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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 INTERIM RESULTS**  
**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023**

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 2023, 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 2023*

		<b>Six months ended</b>	
		<b>30 September</b>	
	<i>Note</i>	<b>2023</b>	2022
		<b>HK\$'000</b>	HK\$'000
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue	4, 5	73,154	76,772
Other income	5	636	2,098
Fair value losses on revaluation of investment properties		<b>(2,300)</b>	(5,380)
Provision for impairment and write-off of loans receivable and repossessed assets, net	6	<b>(4,060)</b>	(3,901)
Administrative expenses	7	<b>(31,407)</b>	(26,274)
<b>Operating profit</b>		<b>36,023</b>	43,315
Finance costs	8	<b>(10,718)</b>	(10,135)
Share of profit of a joint venture		<b>188</b>	119
<b>Profit before income tax</b>		<b>25,493</b>	33,299
Income tax expense	9	<b>(4,784)</b>	(6,283)
<b>Profit and total comprehensive income for the period attributable to owners of the Company</b>		<b>20,709</b>	27,016
<b>Earnings per share for profit attributable to owners of the Company</b>			
– Basic ( <i>HK cents</i> )	10(a)	<b>4.99</b>	6.51
– Diluted ( <i>HK cents</i> )	10(b)	<b>4.99</b>	6.51
Dividends	11	<b>5,395</b>	5,395

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*As at 30 September 2023*

		<b>As at</b>	As at
		<b>30 September</b>	31 March
		<b>2023</b>	2023
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>68,296</b>	69,652
Investment properties		<b>102,900</b>	105,200
Financial asset at fair value through profit or loss		<b>800</b>	800
Loans receivable	<i>12</i>	<b>317,028</b>	334,659
Deferred income tax assets		<b>2,165</b>	1,561
Investment in a joint venture		<b>14,146</b>	13,958
		<u>505,335</u>	<u>525,830</u>
<b>Total non-current assets</b>			
<b>Current assets</b>			
Loans receivable	<i>12</i>	<b>514,502</b>	537,612
Interest receivables	<i>13</i>	<b>22,003</b>	22,903
Repossessed assets		<b>22,662</b>	7,126
Prepayments, deposits and other receivables		<b>4,509</b>	2,860
Cash and cash equivalents		<b>41,704</b>	29,875
		<u>605,380</u>	<u>600,376</u>
<b>Total current assets</b>			
		<u>1,110,715</u>	<u>1,126,206</u>
<b>Total assets</b>			
<b>Equity</b>			
<b>Equity attributable to the owners of the Company</b>			
Share capital		<b>4,150</b>	4,150
Reserves		<b>795,879</b>	780,565
		<u>800,029</u>	<u>784,715</u>
<b>Total equity</b>			

		As at <b>30 September 2023</b>	As at 31 March 2023
	<i>Note</i>	<b>HK\$'000</b> <b>(Unaudited)</b>	<b>HK\$'000</b> <b>(Audited)</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Other payables and accruals		6,780	8,757
Amount due to a fellow subsidiary	15(b)	94,718	96,467
Tax payable		6,162	2,549
Dividend payable		5,395	–
Bank and other borrowings	14	<u>192,970</u>	<u>229,235</u>
<b>Total current liabilities</b>		<u>306,025</u>	<u>337,008</u>
<b>Non-current liabilities</b>			
Other borrowings		854	867
Deferred income tax liabilities		<u>3,807</u>	<u>3,616</u>
<b>Total non-current liabilities</b>		<u>4,661</u>	<u>4,483</u>
<b>Total liabilities</b>		<u>310,686</u>	<u>341,491</u>
<b>Total equity and liabilities</b>		<u>1,110,715</u>	<u>1,126,206</u>
<b>Net current assets</b>		<u>299,355</u>	<u>263,368</u>
<b>Total assets less current liabilities</b>		<u>804,690</u>	<u>789,198</u>

# 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 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.

This interim condensed consolidated financial information of the Group are presented in thousands of Hong Kong dollars (the “**HK\$’000**”), unless otherwise stated. These interim condensed consolidated financial information was approved by the board of directors of the Company for issue on 28 November 2023.

## 2 BASIS OF PREPARATION

The interim condensed consolidated financial information of the Group for the six months ended 30 September 2023 has been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The interim condensed consolidated financial information should be read in conjunction with the consolidated financial statements for the year ended 31 March 2023 of the Group, which has 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 consolidated financial statements for the year ended 31 March 2023, 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 2024.

