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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 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 interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2022, 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 2022

		Six months ended	
		30 September	
	<i>Note</i>	2022	2021
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	4, 5	76,772	74,902
Other income	5	2,098	302
Fair value (losses)/gains on revaluation of investment properties		(5,380)	3,760
Provision for impairment and write-off of loans receivable and repossessed assets, net	6	(3,901)	(3,280)
Administrative expenses	7	(26,274)	(22,890)
Operating profit		43,315	52,794
Finance costs	8	(10,135)	(10,837)
Share of profit of a joint venture		119	—
Profit before income tax		33,299	41,957
Income tax expense	9	(6,283)	(6,442)
Profit and total comprehensive income for the period attributable to owners of the Company		27,016	35,515
Earnings per share for profit attributable to owners of the Company			
– Basic (<i>HK cents</i>)	10(a)	6.51	8.56
– Diluted (<i>HK cents</i>)	10(b)	6.51	8.56
Dividends	11	5,395	5,395

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2022

		As at 30 September 2022	As at 31 March 2022
	<i>Note</i>	HK\$'000 (Unaudited)	HK\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		70,957	72,223
Investment properties		107,950	113,330
Financial asset at fair value through profit or loss		800	800
Loans receivable	<i>12</i>	319,192	308,660
Deferred income tax assets		1,806	1,135
Investment in a joint venture		14,119	—
Total non-current assets		514,824	496,148
Current assets			
Loans receivable	<i>12</i>	569,008	621,809
Interest receivables	<i>13</i>	23,377	21,776
Repossessed assets		7,215	7,248
Prepayments, deposits and other receivables		2,859	2,028
Tax recoverable		—	3,184
Cash and cash equivalents		90,060	24,882
Total current assets		692,519	680,927
Total assets		1,207,343	1,177,075
EQUITY			
Equity attributable to the owners of the Company			
Share capital		4,150	4,150
Reserves		754,091	732,470
Total equity		758,241	736,620

		As at 30 September 2022 <i>HK\$'000</i> (Unaudited)	As at 31 March 2022 <i>HK\$'000</i> (Audited)
LIABILITIES			
Non-current liabilities			
Bank and other borrowings	14	896	915
Deferred income tax liabilities		3,581	3,301
Total non-current liabilities		<u>4,477</u>	<u>4,216</u>
Current liabilities			
Other payables and accruals		10,379	8,761
Amount due to a fellow subsidiary	16(b)	110,500	109,740
Tax payable		5,442	1,952
Dividend payable	11	5,395	—
Bank and other borrowings	14	312,909	292,875
Bonds		—	22,911
Total current liabilities		<u>444,625</u>	<u>436,239</u>
Total liabilities		<u>449,102</u>	<u>440,455</u>
Total equity and liabilities		<u>1,207,343</u>	<u>1,177,075</u>
Net current assets		<u>247,894</u>	<u>244,688</u>
Total assets less current liabilities		<u>762,718</u>	<u>740,836</u>

NOTES TO THE INTERIM CONDENSED 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.

This interim condensed consolidated financial statements of the Group is presented in thousands of Hong Kong dollars (“**HK\$’000**”), unless otherwise stated. This interim condensed consolidated financial statements were approved by the board of directors of the Company for issue on 24 November 2022.

2 BASIS OF PREPARATION

The interim condensed consolidated financial statements of the Group for the six months ended 30 September 2022 have 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 statements should be read in conjunction with the consolidated financial statements for the year ended 31 March 2022 of the Group, 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 by the Group are consistent with those of the consolidated financial statements for the year ended 31 March 2022, as described in those annual financial statements, except for the adoption of amendments to HKFRSs effective for the financial year ending 31 March 2023.

The estimation of income tax using a tax rate that would be applicable to expected total annual earnings.

(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 statements.

(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.

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 2022 and 2021.

