

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 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 audited consolidated final results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 March 2023, 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 2023

	Note	Year ended 31 March	
		2023 HK\$'000	2022 HK\$'000
Revenue	5	160,974	153,488
Other income	5	3,277	1,394
Fair value (losses)/gains on revaluation of investment properties		(8,130)	8,980
Provision for impairment and write-off of loans receivable, net	6	(5,758)	(6,513)
Administrative expenses	7	(57,226)	(53,060)
Operating profit		93,137	104,289
Finance costs	8	(20,870)	(21,109)
Share of loss of a joint venture		(42)	–
Profit before income tax		72,225	83,180
Income tax expense	9	(13,340)	(12,630)
Profit and total comprehensive income for the year attributable to owners of the Company		58,885	70,550
Earnings per share for profit attributable to owners of the Company			
– Basic (HK cents)	10(a)	14.2	17.0
– Diluted (HK cents)	10(b)	14.2	17.0
Dividends	11	10,790	10,790

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

		As at 31 March	
		2023	2022
	Note	HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		69,652	72,223
Investment properties		105,200	113,330
Financial asset at fair value through profit or loss		800	800
Loans receivable	12	334,659	308,660
Deferred income tax assets		1,561	1,135
Investment in a joint venture		13,958	–
Total non-current assets		<u>525,830</u>	<u>496,148</u>
Current assets			
Loans receivable	12	537,612	621,809
Interest receivables	13	22,903	21,776
Repossessed assets		7,126	7,248
Prepayments, deposits and other receivables		2,860	2,028
Tax recoverable		–	3,184
Cash and cash equivalents		29,875	24,882
Total current assets		<u>600,376</u>	<u>680,927</u>
Total assets		<u><u>1,126,206</u></u>	<u><u>1,177,075</u></u>
EQUITY			
Equity attributable to the owners of the Company			
Share capital		4,150	4,150
Reserves		780,565	732,470
Total equity		<u>784,715</u>	<u>736,620</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)*As at 31 March 2023*

		As at 31 March	
		2023	2022
	<i>Note</i>	HK\$'000	HK\$'000
LIABILITIES			
Non-current liabilities			
Other borrowings	14	867	915
Deferred income tax liabilities		<u>3,616</u>	<u>3,301</u>
Total non-current liabilities		<u>4,483</u>	<u>4,216</u>
Current liabilities			
Other payables and accruals		8,757	8,761
Amount due to a fellow subsidiary	15(b)	96,467	109,740
Tax payable		2,549	1,952
Bank and other borrowings	14	229,235	292,875
Bonds		<u>–</u>	<u>22,911</u>
Total current liabilities		<u>337,008</u>	<u>436,239</u>
Total liabilities		<u>341,491</u>	<u>440,455</u>
Total equity and liabilities		<u>1,126,206</u>	<u>1,177,075</u>
Net current assets		<u>263,368</u>	<u>244,688</u>
Total assets less current liabilities		<u>789,198</u>	<u>740,836</u>

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 (“**HK\$’000**”), unless otherwise stated.

2 BASIS 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. 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 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

- (a) Amended standards effective in 2023 but not relevant to the Group

HKAS 16 (Amendment)	Property, plant and equipment: Proceeds before intended use
HKAS 37 (Amendment)	Onerous contracts – Cost of fulfilling a contract
HKFRS 3 (Amendment)	Reference to the conceptual framework
Annual Improvements	Annual Improvements to HKFRSs 2018 – 2020 Cycle
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations

- (b) The following new and amended standards have been issued but are not effective for the financial year beginning on 1 April 2022 and have not been early adopted by the Group

		Effective for annual periods beginning on or after
HKFRS 17	Insurance Contracts and the Related Amendments	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 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 April 2024
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 2024
HKAS 1 (Amendments)	Non-current Liabilities with Covenant	1 April 2024
HKFRS 16 (Amendments)	Lease Liability in a Sales and Leaseback	1 April 2024
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	Not yet established

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 of the Company (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 2023 (2022: 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 2023 and 2022.

