香港信貸
Hong Kong Finance

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1273)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2019

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 2019, 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 2019

		Year ended 31 March	
		2019	2018
	Note	***HK$'000***	*HK$'000*
Revenue	*4, 5*	**160,992**	132,149
Other income and gain	*5*	**2,334**	2,204
Fair value (losses)/gains on revaluation of investment properties		**(1,490)**	21,640
Provision for impairment and write-off of loans receivable, net	*6*	**(24,701)**	(14,991)
Administrative expenses	*7*	**(53,951)**	(58,861)
Operating profit		**83,184**	82,141
Finance costs	*8*	**(34,651)**	(27,522)
Profit before income tax		**48,533**	54,619
Income tax expense	*9*	**(6,369)**	(4,569)
Profit and total comprehensive income for the year attributable to owners of the Company		**42,164**	50,050
Earnings per share for profit attributable to owners of the Company			
— Basic *(HK cents)*	*10(a)*	**10.2**	12.1
— Diluted *(HK cents)*	*10(b)*	**10.2**	12.1
Dividends	*11*	**10,375**	8,300

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2019

		As at 31 March	
		2019	2018
	Note	***HK$'000***	*HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**78,198**	80,637
Investment properties		**84,680**	86,170
Available-for-sale investment		**–**	625
Financial asset at fair value through profit or loss		**800**	–
Loans receivable	*12*	**138,153**	165,917
Other asset		**435**	710
Deferred income tax assets		**619**	2,385
Total non-current assets		**302,885**	336,444
Current assets			
Loans receivable	*12*	**743,146**	677,562
Interest receivables	*13*	**22,075**	18,058
Repossessed assets	*14*	**35,859**	35,859
Prepayments, deposits and other receivables		**1,480**	2,137
Tax recoverable		**2,057**	842
Cash and cash equivalents		**37,294**	33,710
Total current assets		**841,911**	768,168
Total assets		**1,144,796**	1,104,612
EQUITY			
Equity attributable to the owners of the Company			
Share capital		**4,150**	4,150
Reserves		**565,577**	534,595
Total equity		**569,727**	538,745

	Note	As at 31 March 2019 HK$'000	2018 HK$'000
LIABILITIES			
Current liabilities			
Other payables and accruals		**6,553**	8,249
Amount due to a fellow subsidiary	*18(b)*	**106,524**	125,284
Current income tax payable		**683**	1,054
Bank and other borrowings	*15*	**360,883**	322,443
Bonds	*16*	**–**	27,000
Total current liabilities		**474,643**	484,030
Non-current liabilities			
Bonds	*16*	**98,216**	78,919
Deferred income tax liabilities		**2,210**	2,918
Total non-current liabilities		**100,426**	81,837
Total liabilities		**575,069**	565,867
Total equity and liabilities		**1,144,796**	1,104,612
Net current assets		**367,268**	284,138
Total assets less current liabilities		**670,153**	620,582

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 money lending business of providing property mortgage loans and personal loans in Hong Kong.

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

These consolidated financial statements are presented in thousands of Hong Kong dollars (the "**HK$'000**"), unless otherwise stated. These consolidated financial statements were approved by the board of directors of the Company for issue on 27 June 2019.

2 BASIC OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants. 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 and 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 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 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) New and amended standards adopted by the Group

The Group has applied the following amendments to standards for the first time for its annual reporting period commencing 1 April 2018:

- Annual improvements 2014–2016 cycle;
- Transfers of investment property — Amendments to Hong Kong Accounting Standard ("**HKAS**") 40;
- Classification and measurement of share-based payment transactions — Amendments to HKFRS 2;
- HKFRS 9 — Financial instruments;
- HKFRS 15 — Revenue from contracts with customers.

The adoption of these amendments to standards did not have any material impact on the Group's financial performance and positions for the current year and prior years and/or on the disclosures set out in these consolidated financial statements. The impact of the adoption of HKFRS 9 and HKFRS 15 is disclosed in the following section.

HKFRS 9 "Financial Instruments"

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

(i) Impact of adoption

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

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

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

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

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

(ii) Classification and measurement

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

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

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

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

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

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

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

<u>Expected credit loss measurement</u>

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

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

Significant increase in credit risk

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following criteria have been met:

- The borrower is more than 30 days past due on its contractual payments.