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

For the period ended 30 September 2022

	Property mortgage loans HK\$'000	Personal loans HK\$'000	Unallocated HK\$'000	Total HK\$'000
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 and repossessed assets, net	(2,099)	(1,802)	—	(3,901)
Administrative expenses	(14,289)	(9,937)	(2,048)	(26,274)
Operating profit	34,446	15,024	(6,155)	43,315
Finance costs	(8,682)	(502)	(951)	(10,135)
Share of profit of a joint venture	—	—	119	119
Profit/(loss) before income tax	25,764	14,522	(6,987)	33,299
Income tax expense	(3,007)	(2,322)	(954)	(6,283)
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 provision for 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	—	(33)	—	(33)

As at 30 September 2022

	Property mortgage loans HK\$'000	Personal loans HK\$'000	Unallocated HK\$'000	Total HK\$'000
Segment assets	<u>693,786</u>	<u>324,554</u>	<u>189,003</u>	<u>1,207,343</u>
Segment liabilities	<u>(365,266)</u>	<u>(39,693)</u>	<u>(44,143)</u>	<u>(449,102)</u>

For the period ended 30 September 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	48,295	26,607	—	74,902
Other income	40	—	262	302
Fair value gains on revaluation of investment properties	—	—	3,760	3,760
Provision for impairment and write-off of loans receivable and repossessed assets, net	(1,854)	(1,426)	—	(3,280)
Administrative expenses	(14,168)	(7,690)	(1,032)	(22,890)
Operating profit	32,313	17,491	2,990	52,794
Finance costs	(7,173)	(8)	(3,656)	(10,837)
Profit/(loss) before income tax	25,140	17,483	(666)	41,957
Income tax expense	(3,428)	(2,266)	(748)	(6,442)
Profit/(loss) and total comprehensive income/(loss) for the period attributable to owners of the Company	<u>21,712</u>	<u>15,217</u>	<u>(1,414)</u>	<u>35,515</u>
Other information:				
Depreciation expense	(310)	(270)	(969)	(1,549)
Reversal of/(provision for) impairment of loans receivable:				
– Stage 1	1,116	(16)	—	1,100
– Stage 2	(1,387)	90	—	(1,297)
– Stage 3	404	(807)	—	(403)
Loans receivable written-off	—	(693)	—	(693)
Provision for impairment of repossessed assets	(1,987)	—	—	(1,987)

As at 31 March 2022

	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>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>

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:

	Six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue		
Interest income – property mortgage loans	50,376	48,295
Interest income – personal loans	26,396	26,607
	<hr/>	<hr/>
Total revenue	76,772	74,902
	<hr/> <hr/>	<hr/> <hr/>
Other income		
Government grant	719	—
Rental income	1,302	262
Sundry income	77	40
	<hr/>	<hr/>
Total other income	2,098	302
	<hr/> <hr/>	<hr/> <hr/>

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

	Six months ended 30 September 2022			Total
	12 months	Lifetime	Lifetime	
	expected	expected	expected	
	credit loss	credit loss	credit loss	
	(Stage 1)	not credit	credit	
	impairment	impaired	impaired	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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>)	—	—	33	33
	<hr/>	<hr/>	<hr/>	<hr/>
	495	(59)	3,465	3,901
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

	Six months ended 30 September 2021			Total <i>HK\$'000</i>
	12 months expected credit loss (Stage 1) <i>HK\$'000</i>	Lifetime expected credit loss not credit impaired (Stage 2) <i>HK\$'000</i>	Lifetime expected credit loss credit impaired (Stage 3) <i>HK\$'000</i>	
(Reversal of)/provision for impairment of loans receivable (<i>Note 12</i>)	(1,100)	1,297	403	600
Write-off of loans receivable (<i>Note 12</i>)	—	—	693	693
	<u>(1,100)</u>	<u>1,297</u>	<u>1,096</u>	<u>1,293</u>
Provision for impairment of repossessed assets				<u>1,987</u>
Total provision for impairment and write-off of loans receivable and repossessed assets, net				<u><u>3,280</u></u>