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

For the year ended 31 March 2023

	Property mortgage loans HK\$'000	Personal loans HK\$'000	Unallocated HK\$'000	Total HK\$'000
Revenue from external customers	108,244	52,730	–	160,974
Other income	644	447	2,186	3,277
Fair value losses on revaluation of investment properties	–	–	(8,130)	(8,130)
Provision for impairment and write-off of loans receivable, net	(2,681)	(3,077)	–	(5,758)
Administrative expenses	<u>(31,295)</u>	<u>(21,298)</u>	<u>(4,633)</u>	<u>(57,226)</u>
Operating profit/(loss)	74,912	28,802	(10,577)	93,137
Finance costs	(17,294)	(1,705)	(1,871)	(20,870)
Share of loss of a joint venture	<u>–</u>	<u>–</u>	<u>(42)</u>	<u>(42)</u>
Profit/(loss) before income tax	57,618	27,097	(12,490)	72,225
Income tax expense	<u>(6,665)</u>	<u>(4,876)</u>	<u>(1,799)</u>	<u>(13,340)</u>
Profit/(loss) and total comprehensive income/(loss) for the year attributable to owners of the Company	<u><u>50,953</u></u>	<u><u>22,221</u></u>	<u><u>(14,289)</u></u>	<u><u>58,885</u></u>

As at 31 March 2023

	Property mortgage loans HK\$'000	Personal loans HK\$'000	Unallocated HK\$'000	Total HK\$'000
Segment assets	<u><u>515,370</u></u>	<u><u>427,484</u></u>	<u><u>183,352</u></u>	<u><u>1,126,206</u></u>
Segment liabilities	<u><u>(270,539)</u></u>	<u><u>(33,113)</u></u>	<u><u>(37,839)</u></u>	<u><u>(341,491)</u></u>
Other information:				
Depreciation expense	(604)	(330)	(1,940)	(2,874)
Reversal of/(provision for) impairment:				
– Stage 1	427	263	–	690
– Stage 2	1,588	(30)	–	1,558
– Stage 3	(4,680)	(2,626)	–	(7,306)
Loans and interest receivable written off	<u><u>(16)</u></u>	<u><u>(684)</u></u>	<u><u>–</u></u>	<u><u>(700)</u></u>

For the year ended 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>
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	<u>(29,964)</u>	<u>(16,525)</u>	<u>(6,571)</u>	<u>(53,060)</u>
Operating profit	68,524	32,111	3,654	104,289
Finance costs	<u>(14,380)</u>	<u>(92)</u>	<u>(6,637)</u>	<u>(21,109)</u>
Profit/(loss) before income tax	54,144	32,019	(2,983)	83,180
Income tax expense	<u>(6,656)</u>	<u>(4,590)</u>	<u>(1,384)</u>	<u>(12,630)</u>
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 <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>
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 receivable written-off	<u>(5,239)</u>	<u>(757)</u>	<u>–</u>	<u>(5,996)</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	
	2023	2022
	HK\$'000	HK\$'000
Revenue		
Interest income – property mortgage loans	108,244	102,165
Interest income – personal loans	52,730	51,323
	<u>160,974</u>	<u>153,488</u>
Total revenue	160,974	153,488
Other income		
Rental income	2,250	1,314
Management service fee income	–	74
Sundry income	48	6
Government grant	979	–
	<u>3,277</u>	<u>1,394</u>
Total other income	3,277	1,394

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

	Year ended 31 March 2023			Total
	12 months	Lifetime	Lifetime	
	expected	expected	expected	
	credit loss	credit loss	credit loss	
	(Stage 1)	(Stage 2)	(Stage 3)	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Reversal of)/provisions for impairment on loans receivable	(690)	(1,558)	7,306	5,058
Write-off of loans receivable	–	538	162	700
	<u>(690)</u>	<u>(1,020)</u>	<u>7,468</u>	<u>5,758</u>