The assessment of significant increase in credit risk is performed on a monthly basis for all loans and interest receivables held by the Group. The criteria used to identify significant increase in credit risk are monitored and reviewed periodically for appropriateness by the directors and the credit team. The Group has not used the low credit risk exemption for any financial instruments in the year ended 31 March 2019.

Definition of default and credit-impaired assets

The Group defines a loan as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

- The borrower is more than 90 days past due on its contractual payments.
- The borrower is deceased
- The borrower is insolvent
- It is becoming probable that the borrower will enter bankruptcy

The criteria above have been applied to all loans held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default ("**PD**"), Exposure at Default ("**EAD**") and Loss Given Default ("**LGD**") throughout the Group's expected loss calculations.

A loan is considered to no longer be in default when it no longer meets any of the default criteria for a consecutive period of six months. This period of six months has been determined based on an analysis which considers the likelihood of a loan returning to default status.

Measurement and recognition of ECL

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

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

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

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

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

HKFRS 15 "Revenue from Contracts with Customers"

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

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

(b) New standards and interpretation not yet applied by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 March 2019 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

HKFRS 16 "Leases"

Nature of change

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

The accounting for lessors will not significantly change.

Impact

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group does not have non-cancellable operating lease as a leasee and management does not expect to have a material impact on the Group.

The Group's activities as a lessor are not material and hence the Group does not expect any significant impact on the consolidation financial statements. However, some additional disclosures will be required.

Date of adoption by the Group

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

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

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 (expenses)/income. Unallocated (expenses)/income 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 are no sales between the operating segments in the year ended 31 March 2018.

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 2019 and 2018.

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

For the year ended 31 March 2019

	Property mortgage loans *HK$'000*	Personal loans *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Total segment revenue	**114,467**	**46,859**	**–**	**161,326**
Inter-segment revenue	**–**	**(334)**	**–**	**(334)**
Revenue from external customers	**114,467**	**46,525**	**–**	**160,992**
Other income and gain	**308**	**10**	**2,016**	**2,334**
Fair value losses on revaluation of investment properties	**–**	**–**	**(1,490)**	**(1,490)**
Provision for impairment and write-off of loans receivable, net	**(14,393)**	**(10,308)**	**–**	**(24,701)**
Administrative expenses	**(29,712)**	**(20,481)**	**(3,758)**	**(53,951)**
Operating profit/(loss)	**70,670**	**15,746**	**(3,232)**	**83,184**
Finance costs	**(27,248)**	**–**	**(7,403)**	**(34,651)**
Profit/(loss) before income tax	**43,422**	**15,746**	**(10,635)**	**48,533**
Income tax (expense)/credit	**(4,907)**	**(2,532)**	**1,070**	**(6,369)**
Profit/(loss) and total comprehensive income/(loss) for the year attributable to owners of the Company	**38,515**	**13,214**	**(9,565)**	**42,164**

As at 31 March 2019

	Property mortgage loans *HK$'000*	Personal loans *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Segment assets	**850,682**	**137,275**	**156,839**	**1,144,796**
Segment liabilities	**(463,339)**	**(2,031)**	**(109,699)**	**(575,069)**
Other information:				
Depreciation expense	**(1,212)**	**(1,043)**	**(690)**	**(2,945)**
Reversal of/(provision for) impairment:				
— Stage 1	**2,111**	**1,673**	**–**	**3,784**
— Stage 2	**(395)**	**830**	**–**	**435**
— Stage 3	**(16,109)**	**(4,980)**	**–**	**(21,089)**
Loans receivable written-off	**–**	**(7,831)**	**–**	**(7,831)**

For the year ended 31 March 2018

	Property mortgage loans *HK$'000*	Personal loans *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Revenue	106,345	25,804	–	132,149
Other income and gain	–	–	2,204	2,204
Fair value gains on revaluation of investment properties	–	–	21,640	21,640
Provision for impairment and write-off of loans receivable, net	(2,328)	(12,663)	–	(14,991)
Administrative expenses	(33,317)	(25,147)	(397)	(58,861)
Operating profit/(loss)	70,700	(12,006)	23,447	82,141
Finance costs	(18,843)	–	(8,679)	(27,522)
Profit/(loss) before income tax	51,857	(12,006)	14,768	54,619
Income tax (expense)/credit	(7,266)	2,290	407	(4,569)
Profit/(loss) and total comprehensive income/(loss) for the year attributable to owners of the Company	44,591	(9,716)	15,175	50,050