### (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 accordingly. The new and amended standards did not have any material impact to the interim condensed consolidated financial information.

### (B) New standards and interpretation issued but not yet applied by the Group

There are no 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.

#### 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.

There are no sales between the operating segments during the six months ended 30 September 2023 (30 September 2022: Nil).

All of the Group’s revenue from external customers and assets were generated from and located in Hong Kong during the six months ended 30 September 2023 and 2022.

The Group’s operating segments operate solely in Hong Kong, and accordingly geographical segment information is not presented.

**For the period ended 30 September 2023**

	<b>Property mortgage loans HK\$'000</b>	<b>Personal loans HK\$'000</b>	<b>Unallocated HK\$'000</b>	<b>Total HK\$'000</b>
Revenue from external customers	47,196	25,958	–	73,154
Other income	30	1	605	636
Fair value losses on revaluation of investment properties	(200)	–	(2,100)	(2,300)
Provision for impairment and write-off of loans receivable and repossessed assets, net	(3,704)	(356)	–	(4,060)
Administrative expenses	<u>(16,844)</u>	<u>(12,463)</u>	<u>(2,100)</u>	<u>(31,407)</u>
Operating profit/(loss)	26,478	13,140	(3,595)	36,023
Finance costs	(8,056)	(1,550)	(1,112)	(10,718)
Share of profit of a joint venture	<u>–</u>	<u>–</u>	<u>188</u>	<u>188</u>
Profit/(loss) before income tax	18,422	11,590	(4,519)	25,493
Income tax (expense)/credit	<u>(2,999)</u>	<u>(1,912)</u>	<u>127</u>	<u>(4,784)</u>
Profit/(loss) and total comprehensive income/(loss) for the period attributable to owners of the Company	<u>15,423</u>	<u>9,678</u>	<u>(4,392)</u>	<u>20,709</u>
Other information:				
Depreciation expense	(296)	(131)	(969)	(1,396)
Reversal of/(provision for) impairment of loans receivable:				
– Stage 1	839	(758)	–	81
– Stage 2	(630)	(45)	–	(675)
– Stage 3	(3,469)	535	–	(2,934)
Loans receivable written-off	–	(88)	–	(88)
Provision for impairment of repossessed assets	<u>(444)</u>	<u>–</u>	<u>–</u>	<u>(444)</u>

**As at 30 September 2023**

	<b>Property mortgage loans HK\$'000</b>	<b>Personal loans HK\$'000</b>	<b>Unallocated HK\$'000</b>	<b>Total HK\$'000</b>
Segment assets	<u>710,070</u>	<u>219,674</u>	<u>180,971</u>	<u>1,110,715</u>
Segment liabilities	<u>(241,895)</u>	<u>(25,251)</u>	<u>(43,540)</u>	<u>(310,686)</u>

**For the period ended 30 September 2022**

	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	50,376	26,396	–	76,772
Other income	458	367	1,273	2,098
Fair value losses on revaluation of investment properties	–	–	(5,380)	(5,380)
Provision for impairment and write-off of loans receivable	(2,099)	(1,802)	–	(3,901)
Administrative expenses	<u>(14,289)</u>	<u>(9,937)</u>	<u>(2,048)</u>	<u>(26,274)</u>
Operating profit/(loss)	34,446	15,024	(6,155)	43,315
Finance costs	(8,682)	(502)	(951)	(10,135)
Share of profit of joint venture	<u>–</u>	<u>–</u>	<u>119</u>	<u>119</u>
Profit/(loss) before income tax	25,764	14,522	(6,987)	33,299
Income tax expense	<u>(3,007)</u>	<u>(2,322)</u>	<u>(954)</u>	<u>(6,283)</u>
Profit/(loss) and total comprehensive income/(loss) for the period attributable to owners of the Company	<u>22,757</u>	<u>12,200</u>	<u>(7,941)</u>	<u>27,016</u>
Other information:				
Depreciation expense	(304)	(166)	(968)	(1,438)
(Provision for)/reversal of impairment of loans receivable:				
– Stage 1	(312)	(183)	–	(495)
– Stage 2	(276)	335	–	59
– Stage 3	(1,511)	(1,921)	–	(3,432)
Loans receivable written-off	<u>–</u>	<u>(33)</u>	<u>–</u>	<u>(33)</u>

