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Hong Kong Finance Group Limited
香港信貸集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1273)

**ANNOUNCEMENT OF FINAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2024**

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 2024, 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 2024

	Note	Year ended 31 March	
		2024	2023
		HK\$'000	HK\$'000
Revenue	5	158,933	160,974
Other income and gain	5	1,552	3,277
Fair value losses on revaluation of investment properties		(4,600)	(8,130)
Provision for impairment and write-off of loans and interest receivables and repossessed assets, net	6	(17,987)	(5,758)
Other operating expenses	7	(66,455)	(57,226)
Operating profit		71,443	93,137
Finance costs	8	(18,914)	(20,870)
Share of loss of a joint venture		(22)	(42)
Profit before income tax		52,507	72,225
Income tax expense	9	(9,814)	(13,340)
Profit and total comprehensive income for the year attributable to owners of the Company		42,693	58,885
Earnings per share for profit attributable to owners of the Company			
– Basic (<i>HK cents</i>)	10(a)	10.3	14.2
– Diluted (<i>HK cents</i>)	10(b)	10.3	14.2
Dividends	11	10,790	10,790

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2024

		As at 31 March	
	Note	2024	2023
		HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		121,234	69,652
Investment properties		48,100	105,200
Financial asset at fair value through profit or loss		800	800
Loans receivable	12	266,880	334,659
Deferred income tax assets		4,519	1,561
Investment in a joint venture		12,136	13,958
Total non-current assets		453,669	525,830
Current assets			
Loans and interest receivables	12	624,950	560,515
Repossessed assets		23,328	7,126
Prepayments, deposits and other receivables		4,675	2,860
Cash and cash equivalents		28,376	29,875
Total current assets		681,329	600,376
Total assets		1,134,998	1,126,206
EQUITY			
Equity attributable to the owners of the Company			
Share capital		4,150	4,150
Reserves		812,468	780,565
Total equity		816,618	784,715

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (*Continued*)

As at 31 March 2024

		As at 31 March	
		2024	2023
	Note	HK\$'000	HK\$'000
LIABILITIES			
Non-current liabilities			
Other borrowings	13	419	867
Deferred income tax liabilities		3,765	3,616
Total non-current liabilities		4,184	4,483
Current liabilities			
Other payables and accruals		6,019	8,757
Amount due to a fellow subsidiary	14(b)	60,697	96,467
Tax payable		1,557	2,549
Bank and other borrowings	13	245,923	229,235
Total current liabilities		314,196	337,008
Total liabilities		318,380	341,491
Total equity and liabilities		1,134,998	1,126,206
Net current assets		367,133	263,368
Total assets less current liabilities		820,802	789,198

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 (“**HKICPA**”) and disclosure requirement of the Hong Kong Companies Ordinance Cap. 622. 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 preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

3 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES

3.1 New and amended standards adopted by the Group

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transactions
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules
HKFRS 17	Insurance Contracts and the Related Amendments
HKFRS 17	Initial Application of HKFRS and HKFRS 9 – Comparative Information

The adoption of these new and amended standards did not result in any substantial change to the Group’s accounting policies. The new and amended standards listed above had no material impact on the consolidated financial statements.

3.2 New and amended standards and interpretation not yet adopted by the Group

		Effective for annual periods beginning on or after
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	January 1, 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants	January 1, 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	January 1, 2024
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	January 1, 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements	January 1, 2024
Amendments to HKAS 21	Lack of Exchangeability	January 1, 2025
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of Assets between an investor and its Associate or Joint Venture	To be determined

The Group will adopt the above new and amended standards and interpretation as and when they become effective. The directors of the Company have performed preliminary assessment and do not anticipate any significant impact on the Group's financial position and results of operations upon adopting these new and amended standards and interpretation to existing HKFRS.

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 operating 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 2024 (2023: 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 2024 and 2023.