	Year ended 31 March 2022			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)/provisions for impairment on loans receivable	(1,557)	1,728	346	517
Write-off of loans receivable	<u>684</u>	<u>–</u>	<u>5,312</u>	<u>5,996</u>
	<u><u>(873)</u></u>	<u><u>1,728</u></u>	<u><u>5,658</u></u>	<u><u>6,513</u></u>

7 ADMINISTRATIVE EXPENSES

	Year ended 31 March	
	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Auditor's remuneration		
– audit services	740	800
– non-audit services	350	250
Advertising and marketing expenses	11,353	7,005
Bank charges	1,211	627
Depreciation of property, plant and equipment	2,874	3,010
Directors' emoluments	7,014	6,295
Donations	59	888
Employee benefit expenses (excluding directors' emoluments)	21,662	19,038
Legal and professional fees	3,453	4,425
Referral fees	1,628	1,963
Stamp duty on acquisition of investment properties	–	2,200
Transportation expenses	950	781
Valuation and search fee	1,308	1,067
Other expenses	<u>4,624</u>	<u>4,711</u>
Total administrative expenses	<u><u>57,226</u></u>	<u><u>53,060</u></u>

8 FINANCE COSTS

	Year ended 31 March	
	2023	2022
	HK\$'000	HK\$'000
Interest on amount due to a fellow subsidiary (<i>Note 15(a)</i>)	6,325	6,279
Interest on bank overdrafts	231	292
Interest on secured bank borrowings	11,959	6,817
Interest and related expenses on bonds	274	6,262
Interest on other borrowings	<u>2,081</u>	<u>1,459</u>
Total finance costs	<u><u>20,870</u></u>	<u><u>21,109</u></u>

9 INCOME TAX EXPENSE

Hong Kong profits tax for the year ended 31 March 2023 and 2022 have been provided for at the rate of 8.25% for the first HK\$2,000,000 of estimated assessable profits and 16.5% for estimated assessable profits above HK\$2,000,000 as 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	
	2023	2022
	HK\$'000	HK\$'000
Hong Kong profits tax		
– Current year	13,481	12,943
– Over-provision in prior years	(30)	(60)
Deferred income tax	<u>(111)</u>	<u>(253)</u>
	<u><u>13,340</u></u>	<u><u>12,630</u></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\$58,885,000, (2022: HK\$70,550,000) by the weighted average number of 415,000,000 (2022: 415,000,000) ordinary shares in issue during the year ended 31 March 2023.

	Year ended 31 March	
	2023	2022
Profit attributable to owners of the Company (<i>HK\$'000</i>)	58,885	70,550
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>14.2</u>	<u>17.0</u>

(b) Diluted earnings per share

As at 31 March 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 final dividend in respect of the year ended 31 March 2023 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	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend paid of HK1.3 cents (2022: HK1.3 cents) per share	5,395	5,395
Proposed final dividend of HK1.3 cents (2022: HK1.3 cents) per share	<u>5,395</u>	<u>5,395</u>
	<u>10,790</u>	<u>10,790</u>

12 LOANS RECEIVABLE

	As at 31 March	
	2023	2022
	HK\$'000	<i>HK\$'000</i>
Gross loans receivable – property mortgage loans	699,639	766,074
Gross loans receivable – personal loans	199,627	186,332
Total gross loans receivable	899,266	952,406
Less: Provision for impairment		
– Stage 1	(2,177)	(2,867)
– Stage 2	(497)	(2,055)
– Stage 3	(24,321)	(17,015)
Total provision for impairment	(26,995)	(21,937)
Loans receivable, net of provision	872,271	930,469
Less: non-current portion	(334,659)	(308,660)
Current portion	537,612	621,809

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\$199,627,000 (2022: HK\$186,332,000) 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 2023, loans receivable amounted to HK\$700,000 (2022: HK\$5,996,000) 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 years, based on the maturity date and net of provision, is as follows:

	As at 31 March	
	2023	2022
	HK\$'000	<i>HK\$'000</i>
Current	537,612	621,809
2–5 years	87,836	80,200
Over 5 years	246,823	228,460
	872,271	930,469

As at 31 March 2023, 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\$393,099,000 (Note 14 (iv)) (2022: Nil).