**As at 31 March 2023**

	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>515,370</u>	<u>427,484</u>	<u>183,352</u>	<u>1,126,206</u>
Segment liabilities	<u>(270,539)</u>	<u>(33,113)</u>	<u>(37,839)</u>	<u>(341,491)</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 period are as follows:

	<b>Six months ended 30 September</b>	
	<b>2023</b> <i>HK\$'000</i> (Unaudited)	2022 <i>HK\$'000</i> (Unaudited)
Revenue		
Interest income – property mortgage loans	47,196	50,376
Interest income – personal loans	<u>25,958</u>	<u>26,396</u>
Total revenue	<u><u>73,154</u></u>	<u><u>76,772</u></u>
Other income		
Government grant	–	719
Rental income	635	1,302
Sundry income	<u>1</u>	<u>77</u>
Total other income	<u><u>636</u></u>	<u><u>2,098</u></u>

## 6 PROVISION FOR IMPAIRMENT AND WRITE-OFF OF LOANS RECEIVABLE AND REPOSSESSED ASSETS, NET

	<b>Six months ended 30 September 2023</b>			<b>Total</b> <i>HK\$'000</i>
	<b>12 months expected credit loss (Stage 1) <i>HK\$'000</i></b>	<b>Lifetime expected credit loss not credit impaired (Stage 2) <i>HK\$'000</i></b>	<b>Lifetime expected credit loss credit impaired (Stage 3) <i>HK\$'000</i></b>	
(Reversal of)/provision for impairment of loans receivable ( <i>Note 12</i> )	(81)	675	2,934	3,528
Write-off of loans receivable ( <i>Note 12</i> )	<u>88</u>	<u>–</u>	<u>–</u>	<u>88</u>
	<u><u>7</u></u>	<u><u>675</u></u>	<u><u>2,934</u></u>	<u><u>3,616</u></u>
Provision for impairment of repossessed assets				<u><u>444</u></u>
Total provision for impairment and write-off of loans receivable and repossessed assets, net				<u><u>4,060</u></u>

	<b>Six months ended 30 September 2022</b>			<b>Total</b> <i>HK\$'000</i>
	<b>12 months expected credit loss (Stage 1) <i>HK\$'000</i></b>	<b>Lifetime expected credit loss not credit impaired (Stage 2) <i>HK\$'000</i></b>	<b>Lifetime expected credit loss credit impaired (Stage 3) <i>HK\$'000</i></b>	
Provision for/(reversal of) impairment of loans receivable ( <i>Note 12</i> )	495	(59)	3,432	3,868
Write-off of loans receivable ( <i>Note 12</i> )	<u>–</u>	<u>–</u>	<u>33</u>	<u>33</u>
	<u><u>495</u></u>	<u><u>(59)</u></u>	<u><u>3,465</u></u>	<u><u>3,901</u></u>



## 7 ADMINISTRATIVE EXPENSES

	Six months ended	
	30 September	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Employee benefit expenses (including directors' emoluments)	13,461	12,217
Advertising and marketing expenses	6,639	5,523
Legal and professional fees	3,804	1,793
Referral fees	891	607
Valuation and search fees	733	672
Depreciation of property, plant and equipment	1,396	1,438
Banking facilities charges	769	815
Other expenses	3,714	3,209
	<u>31,407</u>	<u>26,274</u>
Total administrative expenses	<u>31,407</u>	<u>26,274</u>

## 8 FINANCE COSTS

	Six months ended	
	30 September	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest on secured bank borrowings	6,230	5,410
Interest and related expenses on bonds	–	274
Interest on amount due to a fellow subsidiary ( <i>Note 15(a)</i> )	3,587	2,908
Interest on other borrowings	901	1,543
	<u>10,718</u>	<u>10,135</u>
Total finance costs	<u>10,718</u>	<u>10,135</u>

## 9 INCOME TAX EXPENSE

Hong Kong profits tax for the six months ended 30 September 2023 and 2022 have been provided for the 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 of the Group 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 interim condensed consolidated statement of comprehensive income represents:

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong profits tax		
– Current period	5,197	6,674
Deferred income tax credit	(413)	(391)
	<u>4,784</u>	<u>6,283</u>

## 10 EARNINGS PER SHARE

### (a) Basic earnings per share

	Six months ended 30 September	
	2023	2022
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (HK\$'000)	20,709	27,016
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>4.99</u>	<u>6.51</u>

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 September 2023.