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

For the year ended 31 March 2024

	Property mortgage loans	Personal loans	Unallocated	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	104,439	54,494	—	158,933
Other income and gain	306	1	1,245	1,552
Fair value losses on revaluation of investment properties	(700)	—	(3,900)	(4,600)
Provision for impairment and write-off of loans and interest receivables, net	(13,272)	(4,715)	—	(17,987)
Other operating expenses	(35,299)	(26,362)	(4,794)	(66,455)
Operating profit/(loss)	55,474	23,418	(7,449)	71,443
Finance costs	(14,382)	(2,202)	(2,330)	(18,914)
Share of loss of a joint venture	—	—	(22)	(22)
Profit/(loss) before income tax	41,092	21,216	(9,801)	52,507
Income tax (expense)/credit	(6,960)	(3,494)	640	(9,814)
Profit/(loss) and total comprehensive income/(loss) for the year attributable to owners of the Company	<u>34,132</u>	<u>17,722</u>	<u>(9,161)</u>	<u>42,693</u>

As at 31 March 2024

	Property mortgage loans	Personal loans	Unallocated	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	<u>518,939</u>	<u>439,409</u>	<u>176,650</u>	<u>1,134,998</u>
Segment liabilities	<u>(248,287)</u>	<u>(33,351)</u>	<u>(36,742)</u>	<u>(318,380)</u>
Other information:				
Depreciation expense	(768)	(262)	(2,067)	(3,097)
Reversal of/(provision for) impairment:				
– Stage 1	346	(256)	—	90
– Stage 2	(1,016)	122	—	(894)
– Stage 3	(12,036)	(4,150)	—	(16,186)
Loans and interest receivables written off	—	(431)	—	(431)
Provision for impairment of repossessed asset	<u>(566)</u>	<u>—</u>	<u>—</u>	<u>(566)</u>

For the year ended 31 March 2023

	Property mortgage loans <i>HK\$'000</i>	Personal loans <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
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 and interest receivables, net	(2,681)	(3,077)	—	(5,758)
Other operating expenses	(31,295)	(21,298)	(4,633)	(57,226)
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	—	—	(42)	(42)
Profit/(loss) before income tax	57,618	27,097	(12,490)	72,225
Income tax expense	(6,665)	(4,876)	(1,799)	(13,340)
Profit/(loss) and total comprehensive income/(loss) for the year attributable to owners of the Company	<u>50,953</u>	<u>22,221</u>	<u>(14,289)</u>	<u>58,885</u>

As at 31 March 2023

	Property mortgage loans <i>HK\$'000</i>	Personal loans <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	<u>515,370</u>	<u>427,484</u>	<u>183,352</u>	<u>1,126,206</u>
Segment liabilities	<u>(270,539)</u>	<u>(33,113)</u>	<u>(37,839)</u>	<u>(341,491)</u>
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 receivables written-off	<u>(16)</u>	<u>(684)</u>	<u>—</u>	<u>(700)</u>

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	
	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Revenue		
Interest income – property mortgage loans	104,439	108,244
Interest income – personal loans	54,494	52,730
Total revenue	<u>158,933</u>	<u>160,974</u>
Other income		
Rental income	1,309	2,250
Sundry income	3	48
Government grant	—	979
Total other income	<u>1,312</u>	<u>3,277</u>
Other gain		
Gain on disposal of property, plant and equipment	240	—
Total other income and gain	<u>1,552</u>	<u>3,277</u>

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

	Year ended 31 March 2024			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 and interest receivables	(90)	894	16,186	16,990
Write-off of loans and interest receivables	88	343	—	431
	<u>(2)</u>	<u>1,237</u>	<u>16,186</u>	<u>17,421</u>
Provision for impairment of repossessed assets				<u>566</u>
Total provision for impairment and write-off of loans and interest receivables and repossessed assets, net				<u>17,987</u>

	Year ended 31 March 2023			Total HK\$'000
	12 months expected credit loss (Stage 1) HK\$'000	Lifetime expected credit loss not credit impaired (Stage 2) HK\$'000	Lifetime expected credit loss credit impaired (Stage 3) HK\$'000	
(Reversal of)/provisions for impairment on loans and interest receivables	(690)	(1,558)	7,306	5,058
Write-off of loans and interest receivables	—	538	162	700
	<u>(690)</u>	<u>(1,020)</u>	<u>7,468</u>	<u>5,758</u>

