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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 FINAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2022**

The board of directors (the “**Board**” or “**Directors**”) of Hong Kong Finance Group Limited (the “**Company**” or “**our Company**”) is pleased to announce the audited consolidated final results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 March 2022, together with the comparative figures for the corresponding period of the previous year, are as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2022

		Year ended 31 March	
		2022	2021
	<i>Note</i>	HK\$'000	HK\$'000
Revenue	5	153,488	155,503
Other income	5	1,394	3,902
Fair value gains/(losses) on revaluation of investment properties		8,980	(990)
(Provision for)/reversal of impairment and write-off of loans receivable, net	6	(6,513)	2,394
Administrative expenses	7	(53,060)	(47,338)
Operating profit		104,289	113,471
Finance costs	8	(21,109)	(25,676)
Profit before income tax		83,180	87,795
Income tax expense	9	(12,630)	(14,577)
Profit and total comprehensive income for the year attributable to owners of the Company		70,550	73,218
Earnings per share for profit attributable to owners of the Company			
– Basic (<i>HK cents</i>)	10(a)	17.0	17.6
– Diluted (<i>HK cents</i>)	10(b)	17.0	17.6
Dividends	11	10,790	10,790

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

		As at 31 March	
	Note	2022	2021
		HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		72,223	74,105
Investment properties		113,330	76,350
Financial asset at fair value through profit or loss		800	800
Loans receivable	12	308,660	264,241
Deferred income tax assets		1,135	749
Total non-current assets		496,148	416,245
Current assets			
Loans receivable	12	621,809	553,312
Interest receivables	13	21,776	16,981
Repossessed assets		7,248	33,557
Prepayments, deposits and other receivables		2,028	1,873
Tax recoverable		3,184	—
Cash and cash equivalents		24,882	80,023
Total current assets		680,927	685,746
Total assets		1,177,075	1,101,991
EQUITY			
Equity attributable to the owners of the Company			
Share capital		4,150	4,150
Reserves		732,470	672,710
Total equity		736,620	676,860

		As at 31 March	
		2022	2021
	<i>Note</i>	HK\$'000	HK\$'000
LIABILITIES			
Non-current liabilities			
Other borrowings	<i>14</i>	915	—
Bonds	<i>15</i>	—	22,954
Deferred income tax liabilities		3,301	3,168
		<hr/>	<hr/>
Total non-current liabilities		4,216	26,122
		<hr/>	<hr/>
Current liabilities			
Other payables and accruals		8,761	7,006
Amount due to a fellow subsidiary	<i>16(b)</i>	109,740	128,840
Tax payable		1,952	8,248
Bank and other borrowings	<i>14</i>	292,875	177,058
Bonds	<i>15</i>	22,911	77,857
		<hr/>	<hr/>
Total current liabilities		436,239	399,009
		<hr/>	<hr/>
Total liabilities		440,455	425,131
		<hr/>	<hr/>
Total equity and liabilities		1,177,075	1,101,991
		<hr/>	<hr/>
Net current assets		244,688	286,737
		<hr/>	<hr/>
Total assets less current liabilities		740,836	702,982
		<hr/>	<hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 an investment holding company. The Company and its subsidiaries (the “**Group**”) are principally engaged in the 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.

The Company has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in thousands of Hong Kong dollars (the “**HK\$’000**”), unless otherwise stated.

2 BASIC OF PREPARATION

These consolidated financial statements 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**”). These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and investment properties, which are carried at fair value.

The consolidated financial statements are prepared in accordance with the disclosure requirements of the Companies Ordinance (Cap. 622) for this financial year and the comparative period.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

3 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES

- (a) Amended standards effective in 2022 but not relevant to the Group

HKAS39, HKFRS 7 and HKFRS 9 (Amendments)	Interest rate benchmark reform
HKFRS 16 (Amendment)	COVID-19-related rent concessions

- (b) The following new and amended standards have been issued but are not effective for the financial year beginning on 1 April 2021 and have not been early adopted by the Group