7 ADMINISTRATIVE EXPENSES

	Six months ended 30 September	
	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
Employee benefit expenses (including directors' emoluments)	12,217	10,473
Advertising and marketing expenses	5,523	3,637
Legal and professional fees	1,793	2,202
Referral fees	607	1,233
Valuation and search fee	672	579
Depreciation of property, plant and equipment	1,438	1,549
Banking facilities charges	815	—
Other expenses	3,209	3,217
Total administrative expenses	<u><u>26,274</u></u>	<u><u>22,890</u></u>

8 FINANCE COSTS

	Six months ended 30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest on secured bank borrowings	5,410	3,674
Interest and related expenses on bonds	274	3,583
Interest on amount due to a fellow subsidiary (<i>Note 16(a)</i>)	2,908	3,093
Interest on other borrowings	1,543	487
	<hr/>	<hr/>
Total finance costs	10,135	10,837

9 INCOME TAX EXPENSE

Hong Kong profits tax for the six months ended 30 September 2022 and 2021 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 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	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Hong Kong profits tax		
– Current period	6,674	6,473
Deferred income tax credit	(391)	(31)
	<hr/>	<hr/>
	6,283	6,442

10 EARNINGS PER SHARE

(a) Basic earnings per share

	Six months ended 30 September	
	2022 (Unaudited)	2021 (Unaudited)
Profit attributable to owners of the Company (<i>HK\$'000</i>)	27,016	35,515
Weighted average number of ordinary shares in issue for basic earnings per share (<i>'000</i>)	415,000	415,000
Basic earnings per share (<i>HK cents</i>)	<u>6.51</u>	<u>8.56</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 2022.

(b) Diluted earnings per share

For the six months ended 30 September 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) A final dividend of HK1.3 cents per share relating to the year ended 31 March 2022, amounting to HK\$5,395,000, was declared and approved in September 2022. As at 30 September 2022, the dividend was not yet paid.
- (b) At the date of this announcement, the Board declared an interim dividend of HK1.3 cents (2021: 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 2022.

12 LOANS RECEIVABLE

	As at 30 September 2022 <i>HK\$'000</i> (Unaudited)	As at 31 March 2022 <i>HK\$'000</i> (Audited)
Gross loans receivable – property mortgage loans	714,927	766,074
Gross loans receivable – personal loans	<u>199,078</u>	<u>186,332</u>
Total gross loans receivable	<u>914,005</u>	<u>952,406</u>
Less: Provision for impairment		
— Stage 1	(3,362)	(2,867)
— Stage 2	(1,996)	(2,055)
— Stage 3	<u>(20,447)</u>	<u>(17,015)</u>
	<u>(25,805)</u>	<u>(21,937)</u>
Loans receivable, net of provision	888,200	930,469
Less: non-current portion	<u>(319,192)</u>	<u>(308,660)</u>
Current portion	<u>569,008</u>	<u>621,809</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\$199,078,000 (31 March 2022: HK\$186,332,000) which are unsecured, loans receivable are secured by collaterals provided by customers, bear interest and are repayable with fixed terms agreed with the customers.

During the period ended 30 September 2022, loans receivable amounted to HK\$33,000 (31 March 2022: HK\$5,996,000) had 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 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Current	569,008	621,809
2–5 years	93,922	80,200
Over 5 years	225,270	228,460
	888,200	930,469

As at 30 September 2022, certain properties mortgaged to the subsidiary of the Company for loans granted to its respective customers were sub-mortgaged to independent third party for certain bank and other borrowings (Note 14 (iii)). Other than that, certain bank and other borrowings from an independent third party were secured by gross loans receivable of HK\$174,941,000 (Note 14 (iv)).

13 INTEREST RECEIVABLES

	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Interest receivables	23,377	21,776

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\$15,242,000 (31 March 2022: HK\$11,316,000) which are unsecured, interest receivables are secured by collaterals provided by customers and repayable with fixed terms agreed with customers.