7 OTHER OPERATING EXPENSES

	Year ended 31 March	
	2024 HK\$'000	2023 HK\$'000
Auditor's remuneration		
– audit services	740	740
– non-audit services	350	350
Advertising and marketing expenses	14,215	11,353
Bank charges	1,027	1,211
Depreciation of property, plant and equipment	3,097	2,874
Directors' emoluments	7,442	7,014
Donations	222	59
Employee benefit expenses (excluding directors' emoluments)	23,740	21,662
Legal and professional fees	6,052	3,453
Referral fees	1,694	1,628
Transportation expenses	1,120	950
Valuation and search fee	1,436	1,308
Short-term lease expenses	418	329
Other expenses	4,902	4,295
Total other operating expenses	<u>66,455</u>	<u>57,226</u>

8 FINANCE COSTS

	Year ended 31 March	
	2024	2023
	HK\$'000	HK\$'000
Interest on amount due to a fellow subsidiary (<i>Note 14(a)</i>)	6,196	6,325
Interest on bank overdrafts	563	231
Interest on secured bank borrowings	11,005	11,959
Interest and related expenses on bonds	—	274
Interest on other borrowings	1,150	2,081
	<u>18,914</u>	<u>20,870</u>
Total finance costs	<u>18,914</u>	<u>20,870</u>

9 INCOME TAX EXPENSE

Hong Kong profits tax for the year ended 31 March 2024 and 2023 have been provided for at a rate of 8.25% for the first HK\$2,000,000 estimated assessable profits and 16.5% for estimated assessable profits above HK\$2,000,000 for an entity qualified for the two-tiered profits tax rates regime introduced pursuant to the Inland Revenue (Amendment) (No. 7) Bill 2017. For group entities not qualifying for the two-tiered profits tax rates regime, Hong Kong profits tax has been provided for at a flat rate of 16.5%.

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

	Year ended 31 March	
	2024	2023
	HK\$'000	HK\$'000
Hong Kong profits tax		
– Current year	12,614	13,481
– Under/(over)-provision in prior years	9	(30)
Deferred income tax	(2,809)	(111)
	<u>9,814</u>	<u>13,340</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\$42,693,000 (2023: HK\$58,885,000) by the weighted average number of 415,000,000 (2023: 415,000,000) ordinary shares in issue during the year ended 31 March 2024.

	Year ended 31 March	
	2024	2023
Profit attributable to owners of the Company (<i>HK\$'000</i>)	42,693	58,885
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>10.3</u>	<u>14.2</u>

(b) Diluted earnings per share

As at 31 March 2024 and 2023, 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 2024 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	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend paid of HK1.3 cents (2023: HK1.3 cents) per share	5,395	5,395
Proposed final dividend of HK1.3 cents (2023: HK1.3 cents) per share	<u>5,395</u>	<u>5,395</u>
	<u>10,790</u>	<u>10,790</u>

12 LOANS AND INTEREST RECEIVABLES

	As at 31 March	
	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Gross loans and interest receivables — property mortgage loans	732,169	707,710
Gross loans and interest receivables — personal loans	<u>203,646</u>	<u>214,459</u>
Total gross loans and interest receivables	<u>935,815</u>	<u>922,169</u>
Less: Provision for impairment	<u>(43,985)</u>	<u>(26,995)</u>
Loans and interest receivables, net of provision	<u>891,830</u>	895,174
Less: non-current portion	<u>(266,880)</u>	<u>(334,659)</u>
Current portion	<u><u>624,950</u></u>	<u><u>560,515</u></u>

The Group's loans and 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 gross personal loans and interest receivables of HK\$203,646,000 (2023: HK\$214,459,000) which are unsecured, loans and interest receivables are secured by collateral provided by customers, bear interest and are repayable with fixed terms agreed with the customers.