		Effective for annual periods beginning on or after
Amendments to HKAS 1	Classification of liabilities as current or non-current and Hong Kong Interpretation 5, Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 April 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of accounting policies	1 April 2023
HKAS 8 (Amendment)	Definition of accounting estimates	1 April 2023
HKAS 12 (Amendment)	Deferred tax related to assets and liabilities arising from a single transaction	1 April 2023
HKAS 16 (Amendment)	Property, plant and equipment: Proceeds before intended use	1 April 2022
HKAS 37 (Amendment)	Onerous contracts – Cost of fulfilling a contract	1 April 2022
HKFRS 3 (Amendment)	Reference to the conceptual framework	1 April 2022
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	Not yet established
HKFRS 17	Insurance contracts and the related amendments	1 April 2023
HKFRSs (Amendments)	Annual improvements 2018-2020 cycle	1 April 2022
HK(IFRIC) – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 April 2023

The above new and amended standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

4 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 in the year ended 31 March 2022 (2021: Nil).

All of the Group's revenue from external customers and assets were generated from and located in Hong Kong during the years ended 31 March 2022 and 2021.

All of the Group's operating segments operate solely in Hong Kong, and accordingly geographical segment information is not presented.

For the year ended 31 March 2022

	Property mortgage loans HK\$'000	Personal loans HK\$'000	Unallocated HK\$'000	Total HK\$'000
Revenue from external customers	102,165	51,323	—	153,488
Other income	148	1	1,245	1,394
Fair value gains on revaluation of investment properties	—	—	8,980	8,980
Provision for impairment and write-off of loans receivable, net	(3,825)	(2,688)	—	(6,513)
Administrative expenses	(29,964)	(16,525)	(6,571)	(53,060)
Operating profit	68,524	32,111	3,654	104,289
Finance costs	(14,380)	(92)	(6,637)	(21,109)
Profit/(loss) before income tax	54,144	32,019	(2,983)	83,180
Income tax expense	(6,656)	(4,590)	(1,384)	(12,630)
Profit/(loss) and total comprehensive income/(loss) for the year attributable to owners of the Company	<u>47,488</u>	<u>27,429</u>	<u>(4,367)</u>	<u>70,550</u>

As at 31 March 2022

	Property mortgage loans HK\$'000	Personal loans HK\$'000	Unallocated HK\$'000	Total HK\$'000
Segment assets	<u>671,713</u>	<u>322,709</u>	<u>182,653</u>	<u>1,177,075</u>
Segment liabilities	<u>(368,336)</u>	<u>(10,836)</u>	<u>(61,283)</u>	<u>(440,455)</u>
Other information:				
Depreciation expense	(648)	(423)	(1,939)	(3,010)
Reversal of/(provision for) impairment:				
– Stage 1	1,900	(343)	—	1,557
– Stage 2	(1,588)	(140)	—	(1,728)
– Stage 3	1,103	(1,449)	—	(346)
Loans and interest receivables written-off	<u>(5,239)</u>	<u>(757)</u>	<u>—</u>	<u>(5,996)</u>

For the year ended 31 March 2021

	Property mortgage loans <i>HK\$'000</i>	Personal loans <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers	109,735	45,768	–	155,503
Other income	2,641	987	274	3,902
Fair value losses on revaluation of investment properties	–	–	(990)	(990)
Reversal of impairment and write-off of loans receivable, net	2,215	179	–	2,394
Administrative expenses	(29,397)	(13,905)	(4,036)	(47,338)
Operating profit/(loss)	85,194	33,029	(4,752)	113,471
Finance costs	(18,361)	–	(7,315)	(25,676)
Profit/(loss) before income tax	66,833	33,029	(12,067)	87,795
Income tax expense	(9,441)	(3,809)	(1,327)	(14,577)
Profit/(loss) and total comprehensive income/(loss) for the year attributable to owners of the Company	<u>57,392</u>	<u>29,220</u>	<u>(13,394)</u>	<u>73,218</u>

As at 31 March 2021

	Property mortgage loans <i>HK\$'000</i>	Personal loans <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	<u>755,857</u>	<u>201,940</u>	<u>144,194</u>	<u>1,101,991</u>
Segment liabilities	<u>(307,643)</u>	<u>(6,009)</u>	<u>(111,479)</u>	<u>(425,131)</u>
Other information:				
Depreciation expense	(562)	(511)	(1,941)	(3,014)
(Provision for)/reversal of impairment:				
– Stage 1	(2,823)	213	–	(2,610)
– Stage 2	223	399	–	622
– Stage 3	7,368	(315)	–	7,053
Loans and interest receivables written-off	<u>(2,553)</u>	<u>(118)</u>	<u>–</u>	<u>(2,671)</u>

