
Current portion	**745,272**	677,562

The Group's loans receivable, which arise from the money lending business of providing property mortgage loans and personal loans in Hong Kong, are denominated in Hong Kong dollars and the carrying amounts approximate their fair values.

Except for personal loans receivable of HK$134,396,000 (31 March 2018: HK$140,613,000) which are unsecured, loans receivable are secured by collaterals provided by customers, bear interest and are repayable with fixed terms agreed with the customers.

Movements on the Group's individual impairment of loans receivable are as follows:

	As at 30 September 2018 HK$'000 (Unaudited)	As at 31 March 2018 HK$'000 (Audited)
At beginning of the period	**3,723**	3,150
Provision for individual impairment of loans receivable	**3,484**	573
Written-off	**(966)**	–
At end of the period	**6,241**	3,723

As at 30 September 2018, additional collective impairment of loans receivable of HK$1,763,000 (31 March 2018: HK$6,487,000) was made.

Movements on the Group's collective impairment of loans receivable are as follows:

	As at 30 September 2018 *HK$'000* **(Unaudited)**	As at 31 March 2018 *HK$'000* (Audited)
At beginning of the period	**7,897**	1,410
Adjustment on adoption of HKFRS 9 *(Note 3)*	**1,463**	–
Provision for collective impairment of loans receivable	**1,763**	6,487
At end of the period	**11,123**	7,897

As at 30 September 2018, loans receivable amounted to HK$2,868,000 (31 March 2018: HK$7,931,000) had been written-off. These relate to customers who are either (i) in financial difficulties; (ii) declared bankrupted; or (iii) deceased and in the opinion of the directors, such loans receivable are uncollectible.

A maturity profile of the loans receivable as at the end of the reporting periods, based on the maturity date, net of provision, is as follows:

	As at 30 September 2018 *HK$'000* **(Unaudited)**	As at 31 March 2018 *HK$'000* (Audited)
Current	**745,272**	677,562
2–5 years	**46,386**	80,085
Over 5 years	**98,052**	85,832
	889,710	843,479

As at 30 September 2018, certain properties mortgaged to the subsidiary of the Company for loans granted to its respective customers were pledged to independent third party to secure bank and other borrowings granted *(Note 17 (iii))*.

15 INTEREST RECEIVABLES

	As at 30 September 2018 *HK$'000* **(Unaudited)**	As at 31 March 2018 *HK$'000* (Audited)
Interest receivables	**23,374**	18,058

The Group's interest receivables, which arise from the money lending business of providing property mortgage loans and personal loans in Hong Kong, are denominated in Hong Kong dollars and the carrying amounts approximate their fair values.

Except for interest receivables of HK$2,823,000 (31 March 2018: HK$2,233,000) which are unsecured, interest receivables are secured by collaterals provided by customers and repayable with fixed terms agreed with customers. The maximum exposure to credit risk at the end of each reporting period is the carrying value of the receivables mentioned above.

16 REPOSSESSED ASSETS

The nature and carrying value of these assets held as at 30 September are summarised as follows:

	As at 30 September 2018	As at 31 March 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Repossessed assets — a mix of commercial and residential property	**35,859**	35,859

The estimated market value of the repossessed assets held by the Group as at 30 September 2018 was HK$44,600,000 (31 March 2018: HK$42,500,000). It comprises property in respect of which the Group has acquired access or control (e.g. through court proceedings or voluntary actions by the properties concerned) for release in full or in part of the obligations of the borrower.

17 BANK AND OTHER BORROWINGS

Bank and other borrowings are analysed as follows:

	As at 30 September 2018	As at 31 March 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Bank loans	**293,419**	233,003
Bank overdrafts	**10,656**	18,440
Other borrowings	**71,000**	71,000
Total bank and other borrowings	**375,075**	322,443

The weighted average effective interest rate on bank loans and bank overdrafts during the six months ended 30 September 2018 was 5.2% (31 March 2018:4.7%) per annum.

The other borrowings of HK$71,000,000(31 March 2018: HK$71,000,000) are unsecured, bearing interest at rates ranging from 4.5% to 6.5% per annum (31 March 2018: ranging from 4.5% to 6.5%) per annum and repayable within one year.