As at 30 September 2022, certain bank and other borrowings from independent third party were secured by gross interest receivables of HK\$14,875,000 (Note 14 (iv) (31 March 2022: Nil)).

14 BANK AND OTHER BORROWINGS

Bank and other borrowings are analysed as follows:

	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Bank borrowings	249,909	224,844
Other borrowings	63,896	68,946
	<hr/>	<hr/>
Total bank and other borrowings	313,805	293,790
Less: non-current portion	(896)	(915)
	<hr/>	<hr/>
Current portion	312,909	292,875
	<hr/> <hr/>	<hr/> <hr/>

The weighted average effective interest rate on bank borrowings during the six months ended 30 September 2022 was 4.2% (31 March 2022: 4.5%) per annum.

Other borrowings of HK\$63,896,000 (31 March 2022: HK\$68,946,000) are unsecured and repayable within one to ten years (31 March 2022: within one to ten years). The weighted average effective interest rate on other borrowings during the six months ended 30 September 2022 was 4.8% (31 March 2022: 4.5%) per annum and repayable within one year to ten years.

At 30 September 2022 and 31 March 2022, all bank and other borrowings are denominated in Hong Kong dollars and the carrying amounts approximate their fair values.

As at 30 September 2022, the bank borrowings utilised by the Group amounted to HK\$249,909,000 (31 March 2022: HK\$224,844,000). The Group's unutilised banking facilities as at the same date amounted to HK\$197,421,000 (31 March 2022: HK\$192,647,000). These banking facilities were secured by the followings:

- (i) investment properties held by the Group with a net book value of HK\$107,950,000 (31 March 2022: HK\$113,330,000);
- (ii) land and buildings held by the Group with net book value of HK\$68,983,000 (31 March 2022: HK\$69,952,000);
- (iii) certain properties mortgaged to the subsidiary of the Company for loans granted to its respective customers. The fair value of these properties were approximately HK\$197,300,000 (31 March 2022: HK\$94,500,000);
- (iv) certain gross loans receivable of HK\$174,941,000 and interest receivables of HK\$14,875,000 (31 March 2022: Nil); and
- (v) corporate guarantee of the Company.

15 OPERATING LEASE COMMITMENTS — AS LESSOR

The Group leases out its investment properties to independent third parties under non-cancellable operating lease agreements. The lease terms ranges from 1 to 3 years (31 March 2022: within 1 to 5 years).

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

	As at 30 September 2022 <i>HK\$'000</i> (Unaudited)	As at 31 March 2022 <i>HK\$'000</i> (Audited)
Within 1 year	2,524	2,082
Within 2–5 years	1,097	1,421
	<u>3,621</u>	<u>3,503</u>

The Group did not have any significant commitments as at 30 September 2022 (31 March 2022: Nil).

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 six months ended 30 September 2022 and 2021, and balances arising from related party transactions as at 30 September 2022 and 31 March 2022.

(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 2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
Interest expenses paid to a fellow subsidiary – Tin Ching Industrial Company Limited (“ Tin Ching Industrial ”) (Note 8) (Note i)	<u>2,908</u>	<u>3,093</u>
Advertising and marketing expenses paid to a joint venture – Shine Joyful Limited	<u>1,500</u>	<u>—</u>

Note i: 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 (31 March 2022: HK\$200,000,000), of which the Group utilised an amount of HK\$110,500,000 as at 30 September 2022 (31 March 2022: HK\$109,740,000).

The amount was unsecured, interest bearing at effective interest rate of 5.8% (31 March 2022: 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

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). 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 65.6% to the Group’s revenue during the current period. Interest income generated from the mortgage loan business increased by 4.3% to HK\$50.4 million during the current period. The gross mortgage loan portfolio was HK\$714.9 million as at 30 September 2022 amid the subdued economic environment during the current period. As for our unsecured personal loan business, the interest income slightly decreased by 0.8% to HK\$26.4 million, contributing to about 34.4% of our Group’s revenue for the current period. As at 30 September 2022, our gross personal loan portfolio was HK\$199.1 million.