As at 31 March 2018

	Property mortgage loans *HK$'000*	Personal loans *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Segment assets	800,881	143,224	160,507	1,104,612
Segment liabilities	(317,218)	(3,215)	(245,434)	(565,867)
Other information:				
Depreciation expense	(1,468)	(721)	(803)	(2,992)
Reversal of/(provision for) individual impairment of loans receivable	393	(966)	–	(573)
Provision for collective impairment of loans receivable	(561)	(5,926)	–	(6,487)
Loans receivable written-off	(2,160)	(5,771)	–	(7,931)

5 REVENUE AND OTHER INCOME AND GAIN

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

	Year ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
Revenue:		
Interest income — property mortgage loans	**114,467**	106,345
Interest income — personal loans	**46,525**	25,804
Total revenue	**160,992**	132,149
Other income and gain:		
Fair value gain on revaluation of an financial asset at fair value through profit or loss	**175**	–
Rental income	**2,091**	1,900
Sundry income	**68**	44
Gain on disposals of plant and equipment	**–**	260
Total other income and gain	**2,334**	2,204

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

	Year ended 31 March 2019			
	12 months expected credit loss (Stage 1)	**Lifetime expected credit loss not credit impaired (Stage 2)**	**Lifetime expected credit loss credit impaired (Stage 3)**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Net charge for/(reversal of) provisions for impairment on loans receivable	**(3,784)**	**(435)**	**21,089**	**16,870**
Write-off of loans receivable	**6,712**	**1,084**	**35**	**7,831**
	2,928	**649**	**21,124**	**24,701**

	Year ended 31 March 2018			
	Individual impairment allowance	Collective impairment allowance	Write-off of loan receivable	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Net provision for impairment on loans receivable	573	6,487	7,931	14,991

7 ADMINISTRATIVE EXPENSES

	Year ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
Employee benefit expenses (including directors' emoluments)	**23,755**	21,979
Advertising and marketing expenses	**13,927**	16,394
Depreciation of property, plant and equipment	**2,945**	2,992
Legal and professional fees	**2,403**	2,765
Referral fees	**1,565**	5,139
Valuation and search fee	**1,443**	1,205
Other expenses	**7,913**	8,387
Total administrative expenses	**53,951**	58,861

8 FINANCE COSTS

	Year ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
Interest on secured bank borrowings wholly repayable within 5 years	**15,835**	10,565
Interest on bank overdrafts	**332**	376
Interest on amount due to a fellow subsidiary *(Note 18(a))*	**7,271**	5,241
Interest and other expenses on bonds	**7,176**	8,679
Interest on other borrowings	**4,037**	2,661
Total finance costs	**34,651**	27,522

9 INCOME TAX EXPENSE

Hong Kong profits tax has been provided for at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits during the year ended 31 March 2019.

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

	Year ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
Hong Kong profits tax		
— Current year	**5,486**	7,652
— (Under)/over provision in prior years	**(416)**	250
Deferred income tax expense/(credit)	**1,299**	(3,333)
	6,369	4,569

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$42,164,000 (2018: HK$50,050,000) by the weighted average number of 415,000,000 (2018: 415,000,000) ordinary shares in issue during the year ended 31 March 2019.

	Year ended 31 March	
	2019	2018
Profit attributable to owners of the Company *(HK$'000)*	**42,164**	50,050
Weighted average number of ordinary shares in issue for basic earnings per share *('000)*	**415,000**	415,000
Basic earnings per share *(HK cents)*	**10.2**	12.1

(b) Diluted earnings per share

Diluted earnings per share during the year ended 31 March 2019 is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Shares issuable under the share option scheme are the only dilutive potential ordinary shares of the Company. For the share options, the number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

	Year ended 31 March	
	2019	2018
Profit attributable to owners of the Company *(HK$'000)*	**42,164**	50,050
Weight average number of ordinary shares in issue for diluted earnings per share *('000)*	**415,000**	415,000
Diluted earnings per share *(HK cents)*	**10.2**	12.1

The calculation of diluted earnings per share year ended 31 March 2019 do not assume the exercise of the Company's share options as the exercise prices of the outstanding share options were higher than the market price of the shares of the Company during the year.