At 30 September 2018 and 31 March 2018, all bank and other borrowings are denominated in Hong Kong dollars and the carrying amounts approximate their fair values.

As at 30 September 2018, the bank loans and overdrafts utilised by the Group amounted to HK$304,075,000 (31 March 2018: HK$251,443,000) were secured by the following:

(i) investment properties held by the Group amounting to HK$85,060,000 (31 March 2018: HK$86,170,000);

(ii) land and buildings held by the Group with net book value of HK$76,733,000 (31 March 2018: HK$77,701,000).

(iii) pledge of certain properties mortgaged to a subsidiary of the Company for loans granted to its respective customers. The fair value of these properties were approximately HK$418,160,000 (31 March 2018: HK$311,450,000); and

(iv) corporate guarantee of the Company.

18 BONDS

As at 30 September 2018, the Company has balances of Bond I and Bond II (in aggregate, the "**Bonds**") with an aggregate amount of HK$84,000,000 and HK$18,000,000 (31 March 2018: HK$84,000,000 and HK$27,000,000), before placing commission, respectively with coupon rates at 6.0% (31 March 2018: 6.0%) and 4.5% (31 March 2018: 4.5%) per annum, respectively, repayable in 7 years from the respective issue dates. Bond II carries an option by the bondholder to redeem Bond II three years after the date of issuance. During the six months ended 30 September 2018, a principal amount of Bond II of HK$ 9,000,000 was redeemed.

The aggregate carrying amounts of the Bonds are HK$97,569,000 as at 30 September 2018 (31 March 2018: HK$105,919,000), and approximate to their fair values. The fair values are determined using the expected future payments discounted at effective interest rates prevailing at the period end date and are within level 3 of the fair value hierarchy. The carrying amounts of the Group's bonds are denominated in Hong Kong dollars.

19 COMMITMENTS

Operating lease commitments — Group as lessor

The Group leases out its investment properties to independent third parties under non-cancellable operating lease agreements. The lease term ranges from 1 to 2 years, and the lease agreements are renewable at the end of the lease periods at market rate.

The future aggregate minimum lease receipts under non-cancellable operating leases in respect of the investment properties are as follows:

	As at 30 September 2018 *HK$'000* **(Unaudited)**	As at 31 March 2018 *HK$'000* (Audited)
Within 1 year	**1,888**	510
Within 2–5 years	**55**	229
	1,943	739

The Group did not have any significant commitments as at 30 September 2018 (31 March 2018: Nil).

20 RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the six months ended 30 September 2018 and 2017, and balances arising from related party transactions as at 30 September 2018 and 31 March 2018.

(a) Significant related party transactions

Saved as disclosed elsewhere in this announcement, the following significant transactions were undertaken by the Group with related parties.

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest expenses paid to a fellow subsidiary — Tin Ching Industrial Company Limited ("**Tin Ching Industrial**") *(Note 10)*	**3,622**	1,968

Interest expenses on an amount due to a fellow subsidiary was charged at interest rate of 6.5% (2017: 6.5%) per annum.

(b) Amount due to a fellow subsidiary

Tin Ching Industrial, a fellow subsidiary, provided the Group with a loan facility with a limit of HK$200,000,000 (31 March 2018: HK$200,000,000), of which the Group utilised an amount of HK$98,590,000 as at 30 September 2018 (31 March 2018: HK$125,284,000).

The amount was unsecured, interest bearing at interest rate of 6.5% (31 March 2018:6.5%) per annum on the outstanding amount, and repayable on demand. The carrying amount of the amount due to a fellow subsidiary is denominated in Hong Kong dollars and approximates to its fair value.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

Our Group was established in 1996. Through the operation during these 20 years, we have principally engaged in the money lending business specialising in providing property mortgage loans in Hong Kong under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). During the six months ended 30 September 2018 ("**interim period 2018**"), we still focused on our core business in property mortgage loans under our well-known and highly recognised brand name "***Hong Kong Finance***". We also expanded our money lending business in personal loan products by launching a young and easily-recognised brand name "***EasyLend***" in order to diversify ourselves in different money lending market segment, to capture new market opportunity and to enhance our overall interest margin.