### (b) Diluted earnings per share

For the six months ended 30 September 2023 and 2022, 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) A final dividend of HK1.3 cents per share relating to the year ended 31 March 2023, amounting to HK\$5,395,000, was declared and approved in September 2023. As at 30 September 2023, the dividend was not yet paid.
- (b) At the date of this announcement, the Board declared an interim dividend of HK1.3 cents (2022: HK1.3 cents) per share. The interim dividend amounting to HK\$5,395,000 has not been recognised as a liability for the six months ended 30 September 2023.

## 12 LOANS RECEIVABLE

	As at 30 September 2023 <i>HK\$'000</i> (Unaudited)	As at 31 March 2023 <i>HK\$'000</i> (Audited)
Gross loans receivable – property mortgage loans	666,304	699,639
Gross loans receivable – personal loans	<u>195,749</u>	<u>199,627</u>
Total gross loans receivable	<u>862,053</u>	<u>899,266</u>
Less: Provision for impairment		
– Stage 1	(2,096)	(2,177)
– Stage 2	(1,172)	(497)
– Stage 3	<u>(27,255)</u>	<u>(24,321)</u>
Total provision for impairment	<u>(30,523)</u>	<u>(26,995)</u>
Loans receivable, net of provision	831,530	872,271
Less: non-current portion	<u>(317,028)</u>	<u>(334,659)</u>
Current portion	<u>514,502</u>	<u>537,612</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 gross personal loans receivable of HK\$195,749,000 (31 March 2023: HK\$199,627,000) which are unsecured, loans receivable are secured by collaterals provided by customers, interest-bearing and are repayable with fixed terms agreed with the customers.

During the period ended 30 September 2023, loans receivable amounted to HK\$88,000 (31 March 2023: HK\$700,000) 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 have no reasonable expectation of recovery.

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:

	<b>As at 30 September 2023 <i>HK\$'000</i> (Unaudited)</b>	<b>As at 31 March 2023 <i>HK\$'000</i> (Audited)</b>
Current	<b>514,502</b>	537,612
2–5 years	<b>180,130</b>	87,836
Over 5 years	<b>136,898</b>	246,823
	<b><u>831,530</u></b>	<b><u>872,271</u></b>

As at 30 September 2023, certain bank and other borrowings from an independent third party were secured by gross loans receivable of HK\$366,136,000 (Note 14(iii)) (31 March 2023: HK\$393,099,000).

As at 30 September 2023, mortgage loans receivable amounting HK\$33,380,000 (31 March 2023: HK\$31,372,000) are still in progress for registration of the legal charges at the Land Registry.

### 13 INTEREST RECEIVABLES

	<b>As at 30 September 2023 <i>HK\$'000</i> (Unaudited)</b>	<b>As at 31 March 2023 <i>HK\$'000</i> (Audited)</b>
Interest receivables	<b><u>22,003</u></b>	<b><u>22,903</u></b>

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\$12,397,000 (31 March 2023: HK\$14,832,000) which are unsecured, interest receivables are secured by collaterals provided by customers and repayable with fixed terms agreed with customers.

As at 30 September 2023, certain bank and other borrowings from an independent third party were secured by gross interest receivables of HK\$14,977,000 (Note 14(iii)) (31 March 2023: HK\$16,152,000).

## 14 BANK AND OTHER BORROWINGS

Bank and other borrowings are analysed as follows:

	<b>As at 30 September 2023 HK\$'000 (Unaudited)</b>	As at 31 March 2023 HK\$'000 (Audited)
Bank borrowings	<b>153,065</b>	208,624
Other borrowings	<b>40,759</b>	21,478
Total bank and other borrowings	<b>193,824</b>	230,102
Less: non-current portion	<b>(854)</b>	(867)
Current portion	<b>192,970</b>	229,235

The weighted average effective interest rate on bank borrowings during the six months ended 30 September 2023 was 5.8% (31 March 2023: 5.0%) per annum.

Other borrowings of HK\$40,759,000 (31 March 2023: HK\$21,478,000) are unsecured and repayable within one to nine years (31 March 2023: within one to ten years). The weighted average effective interest rate on other borrowing during the six months ended 30 September 2023 was 7.0% (31 March 2023: 5.3%) per annum.

At 30 September 2023 and 31 March 2023, all bank and other borrowings are denominated in Hong Kong dollars and the carrying amounts approximate their fair values.