11 DIVIDENDS

A final dividend in respect of the year ended 31 March 2019 of HK1.3 cents per share, totaling HK$5,395,000, is to be declared at the forthcoming annual general meeting of the Company. These financial statements do not reflect this dividend payable.

	Year ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
Interim dividend paid of HK1.2 cents (2018: HK0.8 cents) per share	**4,980**	3,320
Proposed final dividend of HK1.3 cents (2018: HK1.2 cents) per share	**5,395**	4,980
	10,375	8,300

12 LOANS RECEIVABLE

	2019	2018
	HK$'000	*HK$'000*
Gross loans receivable — property mortgage loans	**779,842**	722,417
Gross loans receivable — personal loans	**134,323**	140,613
Total gross loans receivable	**914,165**	863,030
Less: Provision for impairment		
— Stage 1	**(4,444)**	–
— Stage 2	**(697)**	–
— Stage 3	**(19,894)**	–
Provision for individual impairment of loans receivable	**–**	(3,723)
Provision for collective impairment of loans receivable	**–**	(7,897)
Loans receivable directly written-off	**(7,831)**	(7,931)
Loans receivable, net of provision	**881,299**	843,479
Less: non-current portion	**(138,153)**	(165,917)
Current portion	**743,146**	677,562

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

Except for gross personal loans receivable of HK$134,323,000 (2018: HK$140,613,000) which are unsecured, loans receivable are secured by collaterals provided by customers, bear interest and are repayable with fixed terms agreed with the customers.

The movements on the Group's impairment of loans receivable for the year ended 31 March 2019 are set out the table below.

	Year ended 31 March 2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Balance as at 31 March 2018				11,620
Impact of adopting HKFRS9				1,463
Balance at 1 April 2018	8,228	1,132	3,723	13,083
New loans originated	2,522	209	3,136	5,867
Loans recovered or repaid during the year	(3,242)	–	(2,616)	(5,858)
Transfers from Stage 1 to Stage 2	(1,143)	1,143	–	–
Transfers from Stage 1 to Stage 3	(3,483)	–	3,483	–
Transfers from Stage 2 to Stage 3	–	(1,096)	1,096	–
Total transfers between stages	(4,626)	47	4,579	–
Impact on year end ECL exposure	(2,504)	–	15,990	13,486
Movement within same stage due to change in credit risk	4,066	(691)	–	3,375
Write-offs	–	–	(4,918)	(4,918)
As at 1 March 2019	**4,444**	**697**	**19,894**	**25,035**

The movements on the Group's impairment of loans receivable for the year ended 31 March 2018 are set out below.

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

	2018 *HK$'000*
At beginning of the year	3,150
Provision for individual impairment of loans receivable, net	573
At end of the year	3,723

For property mortgage loans, the Group performs collective impairment assessment of loans receivable by grouping together all its receivables with similar credit risk characteristics and by applying a historical impairment rate, taking the average of the most recent 3 financial periods of the percentage of impairment loss recognised in the consolidated statement of comprehensive income to the total loans and interest receivables as at the respective year end dates.

For personal loans, the Group performs collective impairment assessment of loans receivable by grouping together all its receivables with similar customer credit ratings and by applying a historical impairment rate, which has been derived since the commencement of the personal loans business of the Group, as well as making reference to the rates adopted by other licensed money lenders.

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

	2018 *HK$'000*
At beginning of the year	1,410
Provision for collective impairment of loans receivable, net	6,487
At end of the year	7,897

As at 31 March 2019, loans receivable amounted to HK$7,831,000 (2018: HK$7,931,000) 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:

	2019 ***HK$'000***	2018 *HK$'000*
Current	**738,725**	677,562
2–5 years	**56,905**	80,085
Over 5 years	**85,669**	85,832
	881,299	843,479

13 INTEREST RECEIVABLES

	As at 31 March	
	2019	2018
	HK$'000	*HK$'000*
Interest receivables	**22,075**	18,058

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

Except for interest receivables of HK$2,944,000 (2018: HK$2,233,000) which are unsecured, interest receivables are secured by collaterals provided by customers and repayable with fixed terms agreed with the customers. The maximum exposure to credit risk at each of the reporting dates is the carrying value of the receivables mentioned above.