Mortgage Loan Business

Mortgage loan business remained the major source of the Group's revenue, representing about 70.4% of the Group's revenue during the interim period 2018. Interest income generated from mortgage loan business remained stable and slightly increased by 6.4% to HK$56.2 million during the interim period 2018. Gross mortgage loan portfolio slightly grew by 7.4% to HK$775.5 million as compared to that as at 31 March 2018. During the interim period 2018, even though the demand on our mortgage loan products remained strong and energetic, the global uncertainties such as the uplift of interest rate in the United States of America ("**USA**"), the volatility and fluctuation in Hong Kong Inter Bank Offering Rate (HIBOR), the trade war between USA and the People's Republic of China ("**PRC**"), etc. lead us to continue to adopt prudent and cautious approaches for our mortgage loan business, such as stringent credit policy, strict control on loan-to-value ratio, etc. and these approaches have been applied for our mortgage loan business since the last market correction in property market in 2015/16. As such, the Group achieved its target to maintain a healthy mortgage loan portfolio which generated stable interest income during the interim period 2018.

Personal Loan Business

Since late 2016, we have diversified, expanded and launched our personal loan products to expand our position in the money lending market. During the interim period 2018, the personal loan business has contributed interest income which increased by 229.2% to HK$23.7 million, representing approximately 29.6% of our Group's revenue, which also constitutes the major driver to our Group's revenue during the interim period 2018. Gross personal loan portfolio was maintained at HK$134.4 million as at 30 September 2018, balance slightly reduced as compared to that as at 31 March 2018 since under the economic uncertainty and volatility during the interim period 2018, we conducted our personal loan business with cautious in order to attained high interest margin with manageable rates of impairment and bad debts written off on our personal loan portfolio.

Financial review

Revenue

Our interest income from money lending business of providing property mortgage loans and personal loans in Hong Kong increased by HK$19.9 million or 33.2% from HK$60.0 million for the six months ended 30 September 2017 ("**interim period 2017**") to HK$79.9 million for the interim period 2018. Such increase was primarily due to the personal loan business which contributed interest income of HK$23.7 million to our Group during the interim period 2018, increased by HK$16.5 million or 229.2% from HK$7.2 million for the interim period 2017.

As for our interest income from our mortgage loan business, it remained stable and slightly increased by HK$3.4 million or 6.4% from HK$52.8 million for the interim period 2017 to HK$56.2 million for interim period 2018.

Fair value (losses)/gains on revaluation of investment properties

During the interim period 2018, the Group recorded a loss of HK$1.1 million on revaluation of our investment properties as the Group experienced slightly correction on Hong Kong property market in September 2018. During the last interim period 2017, the Group recorded a gain of HK$8.4 million which reflected the significant upward revaluation of the commercial and residential properties held by our Group during the interim period 2017.

Provision for impairment and write-off of loans and interest receivables, net

We have recorded the provision for impairment and write-off of loans and interest receivables of HK$8.1 million for the interim period 2018 (interim period 2017: HK$8.9 million), which was mainly derived from (i) provision for individual impairment assessment; (ii) provision for collective impairment assessment; and (iii) write-off of loans receivable from the personal loan business.

Below is the breakdown of provision for impairment and write-off of loans receivable incurred from personal loans and property mortgage loans during interim period 2018 and interim period 2017:

	Personal loans Six months ended 30 September		**Property mortgage loans Six months ended 30 September**	
	2018	2017	**2018**	2017
	HK$' million	*HK$' million*	***HK$' million***	*HK$' million*
Individual impairment	**3.5**	0.4	**–**	2.2
Collective impairment	**1.1**	3.4	**0.6**	0.5
Loans receivable written-off	**2.9**	2.4	**–**	–
	7.5	6.2	**0.6**	2.7

The increase in provision for collective impairment assessment of loans receivable from personal loan business is calculated with reference to (i) the historical impairment rate derived since the commencement of the personal loan business as well as (ii) making reference to rates adopted by other licensed money lenders and is in line with the increase in provision for individual impairment assessment of loans receivable. The increase in write-off of loans receivable was mainly due to the increase in personal loans receivable in which we considered them as uncollectible either due to (i) the long overdue payments; (ii) bankruptcy of the customers; or (iii) death of the customers.