As at 31 March 2023 and 2022, mortgaged loans receivable amounting HK\$31,372,000 are still in progress for registration of the legal charges at the Land Registry (2022: HK\$21,500,000).

13 INTEREST RECEIVABLES

	As at 31 March	
	2023	2022
	HK\$'000	HK\$'000
Interest receivables	<u>22,903</u>	<u>21,776</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\$14,832,000 (2022: HK\$11,316,000) which are unsecured, interest receivables are secured by collaterals provided by customers and repayable with fixed terms agreed with the customers.

As at 31 March 2023, certain bank and other borrowings from an independent third party were secured by gross interest receivables of HK\$16,152,000 (Note 14 (iv)) (2022: Nil).

14 BANK AND OTHER BORROWINGS

Bank and other borrowings are analysed as follows:

	As at 31 March	
	2023	2022
	HK\$'000	HK\$'000
Bank loans	208,624	211,570
Bank overdrafts	–	13,274
Other borrowings	<u>21,478</u>	<u>68,946</u>
Total bank and other borrowings	230,102	293,790
Less: non-current portion	<u>(867)</u>	<u>(915)</u>
Current portion	<u>229,235</u>	<u>292,875</u>

The weighted average effective interest rate on bank loans and bank overdrafts during the year ended 31 March 2023 was 5.0% (2022: 4.5%) per annum.

Other borrowings of HK\$21,478,000 (2022: HK\$68,946,000) are unsecured and repayable within one to nine years (2022: within one to ten years). The weighted average effective interest rate on other borrowings during the year ended 31 March 2023 was 5.3% (2022: 4.5%) per annum.

At 31 March 2023 and 2022, all bank and other borrowings are denominated in Hong Kong dollars and the carrying amounts approximate their fair values.

As at 31 March 2023, the bank loans and overdrafts utilised by the Group amounted to HK\$208,624,000 (2022: HK\$224,844,000). The Group's unutilised banking facilities as at the same date amounted to HK\$238,540,000 (2022: HK\$192,647,000). These banking facilities were secured by the following:

- (i) investment properties held by the Group with a net book value of HK\$105,200,000 (2022: HK\$113,330,000);
- (ii) land and buildings held by the Group with a net book value of HK\$68,015,000 (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\$104,900,000 (2022: HK\$94,500,000);
- (iv) certain gross loans receivable of HK\$393,099,000 and interest receivables of HK\$16,152,000 (2022: Nil); and
- (v) 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 year ended 31 March 2023 and 2022, and balances arising from related party transactions as at 31 March 2023 and 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.

	Year ended 31 March	
	2023	2022
	HK\$'000	HK\$'000
Interest expenses paid to a fellow subsidiary – Tin Ching Industrial Company Limited (“ Tin Ching Industrial ”)*	6,325	6,279
Advertising and marketing expenses paid to a joint venture – Shine Joyful Limited	<u>3,000</u>	<u>–</u>

* Interest expenses on an amount due to a fellow subsidiary was charged at an effective interest rate of 6.6% (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 (2022: HK\$200,000,000), of which the Group utilised an amount of HK\$96,467,000 (2022: HK\$109,740,000) as at 31 March 2023.

The amount was unsecured, interest bearing at weighted average effective interest rate of 6.6% (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 and Industry overview

Our Group is principally engaged in the money lending business specialising in providing loans to property owners 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 our Group’s revenue, contributing approximately 67.2% to our Group’s revenue during the current year. Interest income generated from the mortgage loan business increased by 5.9% to HK\$108.2 million during the current year. The gross mortgage loan portfolio was HK\$699.6 million as at 31 March 2023 amid the subdued economic environment during the current year. As for our unsecured personal loan business, the interest income slightly increased by 2.7% to HK\$52.7 million, contributing to about 32.8% of our Group’s revenue for the current year. As at 31 March 2023, our gross personal loan portfolio was HK\$199.6 million.