14 REPOSSESSED ASSETS

During the year, the Group obtained assets by taking possession of collaterals held as security. The nature and carrying value of these assets held as at 31 March 2019 and 2018 are summarised as follows:

	2019	2018
	HK$'000	*HK$'000*
Repossessed asset — a mix of commercial and residential property	**35,859**	35,859

The estimated market value of the repossessed asset held by the Group as at 31 March 2019 was HK$44,400,000 (2018: HK$42,500,000). It comprises property in respect of which the Group has acquired access or control (e.g. through court proceedings or voluntary actions by the properties concerned) for release in full or in part of the obligations of the borrower.

15 BANK AND OTHER BORROWINGS

Bank and other borrowings are analysed as follows:

	As at 31 March	
	2019	2018
	HK$'000	*HK$'000*
Bank loans	**217,771**	233,003
Bank overdrafts	**21,112**	18,440
Other borrowings	**122,000**	71,000
Total bank and other borrowings	**360,883**	322,443

The weighted average effective interest rate on bank loans and bank overdrafts during the year ended 31 March 2019 was 5.0% (2018: 4.7%) per annum.

Other borrowings of HK$122,000,000 (2018: HK$71,000,000) are unsecured, interest bearing at rates ranging from 4.5% to 24.0% (2018: ranging from 4.5% to 6.5%) per annum and repayable within one year.

At 31 March 2019 and 2018, all bank borrowings are denominated in Hong Kong dollars and the carrying amounts approximate their fair values.

As at 31 March 2019, the bank loans and overdrafts utilised by the Group amounted to HK$238,883,000 (2018: HK$251,443,000) were secured by the following:

(i) investment properties held by the Group amounting to HK$84,680,000 (2018: HK$86,170,000);

(ii) land and buildings held by the Group with net book value of HK$75,764,000 (2018: HK$77,701,000);

(iii) pledge of certain properties mortgaged to a subsidiary of the Company for loans granted to its respective customers. The fair value of these properties were approximately HK$479,220,000 (2018: HK$524,420,000); and

(iv) corporate guarantee of the Company.

16 BONDS

As at 31 March 2019, the Company had balances of Bond I and Bond II (in aggregate, the "**Bonds**") with an aggregate amount of HK$84,000,000 and HK$18,000,000 (2018: HK$84,000,000 and HK$27,000,000), before placing commission, respectively, with coupon rates at 6.0% (2018: 6.0%) and 4.5% (2018: 4.5%) per annum, respectively, repayable in 7 years from the respective issue dates. Bond II carries an option by the bondholder to redeem Bond II three years after the date of issuance. During the year, a principal amount of Bond II of HK$9,000,000 was redeemed.

The aggregate carrying amounts of the Bonds are HK$98,216,000 as at 31 March 2019 (2018: HK$105,919,000), which approximate their fair values. The fair values are determined using the expected future payments discounted at effective interest rates prevailing at the year ended and are within level 3 of the fair value hierarchy. The carrying amounts of the Group's bonds are denominated in Hong Kong dollars.

17 COMMITMENTS

Operating lease commitments — Group as lessor

The Group leases out its investment properties to independent third parties under non-cancellable operating lease agreements. The lease term ranges from 1 to 2 years.

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

	As at 31 March	
	2019	2018
	HK$'000	*HK$'000*
Within 1 year	**547**	510
Within 2–5 years	**238**	229
	785	739

The Company did not have any significant commitments at 31 March 2019 (2018: Nil).

18 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 2019 and 2018, and balances arising from related party transactions as at 31 March 2019 and 2018.

(a) Significant related party transactions

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

	Year ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
Interest expenses paid to a fellow subsidiary — Tin Ching Industrial Company Limited ("**Tin Ching Industrial**")	**7,271**	5,241

Interest expenses on an amount due to a fellow subsidiary was charged at weighted average effective interest rate of 6.625% (2018: 6.5%) per annum.

(b) Amount due to a fellow subsidiary

Tin Ching Industrial, a fellow subsidiary, provided the Group with a loan facility with a limit of HK$200,000,000 (2018: HK$200,000,000), of which the Group utilised an amount of HK$106,524,000 (2018: HK$125,284,000) as at 31 March 2019.