The first half of the current financial year in 2022 was a radical and volatile one. The rapid surge of federal funds interest rate to cope with the inflation hike in the U.S. has slumped the global stock and bond markets which diminished the consumption demand and investment incentive during the current period. The military conflict between Russia and Ukraine persisted for more than half a year without relief, bringing further uncertainties and hurdles to the recovery of the global economy. It was observed that the Hong Kong property market started correcting as evidenced by the reduced Centa-City Leading Index from 179.36 in late March 2022 to 164.78 in early November 2022, representing a decrease of 8.1%. Coupled with the economic uncertainties and great challenges, we have adopted 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 continue to rebalance our product-mix into personal loan products, closely monitoring the quality of our loan portfolio in terms of customers’ creditability and repayment ability, and recall loans from customers who had high potential default risks.

Financial review

Revenue

Our interest income from money lending business of providing property mortgage loans and personal loans in Hong Kong slightly increased by HK\$1.9 million or 2.5% from HK\$74.9 million for the last period to HK\$76.8 million for the current period.

Interest income from our mortgage loan business increased by HK\$2.1 million or 4.3% from HK\$48.3 million for the last period to HK\$50.4 million for the current period, whereas the interest income from our personal loan business slightly decreased by HK\$0.2 million or 0.8% from HK\$26.6 million for the last period to HK\$26.4 million for the current period.

Other income

We have recorded other income of HK\$2.1 million (2021: HK\$0.3 million) during the current period which mainly represented rental income from our investment properties of HK\$1.3 million and government grant of HK\$0.7 million.

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

During the current period, our Group recorded a loss of HK\$5.4 million (2021: a gain of HK\$3.8 million) on the revaluation of our investment properties, as the Group experienced correction on Hong Kong property market 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\$3.9 million for the current period (2021: HK\$3.3 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:

	Property mortgage loans		Personal loans	
	Six months ended		Six months ended	
	30 September		30 September	
	2022	2021	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Provision for/(Reversal of)				
impairment of loans receivable	2,099	(133)	1,769	733
Write-off of loans receivable	—	—	33	693
	<u>2,099</u>	<u>(133)</u>	<u>1,802</u>	<u>1,426</u>
			Six months ended	
			30 September	
			2022	2021
			<i>HK\$'000</i>	<i>HK\$'000</i>
Provision for impairment of repossessed assets			<u>—</u>	<u>1,987</u>

Administrative expenses

We have incurred administrative expenses of HK\$26.3 million for the current period (2021: HK\$22.9 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\$3.4 million or 14.8% was mainly due to increase in our headcounts and the salary adjustments to employees which pushed up our employee benefit expenses during the current period.

Finance costs

We have incurred finance costs of HK\$10.1 million for the current period (2021: HK\$10.8 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.

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\$27.0 million for the current period as compared to HK\$35.5 million for the last period, representing a decrease of 23.9%. The above profit included fair value losses on revaluation of investment properties of HK\$5.4 million for the current period (2021: a gain of HK\$3.8 million) which were non-operating in nature. Should these fair value adjustments of investment properties be excluded in both current and last financial periods, for comparison and information purposes only, the profit and total comprehensive income for the current period would be HK\$32.4 million (2021: HK\$31.7 million), representing a slightly increase of 2.2%.

LIQUIDITY AND SOURCES OF FINANCIAL RESOURCES

During the six months ended 30 September 2022, our Group's operations and capital requirements were financed principally through retained earnings, loans or 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 2022.

The Group recorded net current assets of HK\$247.9 million as at 30 September 2022 (31 March 2022: HK\$244.7 million).