As at 30 September 2023, the bank borrowings utilised by the Group amounted to HK\$153,065,000 (31 March 2023: HK\$208,624,000). The Group's unutilised banking facilities as at the same date amounted to HK\$107,494,000 (31 March 2023: HK\$238,540,000). These banking facilities were secured by the followings:

- (i) investment properties held by the Group with a net book value of HK\$102,900,000 (31 March 2023: HK\$105,200,000);
- (ii) land and buildings held by the Group with net book value of HK\$67,047,000 (31 March 2023: HK\$68,015,000);
- (iii) certain gross loans receivable of HK\$366,136,000 (31 March 2023: HK\$393,099,000) and interest receivables of HK\$14,977,000 (31 March 2023: HK\$16,152,000); and
- (iv) corporate guarantee of the Company.

## 15 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 2023 and 2022, and balances arising from related party transactions as at 30 September 2023 and 31 March 2023.

### (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	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest expenses paid to a fellow subsidiary		
– Tin Ching Industrial Company Limited		
(“ <b>Tin Ching Industrial</b> ”)*	<u>3,587</u>	<u>2,908</u>
Advertising and marketing expenses paid to a joint venture		
– Shine Joyful Limited	<u>1,800</u>	<u>1,500</u>

\* Interest expenses on an amount due to a fellow subsidiary was charged at effective interest rate of 7.0% (2022: 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 (31 March 2023: HK\$200,000,000), of which the Group utilised an amount of HK\$94,718,000 as at 30 September 2023 (31 March 2023: HK\$96,467,000).

The amount was unsecured, interest bearing at weighted average effective interest rate of 7.0% (31 March 2023: 6.6%) 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business review

Our Group is principally engaged in the money lending business specialising in providing property loans in Hong Kong under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) (the “MLO”) with our well-known and highly recognised brand name “*Hong Kong Finance*”.

During the period under review, mortgage loan business remained as the major source of our Group’s revenue, contributing approximately 64.5%, whereas personal loan business contributed approximately 35.5%. The gross mortgage loan portfolio and personal loan portfolio as at 30 September 2023 were HK\$666.3 million and HK\$195.8million, respectively totalling HK\$862.1 million, decreased by 4.1% as compared to it as at 31 March 2023 amid the subdued economic environment during the current period.

The first half of the current financial year in 2023 was a challenging and difficult one. The federal funds interest rate hike in the U.S. has continued to slump and diminish the consumption demand and investment incentive of property market in Hong Kong during the current period. The downtrend of Hong Kong property market was evidenced by the Centa-City Leading Index dropping from 168.27 in late March 2023 to 156.79 in early October 2023, dipping by approximately 6.8%. Coupled with the economic slump and great challenges, we have continued to adopt prudent and cautious approaches such as implementing stringent credit policies, 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 current period. We have also tried to shift the increasing cost of funds to our customers by increasing the rates of interest charged to our customers. We also continued to rebalance our product-mix into personal loan products, closely monitor the quality of our loan portfolio in terms of customers’ creditability and repayment ability, and recall loans from customers who have high potential default risks.

### Financial review

#### *Revenue*

Our Group’s interest income from money lending business decreased by HK\$3.6 million or 4.7% from HK\$76.8 million for the last period to HK\$73.2 million for the current period, and such decrease was mainly responding for the current economic difficulties as discussed above and our tightening of our credit policy when granting loans to our customers during the current period.

Interest income from our mortgage loan business decreased by HK\$3.2 million or 6.3% from HK\$50.4 million for the last period to HK\$47.2 million for the current period, whereas the interest income from our personal loan business also slightly decreased by HK\$0.4 million or 1.5% from HK\$26.4 million for the last period to HK\$26.0 million for the current period.

### *Other income*

We have recorded other income of HK\$0.6 million (2022: HK\$2.1 million) during the current period which mainly comprised of rental income from our investment properties of HK\$0.6 million (2022: HK\$1.3 million). Last period's other income also comprised of government grant of HK\$0.7 million and no such grant was received during the current period.

### *Fair value losses on revaluation of investment properties*

During the current period, our Group recorded a loss of HK\$2.3 million (2022: HK\$5.4 million) on the revaluation of our investment properties, as the decline of market values of our Group's investment properties carried on during the current period.

### *Provision for impairment and write-off of loans receivable and repossessed assets, net*

We have recorded a provision for impairment and write-off of loans receivable and repossessed assets of HK\$4.1 million for the current period (2022: HK\$3.9 million).