Administrative expenses

We have incurred administrative expenses of HK$25.7 million for the interim period 2018 (interim period 2017: HK$24.3 million), which mainly comprised of employee benefit expenses, advertising and marketing expenses, referral fees, depreciation of property, plant and equipment and other miscellaneous expenses.

Finance costs

We have incurred finance costs of HK$17.0 million for the interim period 2018 (interim period 2017: HK$13.2 million), which mainly comprised of interest on interest bearing bank and other borrowings, amount due to a fellow subsidiary and issuance of bonds. The increase in the finance costs by HK$3.8 million or 28.8% was mainly attributable to the increase in utilisation of bank and other borrowings during the interim period 2018.

Net interest margin

The net interest margin of our money lending business increased from 12.4% for the interim period 2017 to 14.4% for the interim period 2018, which was mainly attributed to the contribution from our personal loan business which generally offered relatively higher interest rates to personal loan customers than to mortgage loan customers.

Profit and total comprehensive income

As a result of the foregoing, our profit and total comprehensive income attributable to owners of our Company achieved HK$24.4 million for the interim period 2018 as compared to HK$20.6 million for the interim period 2017, representing an increase of 18.4%.

Should the non-operating item of fair value (losses)/gains on revaluation of investment properties be excluded, our profit and total comprehensive income attributable to owners of our Company would have achieved HK$25.5 million for the interim period 2018 as compared to HK$12.2 million for the interim period 2017, representing an increase of 109.0%. Such significant increase was mainly attributable to the contribution of our personal loan business which turned around into profit-making position during the interim period 2018.

LIQUIDITY AND SOURCES OF FINANCIAL RESOURCES

During the interim period 2018, our Group's operations and capital requirements were financed principally through retained earnings, loans or advances from our controlling shareholder, Tin Ching Industrial Company Limited, as well as banks and other borrowings, and proceeds from the issue of bonds. Based on our current and anticipated levels of operations, barring unforeseeable market conditions, our future operations and capital requirements will be financed through loans from banks or other financial institutions that are independent third parties, retained earnings, proceeds from the issue of the bonds and our share capital. We had no significant commitments for capital expenditure as at 30 September 2018.

The Group recorded net current assets of HK$345.7 million as at 30 September 2018 while the net current assets as at 31 March 2018 was HK$284.1 million.

As at 30 September 2018, cash and cash equivalents amounted to HK$29.4 million (31 March 2018: HK$33.7 million); amount due to a fellow subsidiary amounted to HK$98.6 million (31 March 2018: HK$125.3 million); interest bearing bank and other borrowings amounted to HK$375.1 million (31 March 2018: HK$322.4 million), and bonds amounted to HK$97.6 million (31 March 2018: HK$105.9 million).

During the interim period 2018, all interest bearing bank borrowings were repayable on demand and were secured by our Group's investment properties, land and buildings, certain properties mortgaged to our subsidiary and corporate guarantee of our Company. The amount due to a fellow subsidiary and other borrowings were unsecured, interest bearing at a rate ranging from 4.5% to 6.5% per annum with fixed term of repayment. The bonds were unsecured, interest bearing at their respective pre-determined interest rate ranging from 4.5% to 6.0% per annum, and were repayable upon 7 years of its maturity.

During the interim period 2018, none of our banking facilities were subject to any covenants relating to financial ratio requirements or any material covenants that restrict our Group to undertake additional debt or equity financing. As at 30 September 2018, our unutilised banking facilities and other unutilised facility available to our Group for drawdown amounted to HK$27.3 million and HK$101.4 million, respectively. It is our Group's policy to prioritise the utilisation of our available facilities which offer the lowest finance cost to our Group.

During the interim period 2018, our bonds were subject to covenants relating to financial ratio requirements, such as interest coverage ratio, current ratio and debt to equity ratio.