The amount was unsecured, interest bearing at weighted average effective interest rate of 6.625% (2018: 6.5%) per annum on the outstanding amount, and repayable on demand. The carrying amount of the amount due to a fellow subsidiary is denominated in Hong Kong dollars.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

Our Group was established in 1996. Through our operating history, we have principally engaged in the money lending business specialising in providing property mortgage loans in Hong Kong under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) (the "**MLO**"). During the current year, we continued to focus on our core business in property mortgage loans under our well-known and highly recognised brand name "***Hong Kong Finance***". We also expanded our money lending business to personal loan products in order to diversify ourselves in different money lending market segments, to capture new market opportunities and to enhance our overall interest margin.

Mortgage Loan Business

Mortgage loan business remained as the major source of the Group's revenue, contributing more than 70.0% to the Group's revenue during the current year. Interest income generated from mortgage loan business remained stable and increased by 7.7% to HK$114.5 million during the current year. Gross mortgage loan portfolio grew by 7.9% to HK$779.8 million as compared to that of the last year. During the current year, even though the demand on our mortgage loan products remained strong and energetic, the on-going Sino-US trade tension and Brexit (i.e. Britain exiting from the European Union) continued to create economic uncertainty and challenges to our mortgage loan business. Even though the property market in Hong Kong experienced "Indian summer" momentum after the Lunar Chinese New year, we still continued to adopt prudent and cautious approaches such as stringent credit policy, strict control on loan-to-value ratio, etc. These approaches have been applied for our mortgage loan business since the last market correction in property market in 2015/16, which persistently support the Group to maintain stable growth in its mortgage loan portfolio and to generate stable growth of interest income during the current year.

Personal Loan Business

Since the late 2016, we have diversified and launched our personal loan products to expand our position in the money lending market. During the current year, the interest income of the personal loan business increased by 80.2% to HK$46.5 million, contributing about 30.0% to our Group's revenue, which also constitutes the major driver to our Group's revenue growth during the current year. Gross personal loan portfolio was maintained at HK$134.3 million as at 31 March 2019, balance slightly reduced as compared to that as at 31 March 2018. Due to economic uncertainty and volatility, we conducted our personal loan business with caution in order to attain high interest margin with manageable rates of impairment and bad debts written off on our personal loan portfolio.

Industry review

The money lending market in Hong Kong remains highly competitive, as evidenced by the continuous increase in the number of money lenders licensees, with over 2,000 licensees in Hong Kong as at 31 March 2019. In October 2018, the Companies Registry, one of the governing authorities of money lending business in Hong Kong, has imposed additional licensing conditions to require all money lenders to comply with the "Guideline on Compliance of Anti-Money Laundering and Counter-Terrorist Financing Requirements for Licensed Money Lenders" issued in September 2018 ("**AML-CTF Guideline**").

Prior to issuing the above additional licensing conditions, our Group has already established relevant guidelines and policies on dealing with anti-money laundering and counter-terrorist financing, which included procedures for customer due diligence, reporting suspicious transactions, record-keeping and staff training, in order to prevent and detect money laundering and terrorist financing. The issuance of AML-CTF Guideline assisted us to further strengthen our internal controls and procedures to counteract these kinds of illegal activities. Even though we are experienced and with strong sense on counteracting anti-money laundering and counter-terrorist financing, we shall strictly follow those requirements under the AML-CTF Guideline so that we can provide reliable and lawful loan products to our customers. Our Group will continue to co-operate with the government and other authorities in order to fight against such illegal activities, so as to retain the reputation of financial institutions and money lenders.

Financial review

Revenue

Our interest income from money lending business of providing property mortgage loans and personal loans in Hong Kong increased by HK$28.9 million or 21.9% from HK$132.1 million for the last year to HK$161.0 million for the current year. Such increase was primarily due to the personal loan business which contributed interest income of HK$46.5 million to our Group during the current year, increased by HK$20.7 million or 80.2% from HK$25.8 million for the last year.

As for our interest income from our mortgage loan business, it remained stable and increased by HK$8.2 million or 7.7% from HK$106.3 million for the interim period 2018 to HK$114.5 million for the current year.

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

During the current year, the Group recorded a loss of HK$1.5 million on revaluation of our investment properties, as the Group experienced a slight correction on Hong Kong property market during the current year. During the last year, the Group recorded a gain of HK$21.6 million which reflected the upward revaluation of the commercial and residential properties held by our Group during the last year.