5 REVENUE AND OTHER INCOME

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 recognised during the year are as follows:

	Year ended 31 March	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue:		
Interest income – property mortgage loans	102,165	109,735
Interest income – personal loans	51,323	45,768
Total revenue	<u>153,488</u>	<u>155,503</u>
Other income:		
Rental income	1,314	343
Management service fee income	74	1,742
Sundry income	6	8
Government grant	—	1,809
Total other income	<u>1,394</u>	<u>3,902</u>

6 PROVISION FOR/(REVERSAL OF) IMPAIRMENT AND WRITE-OFF OF LOANS RECEIVABLE, NET

	Year ended 31 March 2022			Total
	12 months expected credit loss (Stage 1)	Lifetime expected credit loss not credit impaired (Stage 2)	Lifetime expected credit loss credit impaired (Stage 3)	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(Reversal of)/provision for impairment on loans receivable	(1,557)	1,728	346	517
Write-off of loans receivable	684	—	5,312	5,996
	<u>(873)</u>	<u>1,728</u>	<u>5,658</u>	<u>6,513</u>

	Year ended 31 March 2021			Total HK\$'000
	12 months expected credit loss (Stage 1) HK\$'000	Lifetime expected credit loss not credit impaired (Stage 2) HK\$'000	Lifetime expected credit loss credit impaired (Stage 3) HK\$'000	
Provision for/(reversal of) impairment on loans receivable	2,610	(622)	(7,053)	(5,065)
Write-off of loans receivable	118	—	2,553	2,671
	<u>2,728</u>	<u>(622)</u>	<u>(4,500)</u>	<u>(2,394)</u>

7 ADMINISTRATIVE EXPENSES

	Year ended 31 March	
	2022 HK\$'000	2021 HK\$'000
Auditor's remuneration		
– audit services	800	800
– non-audit services	250	250
Advertising and marketing expenses	7,005	10,795
Bank charges	627	400
Depreciation of property, plant and equipment	3,010	3,014
Directors' emoluments	6,295	6,089
Donations	888	145
Employee benefit expenses (excluding directors' emoluments)	19,038	15,985
Legal and professional fees	4,425	3,107
Referral fees	1,963	1,352
Stamp duty on acquisition of investment properties	2,200	—
Transportation expenses	781	435
Valuation and search fee	1,067	590
Other expenses	4,711	4,376
	<u>53,060</u>	<u>47,338</u>

8 FINANCE COSTS

	Year ended 31 March	
	2022 HK\$'000	2021 HK\$'000
Interest on amount due to a fellow subsidiary (Note 16(a))	6,279	5,926
Interest on bank overdrafts	292	385
Interest on secured bank borrowings	6,817	10,186
Interest and related expenses on bonds	6,262	7,147
Interest on other borrowings	1,459	2,032
	<u>21,109</u>	<u>25,676</u>

9 INCOME TAX EXPENSE

Hong Kong profits tax for the year ended 31 March 2022 and 2021 have been provided for at a rate of 8.25% for the first HK\$2,000,000 estimated assessable profits and 16.5% for estimated assessable profits above HK\$2,000,000 for an entity qualified for the two-tiered profits tax rates regime introduced pursuant to the Inland Revenue (Amendment) (No. 7) Bill 2017. For group entities not qualifying for the two-tiered profits tax rates regime, Hong Kong profits tax has been provided for at a flat rate of 16.5%.

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

	Year ended 31 March	
	2022	2021
	HK\$'000	HK\$'000
Hong Kong profits tax		
– Current year	12,943	14,504
– Over-provision in prior years	(60)	(235)
Deferred income tax	(253)	308
	<u>12,630</u>	<u>14,577</u>

10 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\$70,550,000 (2021: HK\$73,218,000) by the weighted average number of 415,000,000 (2021: 415,000,000) ordinary shares in issue during the year ended 31 March 2022.