The current financial year 2022/23 was a radical and volatile one. The rapid surge of federal funds interest rate coping with the inflation hike and the recent loss of general public confidence on banking financial sectors in the United States have slumped the global stock and bond markets which diminished the consumption demand and investment incentive during the current financial year. The military conflict between Russia and Ukraine persisted for more than a year 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 Centa-City Leading Index dropping from 179.36 in late March 2022 to its lowest level of 156.37 in mid-December 2022 and then rebounding to 168.27 in late March 2023, representing a year-to-year decrease of 6.6%. 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 year. 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 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 our money lending business increased by HK\$7.5 million or 4.9% from HK\$153.5 million for the last year to HK\$161.0 million for the current year, and such increase was mainly derived from the growth in our interest income from our mortgage loan business.

Interest income from our mortgage loan business increased by HK\$6.0 million or 5.9% from HK\$102.2 million for the last year to HK\$108.2 million for the current year, whereas the interest income from our personal loan business increased by HK\$1.4 million or 2.7% from HK\$51.3 million for the last year to HK\$52.7 million for the current year.

Other income

We have recorded other income of HK\$3.3 million (2022: HK\$1.4 million) during the current year which mainly comprised of rental income from our investment properties of HK\$2.3 million (2022: HK\$1.3 million) and government grant of HK\$1.0 million (2022: Nil).

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

During the current year, our Group recorded a loss of HK\$8.1 million (2022: a gain of HK\$9.0 million) on the revaluation of our investment properties, as our Group experienced correction on Hong Kong property market during the current year as discussed above.

Provision for impairment and write-off of loans receivable, net

We have recorded a provision for impairment and write-off of loans receivables of HK\$5.8 million for the current year (2022: HK\$6.5 million).

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

	Property mortgage loans		Personal loans	
	Year ended 31 March		Year ended 31 March	
	2023	2022	2023	2022
	HK\$ million	<i>HK\$ million</i>	HK\$ million	<i>HK\$ million</i>
Provision for/(reversal of)				
impairment on loans receivables	2.7	(1.4)	2.4	1.9
Write-off of loans receivable	<u>–</u>	<u>5.2</u>	<u>0.7</u>	<u>0.8</u>
	<u>2.7</u>	<u>3.8</u>	<u>3.1</u>	<u>2.7</u>

Administrative expenses

We have incurred administrative expenses of HK\$57.2 million for the current year (2022: HK\$53.1 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\$4.1 million or 7.7% 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 year. 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\$20.9 million for the current year (2022: HK\$21.1 million), which mainly comprised of interest on interest bearing bank, and on 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 increased to 15.4% for the current year (2022: 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\$58.9 million for the current year as compared to HK\$70.6 million for the last year, representing a decrease of 16.6%. The above profit included fair value losses on revaluation of investment properties of HK\$8.1 million for the current year (2022: a gain of HK\$9.0 million) which were non-operating in nature. Should these fair value adjustments of investment properties be excluded in both current and last financial years, for comparison and information purposes only, the profit and total comprehensive income for the current year would be HK\$67.0 million (2022: HK\$61.6 million), representing an increase of 8.8%.

LIQUIDITY AND SOURCES OF FINANCIAL RESOURCES

During the current year, our Group's operations and capital requirements were financed principally through retained earnings, 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 2023.

Our Group recorded net current assets of HK\$263.4 million as at 31 March 2023 (2022: HK\$244.7 million).

As at 31 March 2023, cash and cash equivalents amounted to HK\$29.9 million (2022: HK\$24.9 million); amount due to a fellow subsidiary amounted to HK\$96.5 million (2022: HK\$109.7 million); and interest bearing bank and other borrowings amounted to HK\$230.1 million (2022: HK\$293.8 million). During the current year, the bonds have been fully repaid and settled (2022: HK\$22.9 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, 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 6.6% per annum and repayable on demand.