As at 30 September 2022, cash and cash equivalents amounted to HK\$90.1 million (31 March 2022: HK\$24.9 million); amount due to a fellow subsidiary amounted to HK\$110.5 million (31 March 2022: HK\$109.7 million); interest bearing bank and other borrowings amounted to HK\$313.8 million (31 March 2022: HK\$293.8 million). During the current period, the bonds have been fully repaid and settled (31 March 2022: HK\$22.9 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 properties mortgaged to our subsidiary, 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 rate of 5.8% 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 2022, our unutilised banking facilities and other unutilised facility available to our Group for drawdown amounted to HK\$197.4 million and HK\$89.5 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 2022 and 31 March 2022 respectively:

	As at 30 September 2022	As at 31 March 2022
Current ratio ⁽¹⁾	1.56	1.56
Gearing ratio ⁽²⁾	0.44	0.55
	For the six months ended 30 September 2022	
	2022	2021
Net interest margin ratio ⁽³⁾	14.3%	14.8%
Return on equity ratio ⁽⁴⁾	7.1%	10.0%
Interest coverage ratio ⁽⁵⁾	4.8 times	4.5 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)/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 current period.

IMPORTANT EVENTS OCCURRED AFTER THE SIX MONTHS ENDED OF 30 SEPTEMBER 2022

Our Group did not have any important events affecting our Company and our subsidiaries since the six months ended 30 September 2022 and up to the date of this announcement.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2022 our Group employed 46 (31 March 2022: 43) full time employees. The total staff costs of our Group for the current period were HK\$12.2 million (2021: HK\$10.5 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 period ended 30 September 2022.

CHARGES ON GROUP ASSETS

As at 30 September 2022, our land and buildings of HK\$69.0 million (31 March 2022: HK\$70.0 million), our investment properties of HK\$108.0 million (31 March 2022: HK\$113.3 million), certain properties mortgaged to our subsidiary with aggregate fair values of these properties of approximately HK\$197.3 million (31 March 2022: HK\$94.5 million) and certain loans and interest receivables of HK\$189.8 million in aggregate (31 March 2022: Nil) 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 2022, our Group had no material contingent liabilities (31 March 2022: Nil).

CAPITAL COMMITMENTS

The Group did not have any capital commitments as at 30 September 2022 (31 March 2022: Nil).

OUTLOOK

The second half of the current financial year is expected to remain challenging and unpredictable. It is generally believed the Federal Reserve will continue to raise its Fed rate in the coming December 2022 ranging from 0.5% to 0.75% and whether the Federal Reserve will ease its upward trend is highly dependent on economic data in the U.S. such as consumer price index, unemployment rate, purchasing managers' index, etc. Since the Hong Kong dollars is pegged to the U.S. dollars, the interest rate in Hong Kong would inevitably follow such upward trend which may further diminish the Hong Kong property market and the demand for our loan products. Further, there is no signs of ease of the military conflict between Russia and Ukraine and no signs of relief of political tension between China and U.S., we expect these conflicts will persistently impact the economy in China and Hong Kong in forthcoming periods. The global economy and Hong Kong economic outlook will remain sluggish, which would certainly pose persistent challenges and uncertainties to our business operations and profit growth.

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 THE 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 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 current period.

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 independent auditors of our Company have reviewed the unaudited interim results for the current period 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 HK1.3 cents per share for the current period (2021: 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, 6 January 2023. The interim dividend will be paid on Tuesday, 17 January 2023.

CLOSURES OF REGISTER OF MEMBERS

The register of members of our Company will be closed from Wednesday, 4 January 2023 to Friday, 6 January 2023, 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, 3 January 2023.

PUBLICATION

This announcement is published on the websites of our Company (www.hkfinance.hk) and of the Stock Exchange (www.hkexnews.hk) respectively. The 2022 interim report for the six months ended 30 September 2022 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, 24 November 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*)
Ms. Chan Siu Ching

Independent Non-executive Directors:

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