A maturity profile of the loans and interest receivables as at the end of the reporting periods, based on the maturity date and net of provision, is as follows:

	As at 31 March	
	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Current	624,950	560,515
2–5 years	132,407	87,836
Over 5 years	<u>134,473</u>	<u>246,823</u>
	<u><u>891,830</u></u>	<u><u>895,174</u></u>

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 an independent third party to secure bank borrowing granted. As at 31 March 2024, the bank borrowing was fully settled. Other than that, certain bank borrowing from an independent third party was secured by gross loans and interest receivables of HK\$423,799,000 (Note 13 (iii)) (2023: HK\$409,251,000).

As at 31 March 2024, mortgaged loans receivable amounting of HK\$19,886,000 are still in progress for registration of the legal charges at the Land Registry (2023: HK\$31,372,000).

13 BANK AND OTHER BORROWINGS

Bank and other borrowings are analysed as follows:

	As at 31 March	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loans	182,252	208,624
Bank overdrafts	28,087	—
Other borrowings	36,003	21,478
	<hr/>	<hr/>
Total bank and other borrowings	246,342	230,102
Less: non-current portion	(419)	(867)
	<hr/>	<hr/>
Current portion	<u>245,923</u>	<u>229,235</u>

The weighted average effective interest rate on bank loans and bank overdrafts during the year ended 31 March 2024 was 6.3% (2023: 5.0%) per annum.

Other borrowings of HK\$36,003,000 (2023: HK\$21,478,000) are unsecured and repayable within one to eight years (2023: within one to nine years). The weighted average effective interest rate on other borrowings during the year ended 31 March 2024 was 7.6% (2023: 5.3%) per annum.

At 31 March 2024 and 2023, all bank and other borrowings are denominated in Hong Kong dollars and the carrying amounts approximate their fair values.

As at 31 March 2024, the bank loans and overdrafts utilised by the Group amounted to HK\$210,339,000 (2023: HK\$208,624,000). The Group's unutilised banking facilities as at the same date amounted to HK\$50,220,000 (2023: HK\$238,540,000). These banking facilities were secured by the following:

- (i) investment properties held by the Group with a net book value of HK\$48,100,000 (2023: HK\$105,200,000);
- (ii) land and buildings held by the Group with a net book value of HK\$118,453,000 (2023: HK\$68,015,000);
- (iii) certain gross loans and interest receivables of HK\$423,799,000 (2023: HK\$409,251,000); and
- (iv) corporate guarantee of the Company.

14 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 2024 and 2023, and balances arising from related party transactions as at 31 March 2024 and 2023.

(a) Significant related party transactions

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

	Year ended 31 March	
	2024	2023
	HK\$'000	HK\$'000
Interest expenses paid to a fellow subsidiary – Tin Ching Industrial Company Limited (“ Tin Ching Industrial ”)*	<u>6,196</u>	<u>6,325</u>
Advertising and marketing expenses paid to a joint venture – Shine Joyful Limited	<u>3,300</u>	<u>3,000</u>

* Interest expenses on an amount due to a fellow subsidiary was charged at weighted average effective interest rate of 7.0% (2023: 6.6%) 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 (2023: HK\$200,000,000), of which the Group utilised an amount of HK\$60,697,000 (2023: HK\$96,467,000) as at 31 March 2024.

The amount was unsecured, interest bearing at weighted average effective interest rate of 7.0% (2023: 6.6%) per annum on the outstanding amount, and repayable on demand. The carrying amount of the amount due to a fellow subsidiary is denominated in Hong Kong dollars.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Industry Overview

Our Group primarily operates in the money lending sector, specialising in providing loans to property owners in Hong Kong under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) (“MLO”). Our core business revolves mortgage loans, which we offer under our widely recognised brand name “*Hong Kong Finance*”. We also diversify our services by providing unsecured personal loan products to property owners, aiming to expand our presence in various money lending market segments and enhance our overall interest margin.