	Year ended 31 March	
	2022	2021
Profit attributable to owners of the Company (HK\$'000)	70,550	73,218
Weighted average number of ordinary shares in issue for basic earnings per share ('000)	415,000	415,000
Basic earnings per share (HK cents)	<u>17.0</u>	<u>17.6</u>

(b) Diluted earnings per share

As at 31 March 2022 and 2021, diluted earnings per share presented is the same as the basic earnings per share as there was no potentially diluted ordinary share outstanding.

11 DIVIDENDS

A final dividend in respect of the year ended 31 March 2022 of HK1.3 cents per share, totalling HK\$5,395,000, is scheduled to be declared at the forthcoming annual general meeting of the Company. These consolidated financial statements do not reflect this dividend payable.

	Year ended 31 March	
	2022	2021
	HK\$'000	HK\$'000
Interim dividend paid of HK1.3 cents (2021: HK1.3 cents) per share	5,395	5,395
Proposed final dividend of HK1.3 cents (2021: HK1.3 cents) per share	5,395	5,395
	<u>10,790</u>	<u>10,790</u>

12 LOANS RECEIVABLE

	As at 31 March	
	2022	2021
	HK\$'000	HK\$'000
Gross loans receivable — property mortgage loans	766,074	671,761
Gross loans receivable — personal loans	186,332	167,212
Total gross loans receivable	952,406	838,973
Less: Provision for impairment		
— Stage 1	(2,867)	(4,425)
— Stage 2	(2,055)	(327)
— Stage 3	(17,015)	(16,668)
Loans receivable, net of provision	930,469	817,553
Less: non-current portion	(308,660)	(264,241)
Current portion	<u>621,809</u>	<u>553,312</u>

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\$186,332,000 (2021: HK\$167,212,000) which are unsecured, loans receivable are secured by collateral provided by customers, bear interest and are repayable with fixed terms agreed with the customers.

During the year ended 31 March 2022, loans receivable amounted to HK\$5,996,000 (2021: HK\$2,671,000) have been written-off. These relate to customers who are either (i) in financial difficulties; (ii) declared bankruptcy; 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 and net of provision, is as follows:

	As at 31 March	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	621,809	553,312
2–5 years	80,200	61,744
Over 5 years	228,460	202,497
	<u>930,469</u>	<u>817,553</u>

As at 31 March 2022, certain properties mortgaged to the subsidiary of the Company for loans granted to its respective customers were pledged to an independent third party to secure bank and other borrowings granted (Note 14(iii)).

13 INTEREST RECEIVABLES

	As at 31 March	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest receivables	<u>21,776</u>	<u>16,981</u>

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\$11,316,000 (2021: HK\$7,100,000) which are unsecured, interest receivables are secured by collaterals provided by customers and repayable with fixed terms agreed with the customers.

14 BANK AND OTHER BORROWINGS

Bank and other borrowings are analysed as follows:

	As at 31 March	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loans	211,570	152,058
Bank overdrafts	13,274	—
Other borrowings	68,946	25,000
	<u>293,790</u>	<u>177,058</u>
Total bank and other borrowings	293,790	177,058
Less: non-current portion	(915)	—
	<u>292,875</u>	<u>177,058</u>

The weighted average effective interest rate on bank loans and bank overdrafts during the year ended 31 March 2022 was 4.5% (2021: 5.3%) per annum.

Other borrowings of HK\$68,946,000 (2021: HK\$25,000,000) are unsecured and repayable within one to ten years. The weighted average effective interest rate on other borrowings during the year ended 31 March 2022 was 4.5% (2021: 5.1%) per annum.

At 31 March 2022 and 2021, all bank and other borrowings are denominated in Hong Kong dollars and the carrying amounts approximate their fair values.

As at 31 March 2022, the bank loans and overdrafts utilised by the Group amounted to HK\$224,844,000 (2021: HK\$152,058,000). The Group's unutilised banking facilities as at the same date amounted to HK\$192,647,000 (2021: HK\$222,983,000). These banking facilities were secured by the following:

- (i) investment properties held by the Group with a net book value of HK\$113,330,000 (2021: HK\$76,350,000);
- (ii) land and buildings held by the Group with a net book value of HK\$69,952,000 (2021: HK\$71,890,000);
- (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\$94,500,000 (2021: HK\$237,300,000); and
- (iv) corporate guarantee of the Company.