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

We have recorded the provision for impairment and write-off of loans and interest receivables of HK$24.7 million for the year (2018: HK$15.0 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 last year:

	Property mortgage loans Year ended 31 March		**Personal loans Year ended 31 March**	
	2019	2018	**2019**	2018
	HK$' million	*HK$' million*	***HK$' million***	*HK$' million*
Provision for impairment	**14.4**	0.1	**2.5**	6.9
Loans receivable written-off	**–**	2.2	**7.8**	5.8
	14.4	2.3	**10.3**	12.7

The increase in provision for impairment assessment of loans receivable was mainly due to the provision for impairment of HK$16.1 million made on a sub-ordinate mortgage loan balance during the current year, of which we considered its full recovery was in doubt. The write-off of loans receivable represented the write-off of personal loans receivable in which we considered them as uncollectible either due to (i) the long overdue payments; (ii) bankruptcy of the customers; or (iii) death of the customers.

Administrative expenses

We have incurred administrative expenses of HK$53.9 million for the year (2018: HK$58.9 million), which mainly comprised of employee benefit expenses, advertising and marketing expenses, referral fees, depreciation of property, plant and equipment and other miscellaneous expenses. The decrease in the administration expenses by HK$5.0 million or 8.5% was mainly due to the reduction on relying our referral agents in our personal loan business, which reduced the overall referral fees during the current year.

Finance costs

We have incurred finance costs of HK$34.6 million for the year (2018: HK$27.5 million), which mainly comprised of interest on interest bearing bank and other borrowings, amount due to a fellow subsidiary and issuance of bonds. The increase in the finance costs by HK$7.1 million or 25.8% was mainly attributable to the increase in utilisation of bank and other borrowings during the current year.

Net interest margin

The net interest margin of our money lending business increased from 13.2% for the last year to 14.2% for the current year, which was mainly attributed to the contribution from our personal loan business which generally offered relatively higher interest rates to personal loan customers than to mortgage loan customers.

Profit and total comprehensive income

As a result of the foregoing, our profit and total comprehensive income attributable to owners of our Company achieved HK$42.2 million for the current year as compared to HK$50.1 million for the last year, representing a decrease of 15.8%.

Should the non-operating item of fair value (losses)/gains on revaluation of investment properties be excluded, our profit and total comprehensive income attributable to owners of our Company would have achieved HK$43.7 million for the current year as compared to HK$28.5 million for the last year, representing an increase of 53.3%. Such significant increase was mainly attributable to the contribution of our personal loan business which turned around into a profit-making position during the current year.

LIQUIDITY AND SOURCES OF FINANCIAL RESOURCES

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

The Group recorded net current assets of HK$367.3 million as at 31 March 2019 while the net current assets as at 31 March 2018 was HK$284.1 million.

As at 31 March 2019, cash and cash equivalent amounted to HK$37.3 million (2018: HK$33.7 million); amount due to a fellow subsidiary amounted to HK$106.5 million (2018: HK$125.3 million); interest bearing bank and other borrowings amounted to HK$360.9 million (2018: HK$322.4 million), and bonds amounted to HK$98.2 million (2018: HK$105.9 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 and corporate guarantee of our Company, and interest bearing at a weighted average effective interest rate of 5.0% per annum. The amount due to a fellow subsidiary and the other borrowings were unsecured, interest bearing at a rate ranging from 4.5% to 24.0% per annum and with fixed terms of repayment. The bonds were unsecured, interest bearing at their respective pre-determined interest rate ranging from 4.5% to 6.0% per annum, and were repayable upon 7 years of their maturity.

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 2019, our unutilised banking facilities and other unutilised facility available to our Group for drawdown amounted to HK$91.9 million and HK$93.5 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.

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

KEY FINANCIAL RATIOS

The following table sets forth the key financial ratios of our Group during the years ended 31 March 2019 and 2018 respectively:

	As at 31 March	
	2019	2018
Current ratio (1)	**1.77**	1.59
Gearing ratio (2)	**0.93**	0.97

	For the year ended 31 March	
	2019	2018
Net interest margin ratio (3)	**14.2%**	13.2%
Return on equity ratio (4)	**7.4%**	9.3%
Interest coverage ratio (5)	**2.4 times**	2.2 times

Notes:

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

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

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

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

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

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS

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

IMPORTANT EVENTS OCCURRED AFTER THE END OF THE FINANCIAL YEAR

Our Group did not have any important events affecting our Company and our subsidiaries since the end of the financial year ended 31 March 2019 and up to the date of this announcement.