The financial year of 2023/24 posed a multitude of challenges and complexities. Ongoing interest rate hikes resulted in weak global investment and consumption demand. Prolonged geopolitical tensions such as the Russia-Ukraine conflict, and the Israeli-Palestinian conflict heightened investor aversion to risk. A slowdown in China’s economic growth further added headwinds to the economy. These adverse factors collectively contributed to the continued decline in Hong Kong’s residential property market, as evidenced by the Centra-City Leading Index’s downward trend from 168.27 in late March 2023 to 147.08 in late March 2024. Despite a cyclical rebound in Hong Kong’s economy following the COVID-19 pandemic and the efforts by the Hong Kong Government to partially ease property market cooling measures, the recovery was ephemeral, and the market sentiment remained weak with no significant rebound observed in property prices or transaction volume. In this challenging environment, our Group’s overall financial performance was negatively impacted, leading to a significant increase in our provision for impairment and write-off of loans and interest receivables, and repossessed assets of HK\$18.0 million for the current year, although we have maintained our Group interest income of HK\$158.9 million at similar level as of last year’s.

Mortgage loans remained the primary revenue source for our Group, contributing approximately 65.7% to our total revenue during the current year. Interest income generated from mortgage loans decreased by 3.5% to HK\$104.4 million. As of 31 March 2024, our gross mortgage loan and interest receivables amounted to HK\$732.2 million. For our unsecured personal loan business, interest income increased by 3.4% to HK\$54.5 million, accounting for approximately 34.3% of our Group’s revenue for the current year. As of 31 March 2024, our gross personal loan and interest receivables stood at HK\$203.6 million.

Given the economic uncertainties and significant challenges we faced, we continued to adopt prudent and cautious approaches in our operations. These included implementing stringent credit policies, maintaining strict control over loan-to-value ratios, and other measures that supported our Group in preserving the quality of our loan portfolio and generating stable interest income during the current year. We also sought to offset the increasing cost of funds by adjusting the interest rates charged to our customers. Additionally, we proactively rebalanced our product mix to focus on personal loan offerings. We closely monitored the creditworthiness and repayment capacity of our customers, taking prompt action to recall loans from those identified as having a higher potential for default risks.

Financial review

Revenue

Our Group's interest income from our money lending business dipped by HK\$2.1 million or 1.3% from HK\$161.0 million for the last year to HK\$158.9 million for the current year, and such decrease was mainly derived from the decline in our interest income from our mortgage loan business.

Interest income from our mortgage loan business decreased by HK\$3.8 million or 3.5% from HK\$108.2 million for the last year to HK\$104.4 million for the current year, whereas the interest income from our personal loan business increased by HK\$1.8 million or 3.4% from HK\$52.7 million for the last year to HK\$54.5 million for the current year.

Other income and gain

We have recorded other income and gain of HK\$1.6 million (2023: HK\$3.3 million) during the current year which mainly comprised of rental income from our investment properties of HK\$1.3 million (2023: HK\$2.3 million). Last year, other income and gain also comprised of government grant of HK\$1.0 million and there was no such grant during the current year.

Fair value losses on revaluation of investment properties

During the current year, our Group recorded a loss of HK\$4.6 million (2023: HK\$8.1 million) on the revaluation of our investment properties, as the decline of market values of our Group's investment properties carried on during the current year.

Provision for impairment and write-off of loans and interest receivables and repossessed assets, net

We have recorded a provision for impairment and write-off of loans and interest receivables, and repossessed assets of HK\$18.0 million for the current year (2023: HK\$5.8 million).

Below is the breakdown of provision for impairment and write-off of loans and interest receivables and repossessed assets 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	
	2024	2023	2024	2023
	HK\$m	HK\$m	HK\$m	HK\$m
Provision for impairment on loans and interest receivables	12.7	2.7	4.3	2.4
Provision for impairment on repossessed assets	0.6	—	—	—
Write-off of loans and interest receivables	—	—	0.4	0.7
	<u>13.3</u>	<u>2.7</u>	<u>4.7</u>	<u>3.1</u>

The impairment on loans and interest receivables and repossessed assets recognised during the year were assessed in accordance with the requirements outlined in HKFRS 9.

Due to the deteriorating conditions in the property market during the 2023/24 fiscal year and an increase in default loans and interest receivables, we have recorded a provision for impairment and write-off of HK\$17.4 million on loans and interest receivables, and of HK\$0.6 million on repossessed assets, totalling HK\$18.0 million during the current year. This represented a significant increase compared to the provision of HK\$5.8 million recorded in the previous year. The Group has noted an increase in force sales rate and decrease in fair value of the underlying collaterals of the mortgage loans, resulting to a significant surge of provision for impairment on loans and interest receivables recognised during the current year.