KEY FINANCIAL RATIOS

The following table sets forth the key financial ratios of our Group during the interim period 2018 and the interim period 2017, and as at 30 September 2018 and 31 March 2018 respectively:

	As at 30 September 2018	As at 31 March 2018
Current ratio (1)	**1.71**	1.59
Gearing ratio (2)	**0.97**	0.97

	For the six months ended 30 September	
	2018	2017
Net interest margin ratio (3)	**14.4%**	12.4%
Return on equity ratio (4)	**8.8%**	8.0%
Interest coverage ratio (5)	**2.8 times**	2.1 times

Notes:

(1) Current ratio was calculated by dividing current assets by current liabilities as at the respective period/year-end date.

(2) Gearing ratio was calculated by dividing net debts (being the total interest bearing bank and other borrowings, amount due to a fellow subsidiary and the bonds, less cash and cash equivalents) by total equity as at the respective period/year-end date.

(3) Net interest margin ratio was calculated by dividing annualised net interest income (being the annualised interest income net of annualised finance costs) by the monthly average balance of mortgage loan receivable at the respective period-end date.

(4) Return on equity ratio was calculated by dividing annualised profit and total comprehensive income for period attributable to owners of the Company by the total equity as at the respective period-end date.

(5) Interest coverage ratio was calculated by dividing profit before finance costs and income tax expenses (excluding fair value (losses)/gains on revaluation of investment properties) by the finance costs for the corresponding period.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS

Our Group did not have any significant investments held, material acquisitions and disposals of subsidiaries and associated companies during the interim period 2018.

IMPORTANT EVENTS OCCURRED AFTER THE SIX MONTHS ENDED OF 30 SEPTEMBER 2018

Our Group did not have any important events affecting our Company and our subsidiaries since the six months ended 30 September 2018 and up to the date of this announcement.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2018 our Group employed 47 (30 September 2017: 43) full time employees. The total staff costs of our Group for the interim period 2018 were HK$10.9 million (interim period 2017: HK$9.0 million).

Our Group adopts a remuneration policy covering the position, duties and performance of our employees. The remuneration of our employees may include salary, overtime allowance, bonus and various subsidies. We conduct performance appraisal on an annual basis. Our Company has also adopted a share option scheme on 4 September 2013, the purpose of which is to provide incentives to our employees who made contributions to our Group with a view to motivating them and/or attracting and retaining them for the long term growth of our Group. No share option was granted during the interim period 2018. As at 30 September 2018, 18,800,000 share options were still outstanding which represents approximately 4.5% of the issued ordinary shares of our Company.

CHARGES ON GROUP ASSETS

As at 30 September 2018, our land and buildings with a carrying value of HK$76.7 million (31 March 2018: HK$77.7 million), our investment properties with a fair value of HK$85.1 million (31 March 2018: HK$86.2 million) and certain properties mortgaged to our subsidiary with aggregate fair values of these properties of approximately HK$418.2 million (31 March 2018: HK$311.5 million) were secured for the Group's bank borrowings.

FOREIGN EXCHANGE EXPOSURE

During the interim period 2018, the business activities of our Group were denominated in Hong Kong dollars. Our Directors did not consider our Group was exposed to any significant foreign exchange risks. Our Group did not use derivative financial instruments to hedge against the volatility associated with foreign currency transactions and other financial assets and liabilities arising in the ordinary course of business.

CONTINGENT LIABILITIES

As at 30 September 2018, our Group had no material contingent liabilities (31 March 2018: Nil).

CAPITAL COMMITMENTS

The Group did not have any capital commitments as at 30 September 2018.

FUTURE DEVELOPMENT AND PROSPECTS

For our mortgage loan business, although we maintained stable growth in our interest income and mortgage loan portfolio during the first half of 2018, we have to face various risk factors and great uncertainty in the second half of this year. Most of the financial institutions have increased their best lending rates in late September 2018, ending the decade of unchanged rates in Hong Kong. The trade tension between USA and the PRC has escalated which seems impossible to be ending within a short period of time. Both the stock market and property market in Hong Kong were extremely volatile since late September 2018 and the downward trend in both markets was formed eventually since then. All the above adverse factors will lead us to be more cautious and conservative in our mortgage loan business in the remaining period of this year. To prepare ourselves in facing these challenges and future fluctuation in property market, apart from leveraging our professionalism and highly experience in our mortgage loan business, we would continue to implement cautious and periodical prudent measures, instantly and effectively review and tighten our credit policy, increase the proportion of first mortgage loans and high net-worth customers and tighten the loan-to-value ratio. Currently we have already reduced the loan portfolio from high risk customers in order to minimise the potential default risk. We expect the market condition is likely to remain highly unstable and unpredictable but we still experience that the demand for our mortgage loan products remains strong. By leveraging on our professionalism, our well-known brand name ***Hong Kong Finance*** and our profound experience in our mortgage loan business, we expect a moderate growth of our mortgage loan portfolio with a more healthy and solid growth in our mortgage loan business in this year.