COMPLIANCE WITH MONEY LENDERS ORDINANCE

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

The MLO is the principal ordinance which governs the money lending business in Hong Kong. Our money lending business has been conducted through the subsidiaries of our Company. Since the first granting of money lenders licence to our subsidiaries, we have never received any objection from and have never been investigated by the Registrar of Money Lenders nor the Commissioner of Police regarding the renewal of the money lenders licence.

To the best of our knowledge, our Group has complied with the MLO in all material aspects, and that our Directors are not aware of any matter 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), which were not connected persons or senior management to our Group.

During the current year, our top five customers (as determined by interest income generated) accounted for approximately 12.3% (2018: 10.5%) of our total revenue and our single largest customer accounted for approximately 3.4% (2018: 2.3%) of our total revenue.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2019, our Group employed 40 (2018: 47) full time employees. The total staff costs of our Group for the current year were HK$23.7 million (2018: HK$22.0 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 option was granted during the current year. As at 31 March 2019, 18,800,000 share options were outstanding, which represents approximately 4.5% of the issued ordinary shares of our Company.

CHARGES ON GROUP ASSETS

As at 31 March 2019, our land and buildings of HK$75.8 million (2018: HK$77.7 million), our investment properties of HK$84.7 million (2018: HK$86.2 million) and certain properties mortgaged to our subsidiary with aggregate fair values of these properties of approximately HK$479.2 million (2018: HK$524.4 million) were secured for the Group's bank borrowings.

FOREIGN EXCHANGE EXPOSURE

During the current year, the business activities of our Group were denominated in Hong Kong dollars. Our Directors do not consider that 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 2019, our Group had no material contingent liabilities (2018: Nil).

OUTLOOK

For our mortgage loan business, although we maintained stable growth in our interest income and mortgage loan portfolio during the current year, we have to face various risk factors and great uncertainty in the next financial year. The on-going Sino-US trade tension and Brexit have escalated which seem impossible to be resolved within a short period of time. Both the stock market and property market in Hong Kong remained volatile and unpredictable. All the above challenges lead us to be more cautious and conservative in our mortgage loan business in the next financial year. To prepare ourselves in facing these challenges and future fluctuation in property market, apart from leveraging our professionalism and highly experience in our mortgage loan business, we would continue to implement cautious and periodical prudent measures, instantly and effectively review and tighten our credit policy, increase the proportion of first mortgage loans and high net-worth customers and tighten the loan-to-value ratio. Currently we have already reduced the loan portfolio from high risk customers in order to minimise the potential default risk. We expect that the market condition is likely to remain highly unstable and unpredictable but the demand for our mortgage loan products will remain strong. By leveraging on our professionalism, our well-known brand name "***Hong Kong Finance***" and our profound experience in our mortgage loan business, we expect a moderate growth of our mortgage loan portfolio with a more healthy and solid growth in our mortgage loan business in the years to come.

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

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

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

CORPORATE GOVERNANCE PRACTICES

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

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

REVIEW OF FINAL RESULTS

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

The Audit Committee has discussed with the management of our Company the internal control and financial reporting matters, including the accounting principles and practices related to the preparation of the consolidated financial statements for the year ended 31 March 2019. The Audit Committee has also reviewed the consolidated financial statements for the current 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, 3 September 2019 (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 of the Stock Exchange (www.hkexnews.hk), respectively and despatched to our shareholders together with our Company's 2019 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 2019, subject to shareholders' approval at the AGM. The proposed final dividend will be paid on Wednesday, 9 October 2019.

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, 29 August 2019 to Tuesday, 3 September 2019, 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, 28 August 2019; and

(ii) on Wednesday, 11 September 2019 and Thursday, 12 September 2019, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to establish 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 Tuesday, 10 September 2019.

PUBLICATION

This announcement is published on the aforesaid websites. The 2019 annual report will be despatched to the shareholders of our Company and published on the above websites in due course.

APPRECIATION

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

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

Hong Kong, 27 June 2019

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

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

Independent Non-executive Directors:
Mr. Chan Siu Wing Raymond
Mr. Chu Yat Pang Terry
Mr. Cheung Kok Cheong