15 BONDS

	As at 31 March	
	2022	2021
	HK\$'000	HK\$'000
Bonds	22,911	100,811
Less: current portion	(22,911)	(77,857)
	<u> </u>	<u> </u>
Non-current portion	<u> </u>	<u>22,954</u>

As at 31 March 2022, the Company has balances of Bond I with amount of HK\$23,000,000 (2021: HK\$84,000,000), before placing commission, with coupon rates at 6% (2021: 6%) per annum, repayable in 7 years from the issue date and the maturity dates ranging from 31 October 2021 to 27 August 2022.

As at 31 March 2021, the Company had balance of Bond II with amount of HK\$18,000,000, before placing commission, with coupon rates at 4.5% per annum, repayable in 7 years from the respective issue date and the maturity dates ranging from 9 October 2021 to 30 March 2022. Bond II carried an option by the bondholders to redeem Bond II three years after the date of issuance.

The carrying amount of the Bond I is HK\$22,911,000 as at 31 March 2022 (2021: Bond I with HK\$82,811,000 and Bond II with HK\$18,000,000, respectively, and with aggregate amount of HK\$100,811,000), and approximate their fair values. The fair values are determined using the expected future payments discounted at effective interest rates prevailing at the year ended and are within level 3 of the fair value hierarchy. The carrying amounts of the Group's bonds are denominated in Hong Kong dollars.

16 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 year ended 31 March 2022 and 2021, and balances arising from related party transactions as at 31 March 2022 and 2021.

(a) Significant related party transactions

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

	Year ended 31 March	
	2022	2021
	HK\$'000	HK\$'000
Interest expenses paid to a fellow subsidiary – Tin Ching Industrial Company Limited (“Tin Ching Industrial”)	<u>6,279</u>	<u>5,926</u>

Interest expenses on an amount due to a fellow subsidiary was charged at weighted average effective interest rate of 5.8% (2021: 5.8%) 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 (2021: HK\$200,000,000), of which the Group utilised an amount of HK\$109,740,000 (2021: HK\$128,840,000) as at 31 March 2022.

The amount was unsecured, interest bearing at weighted average effective interest rate of 5.8% (2021: 5.8%) 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.

17 Event after the reporting period

On 30 May 2022, HKF Overseas Limited, a wholly-owned subsidiary of the Company, entered into a sales and purchase agreement to acquire 50% of the issued share capital (the “**Acquisition**”) of Shine Joyful Limited (the “**Target**”), a company incorporated in Hong Kong with limited liability, at a cash consideration of HK\$14,000,000. The principal asset of the Target comprises certain vessels. Details of the transaction are disclosed in the announcements dated 30 May 2022 and 2 June 2022. The Acquisition constitutes a post-closing event and therefore, there is no impact on the consolidated financial statements for the year ended 31 March 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review and Industry Overview

Our Group is 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) (the “MLO”). Mortgage loan business is our core business under our well-known and highly recognised brand name “*Hong Kong Finance*”. We also provide unsecured personal loan products to property owners so as to diversify ourselves in different money lending market segments and to enhance our overall interest margin.

Mortgage loan business remained as the major source of the Group’s revenue, contributing approximately 66.6% to the Group’s revenue during the current year. Interest income generated from the mortgage loan business decreased by 6.8% to HK\$102.2 million during the current year. The gross mortgage loan portfolio was increased to HK\$766.1 million as at 31 March 2022 amid the subdued economic environment during the current year. As for our unsecured personal loan business, the interest income increased by 12.0% to HK\$51.3 million, contributing to about 33.4% of our Group’s revenue for the current year. As at 31 March 2022, our gross personal loan portfolio was HK\$186.3 million.

The pandemic of Coronavirus Disease 2019 (“COVID-19”) continued to impact the global economy. Although Hong Kong economy has experienced steady recovery in 2021, the new fifth wave of COVID-19 has significantly battered the Hong Kong economy which severely affected business activities from all walks of life in the first quarter of 2022. In addition to the threat from the local pandemic situation, the military conflict between Russia and Ukraine and the rapid surge of Fed interest rate to cope with the inflation hike in the U.S. have brought further uncertainties and hurdles to the global economy. The political tension between China and U.S. has persistently and severely impacted the economy in China and Hong Kong in the current year. Coupled with the economic uncertainties and great challenges, we have adopted prudent and cautious approaches such as implementing stringent credit policy, having strict control on loan-to-value ratio, etc. which persistently supported our Group in maintaining our loan portfolio and generating stable interest income during the year. We also continued to rebalance our product-mix into personal loan products so as to maintain our overall net interest margin in the current year.