Below is the breakdown of provision for impairment and write-off of loans receivable and repossessed assets from property mortgage loans and personal loans during the current and the last periods:

	<b>Property mortgage loans</b>		<b>Personal loans</b>	
	<b>Six months ended</b>		<b>Six months ended</b>	
	<b>30 September</b>		<b>30 September</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Provision for impairment of loans receivable	<b>3,260</b>	2,099	<b>268</b>	1,769
Provision for impairment of repossessed assets	<b>444</b>	–	–	–
Write-off of loans receivable	<b>–</b>	–	<b>88</b>	33
	<b><u>3,704</u></b>	<b><u>2,099</u></b>	<b><u>356</u></b>	<b><u>1,802</u></b>

### *Administrative expenses*

We have incurred administrative expenses of HK\$31.4 million for the current period (2022: HK\$26.3 million), which mainly comprised of employee benefit expenses, advertising and marketing expenses, legal and professional fees, referral fees, depreciation of property, plant and equipment and other miscellaneous expenses. The increase in the administration expenses by HK\$5.1 million or 19.4% was mainly due to the increase in our headcounts and the salary adjustments to employees which pushed up our employee benefit expenses during the current period. We have also increased our spending on advertising and marketing in order to promote our money lending business and to maintain our market shares.



### *Finance costs*

We have incurred finance costs of HK\$10.7 million for the current period (2022: HK\$10.1 million), which mainly comprised of interest on interest bearing bank and other borrowings and amount due to a fellow subsidiary. 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 decreased to 13.6% for the current period (2022: 14.3%). Such decline was resulted from the raise of borrowing rates which were in line with the raise of global interest rates during the current period.

### *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\$20.7 million for the current period as compared to HK\$27.0 million for the last period, representing a dip of 23.3%.

## **LIQUIDITY AND SOURCES OF FINANCIAL RESOURCES**

During the six months ended 30 September 2023, our Group's operations and capital requirements were financed principally through retained earnings, advances from a 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 30 September 2023.

Our Group recorded net current assets of HK\$299.4 million as at 30 September 2023 (31 March 2023: HK\$263.4 million).

As at 30 September 2023, cash and cash equivalents amounted to HK\$41.7 million (31 March 2023: HK\$29.9 million); amount due to a fellow subsidiary amounted to HK\$94.7 million (31 March 2023: HK\$96.5 million); interest bearing bank and other borrowings amounted to HK\$193.8 million (31 March 2023: HK\$230.1 million).

During the current period, all interest bearing bank borrowings were repayable on demand and were secured by our Group's investment properties, land and buildings, certain loans and interest receivables, and a corporate guarantee of our Company. The amount due to a fellow subsidiary was unsecured, interest bearing at a weighted average effective interest rate of 7.0% per annum and repayable on demand.

During the current period, 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 2023, our unutilised banking facilities and other unutilised facility available to our Group for drawdown amounted to HK\$107.5 million and HK\$105.3 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.

## KEY FINANCIAL RATIOS

The following table sets forth the key financial ratios of our Group during the current period and the last period, and as at 30 September 2023 and 31 March 2023 respectively:

	<b>As at 30 September 2023</b>	As at 31 March 2023
Current ratio <sup>(1)</sup>	<b>1.98</b>	1.78
Gearing ratio <sup>(2)</sup>	<b>0.31</b>	0.38
	<b>For the six months ended 30 September 2023</b>	2022
Net interest margin ratio <sup>(3)</sup>	<b>13.6%</b>	14.3%
Return on equity ratio <sup>(4)</sup>	<b>5.2%</b>	7.1%
Interest coverage ratio <sup>(5)</sup>	<b>3.6 times</b>	4.8 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 year 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 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 current period.

## IMPORTANT EVENTS OCCURRED AFTER THE SIX MONTHS ENDED OF 30 SEPTEMBER 2023

Our Group did not have any important events affecting our Company and our subsidiaries since the six months ended 30 September 2023 and up to the date of this announcement.

## COMPLIANCE WITH ORDINANCES AND REGULATIONS

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 of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), the MLO and the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Chapter 615 of the Laws of Hong Kong) (the “**AMLO**”) constituted a significant influence on our Group’s money lending business during the current period.