As for our personal loan business, our ***EasyLend*** has already achieved an equilibrium and has started producing positive operating profits and cash flows to our Group. We believe that ***EasyLend*** would be the other revenue and profit driver and we shall continue to invest resources in our personal loan business such as system formulation and integration and information technology, etc. In fact, the above-mentioned market uncertainty and fluctuation have pushed us to be more conservative for growing our personal loan portfolio. We would not blindly and significantly grow our loan portfolio without any vigorous and effective controls on credit and default risks to counteract the then adverse market conditions. Based on our professionalism and enthusiasm in money lending market, and on our capital investment in the personal loan business, we expect ***EasyLend*** could grow with fruitful results which would increase our overall interest income and margin and the profitability of our Group in the foreseeable future.

PURCHASE, SALE, OR REDEMPTION OF OUR COMPANY'S LISTED SECURITIES

Neither our Company nor any of its subsidiaries purchased, sold or redeemed any of our Company's listed securities during the interim period 2018 and up to the date of this announcement.

CORPORATE GOVERNANCE PRACTICES

Our Company has adopted and complied with the code provisions in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Rules Governing the Listing Securities (the "**Listing Rules**") on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") during the interim period 2018.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules to monitor the code of conduct regarding securities transactions by our Directors. Having made enquiry to all Directors, they all have confirmed that they have complied with the required standards as set out in the Model Code during the interim period 2018.

REVIEW OF INTERIM RESULTS

The audit committee of the Company (the "**Audit Committee**") consists of three independent non-executive Directors, namely, Mr. Chan Siu Wing Raymond (Chairman of Audit Committee), Mr. Chu Yat Pang Terry and Mr. Cheung Kok Cheong.

The Audit Committee has reviewed the unaudited interim condensed consolidated financial information and the interim report of the Company for the interim period 2018 in conjunction with the management of the Group. In addition, the independent auditor of our Company have reviewed the unaudited interim results for the interim period 2018 in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

INTERIM DIVIDEND

The Board declared the payment of an interim dividend of HK1.2 cents (interim period 2017: HK0.8 cents) per share for the interim period 2018 and will be payable to the shareholders of our Company whose names appear on the register of members of our Company on Friday, 4 January 2019. The interim dividend will be paid on Thursday, 17 January 2019.

CLOSURES OF REGISTER OF MEMBERS

The register of members of our Company will be closed on Thursday, 3 January 2019 and Friday, 4 January 2019, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers of shares of our Company, duly accompanied by the relevant share certificates, must be lodged with the Hong Kong branch share registrar and transfer office of our Company, Union Registrars Limited, at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration no later than 4:00 p.m. on Wednesday, 2 January 2019.

PUBLICATION

This announcement is published on the websites of our Company (www.hkfinance.hk) and of the Stock Exchange (www.hkexnews.hk), respectively. The 2018 interim report for the six months ended 30 September 2018 of the Company will be dispatched to the shareholders and published on the above websites in due course.

APPRECIATION

On behalf of the Board, I would like to extend my sincere thanks to our shareholders for their unwavering support and trust, and express my deepest gratitude to the Board, the management team and all staff of the Group for their dedication and diligence.

By Order of the Board
Hong Kong Finance Group Limited
Chan Kwong Yin William
Chairman

Hong Kong, 27 November 2018

As at the date of this announcement, the Board comprises the following members:

Executive Directors:	**Independent Non-executive Directors:**
Mr. Chan Kwong Yin William *(Chairman)*	Mr. Chan Siu Wing Raymond
Mr. Chan Koung Nam	Mr. Chu Yat Pang Terry
Mr. Tse Pui To *(Chief Executive Officer)*	Mr. Cheung Kok Cheong