Financial review

Revenue

Our interest income from money lending business of providing property mortgage loans and personal loans in Hong Kong slightly decreased by HK\$2.0 million or 1.3% from HK\$155.5 million for the last year to HK\$153.5 million for the current year, and such decrease was mainly derived from the decrease in our interest income from our mortgage loan business.

Interest income from our mortgage loan business decreased by HK\$7.5 million or 6.8% from HK\$109.7 million for the last year to HK\$102.2 million for the current year, whereas the interest income from our personal loan business increased by HK\$5.5 million or 12.0% from HK\$45.8 million for the last year to HK\$51.3 million for the current year.

Other income

We have recorded other income of HK\$1.4 million (2021: HK\$3.9 million) during the current year. Last year's other income mainly comprised of management service fee income of HK\$1.7 million and the government grant of HK\$1.8 million.

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

During the current year, our Group recorded gains of HK\$9.0 million (2021: losses of HK\$1.0 million) on the revaluation of our investment properties. The increase was mainly derived from the new acquisition of investment properties during the year. Further details of such acquisition have been set out in the Company's announcement dated 22 October 2021.

Provision for/(reversal of) impairment and write-off of loans receivable, net

We have recorded a provision for impairment and write-off of loans and interest receivables of HK\$6.5 million for the year (2021: a reversal of the provision of HK\$2.4 million).

Below is the breakdown of provision for/(reversal of) impairment and write-off of loans receivable incurred from property mortgage loans and personal loans during the year and the prior year:

	Property mortgage loans		Personal loans	
	Year ended 31 March		Year ended 31 March	
	2022	2021	2022	2021
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Provision for/(reversal of)				
impairment on loans receivable	(1.4)	(4.8)	1.9	(0.3)
Write-off of loans receivable	5.2	2.6	0.8	0.1
	<u>3.8</u>	<u>(2.2)</u>	<u>2.7</u>	<u>(0.2)</u>

Administrative expenses

We have incurred administrative expenses of HK\$53.1 million for the current year (2021: HK\$47.3 million), which mainly comprised of employee benefit expenses, advertising and marketing expenses, legal and professional fees, depreciation of property, plant and equipment and other miscellaneous expenses. The increase in the administration expenses by HK\$5.8 million or 12.3% was mainly due to the stamp duty of HK\$2.2 million incurred for the new acquisition of the investment properties during the year. Also, we have increased our headcounts for the expansion of our personal loans business which further pushed up the employee benefit expenses of the Group.

Finance costs

We have incurred finance costs of HK\$21.1 million for the current year (2021: HK\$25.7 million), which mainly comprised of interest on interest bearing bank and other borrowings, amount due to a fellow subsidiary and issuance of bonds. The decrease in the finance costs by HK\$4.6 million or 17.9% was mainly attributable to the decrease in the utilisation of bank borrowings during the current year. It is our Group's policy to prioritise the utilisation of our available facilities which offer the lowest finance cost to our Group.

Net interest margin

The net interest margin of our money lending business was maintained at 14.9% for the current year (2021: 14.9%). Our product-mix to unsecured personal loan products for property owners helped for maintaining the overall net interest margin at a relatively higher level.

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\$70.6 million for the current year as compared to HK\$73.2 million for the last year, representing a decrease of 3.6%.

LIQUIDITY AND SOURCES OF FINANCIAL RESOURCES

During the current year, our Group's operations and capital requirements were financed principally through retained earnings, loans or advances from our fellow subsidiary, Tin Ching Industrial Company Limited, as well as banks and other borrowings. 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 and our share capital. We had no significant commitments for capital expenditure as at 31 March 2022.

The Group recorded net current assets of HK\$244.7 million as at 31 March 2022 (2021: HK\$286.7 million).

As at 31 March 2022, cash and cash equivalents amounted to HK\$24.9 million (2021: HK\$80.0 million); amount due to a fellow subsidiary amounted to HK\$109.7 million (2021: HK\$128.8 million); interest bearing bank and other borrowings amounted to HK\$293.8 million (2021: HK\$177.1 million), and bonds amounted to HK\$22.9 million (2021: HK\$100.8 million).