The MLO is the principal ordinance governing the money lending business in Hong Kong and the AMLO governs the matters in relation to the money laundering and terrorist financing our Group may encounter in our money lending business. Our money lending business has been conducted through the subsidiaries of our Company. During the current period, we did not receive any objection from the Registrar of Money Lenders (“**Registrar**”) nor the Commissioner of Police regarding the renewal of the money lenders licence. We have also established policies and procedures to strictly follow the Guideline on Compliance of Anti-Money Laundering and Counter-Terrorist Financing Requirements for Licensed Money Lenders issued by the Registrar for our money lending business operations so as to mitigate the risks of money laundering and terrorist financing.

To the best of our knowledge, our Group has complied with the MLO and AMLO 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.

## EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2023 our Group employed 49 (31 March 2023: 47) full time employees. The total staff costs of our Group for the current period were HK\$13.5 million (2022: HK\$12.2 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.

## CHARGES ON GROUP ASSETS

As at 30 September 2023, our land and buildings of HK\$67.0 million (31 March 2023: HK\$68.0 million), our investment properties of HK\$102.9 million (31 March 2023: HK\$105.2 million) and certain loans and interest receivables of HK\$381.1 million in aggregate (31 March 2023: HK\$409.3 million) were secured for the Group’s bank borrowings.

## FOREIGN EXCHANGE EXPOSURE

During the current period, 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 2023, our Group had no material contingent liabilities (31 March 2023: Nil).

## CAPITAL COMMITMENTS

The Group did not have any capital commitments as at 30 September 2023 (31 March 2023: Nil).

## OUTLOOK

The current prevailing high interest rate environment, along with the weakening economy and property market in the Mainland China has negatively impacted the Hong Kong economy and its property market and has made investors to be more cautious and conservative in their investment decision and demand. The prolonged geopolitical tension between Russia and Ukraine, and the recent Israeli-Palestinian conflict have further heightened investors' aversion to risk. In the meantime, it is generally expected that the current interest rate in the U.S. is likely to maintain at its current level to combat inflation which may pressurize the interest rate to rise further in Hong Kong, thus further slowing down the local real estate market. Although there were measures to reduce the Ad Valorem Stamp Duty rates and to further ease loan-to-value ratios for residential properties, the market has not seen a significant rebound in property valuations or transaction volume.

Facing ahead with the above-mentioned challenges and difficulties, we will be closely monitoring the development of the property market. By staying up-to-date on the property market trends, we will be able to take proactive steps to adjust our strategy in response. This could involve a wide range of measures, such as diversifying our loan portfolio, adjusting loan terms, instantly and effectively reviewing and tightening our credit policies, increasing the proportion of our business with high net-worth customers, rebalancing 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 fully rebounds.

## **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 current period 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 contained in Appendix 14 to the Listing Rules during the period under review.

## **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 current period.

## **REVIEW OF INTERIM RESULTS**

The audit committee of the Company (the “**Audit Committee**”) consists of three independent non-executive Directors, namely, Mr. Chu Yat Pang Terry (Chairman of Audit Committee), Mr. Cheung Kok Cheong and Mr. Wong Kai Man.

The Audit Committee has reviewed the unaudited interim condensed consolidated financial information and the interim report of the Company for the current period in conjunction with the management of the Group. In addition, the interim condensed consolidated statement of profit or loss and other comprehensive income and interim condensed consolidated statement of financial position set out above in this announcement represents an extract from the condensed interim financial information, which are unaudited but have been reviewed by the Group’s external auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410. PricewaterhouseCoopers’ unmodified review report is included in the interim report to be sent to the shareholders of the Company.

## **INTERIM DIVIDEND**

The Board declared the payment of an interim dividend of HK1.3 cents per share for the current period (2022: HK1.3 cents) and will be payable to the shareholders of our Company whose names appeared on the register of members of our Company on Friday, 5 January 2024. The interim dividend will be paid on Tuesday, 16 January 2024.

## **CLOSURES OF REGISTER OF MEMBERS**

The register of members of our Company will be closed from Wednesday, 3 January 2024 to Friday, 5 January 2024, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, 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, 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 Tuesday, 2 January 2024.

## **PUBLICATION**

This announcement is published on the websites of our Company ([www.hkfinance.hk](http://www.hkfinance.hk)) and of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) respectively. The 2023 interim report for the six months ended 30 September 2023 of the Company 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 November 2023

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*)  
Ms. Chan Siu Ching

### **Independent Non-executive Directors:**

Mr. Chu Yat Pang Terry  
Mr. Cheung Kok Cheong  
Mr. Wong Kai Man