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 2023, our unutilised banking facilities and other unutilised facility available to our Group for drawdown amounted to HK\$238.5 million and HK\$103.5 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 years ended 31 March 2023 and 2022 respectively:

	As at 31 March	
	2023	2022
Current ratio ⁽¹⁾	1.78	1.56
Gearing ratio ⁽²⁾	0.38	0.55
	For the year ended 31 March	
	2023	2022
Net interest margin ratio ⁽³⁾	15.4%	14.9%
Return on equity ratio ⁽⁴⁾	7.5%	9.6%
Interest coverage ratio ⁽⁵⁾	4.9 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 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 (losses)/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

Our Group did not have any important events affecting our Company and our subsidiaries since the end of the financial year ended 31 March 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 year.

The MLO is the principal ordinance which governs 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 year, 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.

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 10.8% (2022: 7.6%) of our total revenue, and our single largest customer accounted for approximately 3.2% (2022: 2.2%) of our total revenue.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2023, our Group employed 47 (2022: 43) full time employees. The total staff costs of our Group for the current year were HK\$28.7 million (2022: HK\$25.3 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 31 March 2023, our land and buildings of HK\$68.0 million (2022: HK\$70.0 million), our investment properties of HK\$105.2 million (2022: HK\$113.3 million), certain properties mortgaged to our subsidiary with aggregate fair values of these properties of approximately HK\$104.9 million (2022: HK\$94.5 million) and certain loans and interest receivables of HK\$409.3 million in aggregate (2022: Nil) were secured for our 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 2023, our Group had no material contingent liabilities (2022: Nil).

CAPITAL COMMITMENTS

Our Group did not have any capital commitments as at 31 March 2023 (2022: Nil).

OUTLOOK

Hong Kong, like many other cities around the world, has been greatly impacted by the COVID-19 pandemic. The closure of borders and quarantine measures have caused significant disruption to nearly all aspects of the city's economy, from tourism to retail and real estate. It is encouraging to observe that there have been some causes for optimism recently. The long-awaited reopening of borders and resumption of quarantine-free travel with other countries, including the mainland China, is believed to have a positive impact on Hong Kong's economy. With the resumption of travel, the city is expected to see an influx of tourists, which should boost the retail and hospitality industries. The lifting of quarantine restrictions is also expected to help the city's real estate sector, evidenced by the property market in Hong Kong showing signs of a mild rebound in early 2023. With the improvement in market sentiment following the border reopening, it is expected that property prices may rise again which would also improve and recover the demand of our property loan products.

However, there are also risks associated with the economic recovery in Hong Kong. One major risk is the possibility of interest rate hikes as a result of continued monetary policy tightening in the United States which would continue to pressure on both investment activities and the property market in Hong Kong. Furthermore, there is the added risk of heightened geopolitical tensions, particularly between the United States and China, which could further destabilize the economy.

To facing ahead with the above-mentioned opportunities with challenges and uncertainties, 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 our subsidiaries purchased, sold or redeemed any of our Company's listed securities during the year under review 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 year 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 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. Chu Yat Pang Terry (Chairman of Audit Committee), Mr. Cheung Kok Cheong and Mr. Wong Kai Man.

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 of the Company for the year ended 31 March 2023. 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, 5 September 2023 (the “**AGM**”). The notice of AGM, which constitutes part of the circular to the shareholders, will be published on the websites of our Company (www.hkfinance.hk) and the Stock Exchange (www.hkexnews.hk) respectively and despatched to our shareholders together with our Company’s 2023 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 2023, subject to shareholders’ approval at the AGM. The proposed final dividend will be paid on Friday, 6 October 2023.

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, 31 August 2023 to Tuesday, 5 September 2023, 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, 30 August 2023; and
- (ii) from Tuesday, 12 September 2023 to Thursday, 14 September 2023, both days inclusive, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend for the year ended 31 March 2023. 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 Monday, 11 September 2023.

PUBLICATION

This announcement is published on the aforesaid websites. The 2023 annual report for the year ended 31 March 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 June 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