During the current year, 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 amounts due to a fellow subsidiary and other borrowings were unsecured, interest bearing with fixed term of repayment.

During the current year, 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 31 March 2022, our unutilised banking facilities and other unutilised facility available to our Group for drawdown amounted to HK\$192.6 million and HK\$90.3 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 current year, 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 years ended 31 March 2022 and 2021 respectively:

	As at 31 March	
	2022	2021
Current ratio ⁽¹⁾	1.56	1.72
Gearing ratio ⁽²⁾	0.55	0.48
	For the year ended 31 March	
	2022	2021
Net interest margin ratio ⁽³⁾	14.9%	14.9%
Return on equity ratio ⁽⁴⁾	9.6%	10.8%
Interest coverage ratio ⁽⁵⁾	4.5 times	4.5 times

Notes:

- (1) Current ratio was calculated by dividing current assets by current liabilities as at the respective 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 year-end date.
- (3) Net interest margin ratio was calculated by dividing net interest income (being the interest income net of finance costs) by the monthly average balance of mortgage loan receivables at the respective year-end date.
- (4) Return on equity ratio was calculated by dividing profit and total comprehensive income for year attributable to owners of the Company by the total equity as at the respective year-end date.
- (5) Interest coverage ratio was calculated by dividing profit before finance costs and income tax expenses (excluding fair value gains on revaluation of investment properties) by the finance costs for the corresponding year.

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 current year.

IMPORTANT EVENTS OCCURRED AFTER THE END OF THE FINANCIAL YEAR

Subsequent to the year ended 31 March 2022, on 30 May 2022, at a cash consideration of HK\$14.0 million, the Group entered into an agreement to acquire 50% equity interest in a company whose principal asset comprises certain vessels. Further details of which have been set out in the Company's announcements dated 30 May 2022 and 2 June 2022.

Other than set forth above, our Group did not have other important events affecting our Company and our subsidiaries since year ended 31 March 2022 and up to the date of this announcement.

COMPLIANCE WITH MONEY LENDERS ORDINANCE

Our Group is required to and has, at all times, strictly complied with all relevant laws and regulations. In the opinion of our Directors, in addition to the Rules Governing the Listing Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), the MLO constituted a significant influence on our Group’s money lending business during the current year.

The MLO is the principal ordinance which governs the money lending business in Hong Kong. Our money lending business has been conducted through the subsidiaries of our Company. During the current year, we did not receive any objection from and was not investigated by the Registrar of Money Lenders nor the Commissioner of Police regarding the renewal of the money lenders licence.

To the best of our knowledge, our Group has complied with the MLO in all material aspects, and that our Directors are not aware of any matters that might come to their attention that our money lenders licence would be suspended, terminated or would not be renewed in foreseeable future.

CUSTOMERS

During the current year, our customers comprised individuals and corporations in Hong Kong and were all independent third parties (within the meaning of Chapter 14A of the Listing Rules), and were not connected persons or senior management of our Group.

During the current year, our top five customers (as determined by interest income generated) accounted for approximately 7.6% (2021: 9.6%) of our total revenue, and our single largest customer accounted for approximately 2.2% (2021: 2.2%) of our total revenue.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2022, our Group employed 43 (2021: 35) full time employees. The total staff costs of our Group for the year were HK\$25.3 million (2021: HK\$22.1 million)

Our Group adopts a remuneration policy covering the position, duties and performance of our employees. The remuneration of our employees include salary, overtime allowance, bonus and various subsidies. We conduct performance appraisal on an annual basis. Our Company has also adopted the 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 options were granted and outstanding during the year end 31 March 2022.

CHARGES ON GROUP ASSETS

As at 31 March 2022, our land and buildings of HK\$70.0 million (2021: HK\$71.9 million), our investment properties of HK\$113.3 million (2021: HK\$76.4 million) and certain properties mortgaged to our subsidiary with aggregate fair values of these properties of approximately HK\$94.5 million (2021: HK\$237.3 million) were secured for the Group's bank borrowings.

FOREIGN EXCHANGE EXPOSURE

During the current year, 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 31 March 2022, our Group had no material contingent liabilities (2021: Nil).

CAPITAL COMMITMENTS

The Group did not have any capital commitments as at 31 March 2022 (2021: Nil).

OUTLOOK

The aftermath of the fifth wave of the epidemic has still imposed influence on the recovery of Hong Kong economy and such recovery will depend on the development of the pandemic situation, whether there would be a further sixth (and so forth) wave of the epidemic, and the efficiency of recovery strategies implemented by the Hong Kong Government. The development of the military conflict between Russia and Ukraine and the surge of Fed interest rate and inflation hike in the U.S. will continue to bring uncertainties and hurdles to the global economy. It is also expected that the political tension between China and U.S. will not be eased and will persistently impact the economy in China and Hong Kong in forthcoming periods. The beginning of tapering in U.S. may further creates challenges to the global economy. We expect these factors will continue to affect our loan product demand and our business operations for the coming financial years. The Group expects the global economy and Hong Kong economic outlook will remain sluggish, which would certainly pose persistent challenges and uncertainties to both our mortgage loan and personal loan products.

Despite the difficulties and challenges ahead, our Group will continue to leverage our professionalism and solid experience in our money lending business. We shall persistently implement cautious and prudent measures, instantly and effectively review and tighten our credit policies, and increase the proportion of our business with high net-worth customers. We shall also rebalance our product-mix, especially in our personal loan products where we shall put more focus on personal loans with property owners. By leveraging our professionalism, the highly recognised brand name “**Hong Kong Finance**” and our profound experience in the money lending business, we are confident to put ourselves in a more stable and solid position in the money lending industry, and we shall prepare ourselves to produce sound and fruitful operating and financial results again once the economy rebounds.

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

Neither our Company nor any of our subsidiaries purchased, sold or redeemed any of our Company’s listed securities during the year and up to the date of this announcement.

CORPORATE GOVERNANCE PRACTICES

Our Company has adopted and complied with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules during the year.

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 to 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 year under review.

REVIEW OF FINAL 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 discussed with the management of our Company the internal control and financial reporting matters including the accounting principles and practices related to the preparation of the consolidated financial statements for the year ended 31 March 2022. The Audit Committee has also reviewed the consolidated financial statements for the said year with the management and the auditor of our Company and recommended them to the Board for approval.

ANNUAL GENERAL MEETING

The annual general meeting of our Company will be held on Tuesday, 6 September 2022 (the “AGM”). The notice of AGM, which constitutes part of the circular to the shareholders, will be published on the websites of our Company and the Stock Exchange respectively and despatched to our shareholders together with our Company’s 2022 annual report in due course.

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK1.3 cents per share for the year ended 31 March 2022, subject to shareholders’ approval at the AGM. The proposed final dividend will be paid on Friday, 7 October 2022.

CLOSURES OF REGISTER OF MEMBERS

The register of members of the Company will be closed during the following periods, and no transfers of shares of the Company will be effected during such periods:

- (i) from Thursday, 1 September 2022 to Tuesday, 6 September 2022, both days inclusive, for the purpose of ascertaining shareholders’ entitlement to attend and vote at the AGM. In order to be entitled to attend and vote at the AGM, all transfers of ordinary shares of the Company, duly accompanied by the relevant share certificates, must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Union Registrars Limited (the “**Branch Share Registrar**”), 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, 31 August 2022; and
- (ii) on Tuesday, 13 September 2022 and Thursday, 15 September 2022, both days inclusive, for the purpose of ascertaining shareholders’ entitlement to the proposed final dividend for the year ended 31 March 2022. In order to determine entitlements to the proposed final dividend, all transfers of ordinary shares of the Company, duly accompanied by the relevant share certificates, must be lodged with the Branch Share Registrar at the address set out above for registration no later than 4:00 p.m. on Friday, 9 September 2022.

PUBLICATION

This announcement is published on the aforesaid websites. The 2022 annual report will be despatched to the shareholders of our Company and published on the above websites in due course.

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

Hong Kong, 28 June 2022

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

Executive Directors:

Mr. Chan Kwong Yin William (*Chairman*)
Mr. Chan Koung Nam
Mr. Tse Pui To (*Chief Executive Officer*)

Independent Non-executive Directors:

Mr. Chan Siu Wing Raymond
Mr. Chu Yat Pang Terry
Mr. Cheung Kok Cheong