Given the growing risk of declining collateral values and increasing in delinquent payments, the Group has implemented proactive measures to regularly review customer repayment records and conducted comprehensive assessments on the related collaterals. We have also reduced the average loan sizes and shortened the loan tenors during the period. These measures have been put in place to effectively manage credit risk. Additionally, prompt legal action has been taken to recover loans in default, aiming to minimise potential credit losses.

Other operating expenses

We have incurred other operating expenses of HK\$66.5 million for the current year (2023: HK\$57.2 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 other operating expenses by HK\$9.3 million or 16.3% 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. We have further spent more legal costs on recovery processes of our loan and interest receivables during the current adverse economic environment.

In order to strengthen and enhance the integrity and security of our credit data management, during the current year, we have incurred certain professional fees on bolstering our privacy and security frameworks by implementing the Multiple Credit Reference Agencies (MCRA) Model, now officially designated as Credit Data Smart (CDS). This investment underscores our dedication to not only meet but exceed the stringent requirements set forth by CDS, including adherence to the Personal Data (Privacy) Ordinance, the Code of Practice on Consumer Credit Data (Part II), the Code of Practice for the Multiple Credit Reference Agencies Model (Part II), and the ISO/IEC 27002:2022 framework. As we navigate the final phase of our application, we are on the cusp of attaining Type Two Member (Direct) status within the CDS framework. This achievement will not only mark a significant milestone for the Group but also affirm our commitment to excellence in credit data management and privacy protection.

Finance costs

We have incurred finance costs of HK\$18.9 million for the current year (2023: HK\$20.9 million), which mainly comprised of interest on interest bearing bank borrowings, 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 16.0% for the current year (2023: 15.4%). Such improvement was resulted from the raise of our interest rates charged to our customers which were in line with the raise of global interest rates during the current year.

Profit and total comprehensive income

As a result of the foregoing, due to the surge of the provision for impairments as discussed above, our profit and total comprehensive income attributable to owners of our Company reduced to HK\$42.7 million for the current year as compared to HK\$58.9 million for the last year, representing a dip of 27.5%.

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 a fellow subsidiary, Tin Ching Industrial Company Limited, as well as banks and other borrowings. Based on our current and anticipated levels of operations, barring unforeseeable market conditions, our future operations and capital requirements will be financed through loans from banks or other financial institutions that are independent third parties, retained earnings and our share capital. We had capital commitments amounting to HK\$193,000 as at 31 March 2024.

Our Group recorded net current assets of HK\$367.1 million as at 31 March 2024 (2023: HK\$263.4 million).

As at 31 March 2024, cash and cash equivalents amounted to HK\$28.4 million (2023: HK\$29.9 million); amount due to a fellow subsidiary amounted to HK\$60.7 million (2023: HK\$96.5 million); interest bearing bank and other borrowings amounted to HK\$246.3 million (2023: HK\$230.1 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 loans and interest receivables, and a corporate guarantee of our Company. The amount due to a fellow subsidiary was unsecured, interest bearing at a weighted average effective interest rate of 7.0% per annum and repayable on demand.

During the current year, none of our banking facilities were subject to any material covenants that restrict our Group to undertake additional debt or equity financing. As at 31 March 2024, our unutilised banking facilities and other unutilised facility available to our Group for drawdown amounted to HK\$50.2 million and HK\$139.3 million, respectively. It is our Group's policy to prioritise the utilisation of our available facilities which offer the lowest finance cost to our Group.

KEY FINANCIAL RATIOS

The following table sets forth the key financial ratios of our Group during the years ended 31 March 2024 and 2023 respectively:

	As at 31 March	
	2024	2023
Current ratio ⁽¹⁾	2.17	1.78
Gearing ratio ⁽²⁾	0.34	0.38
	For the year ended 31 March	
	2024	2023
Net interest margin ratio ⁽³⁾	16.0%	15.4%
Return on equity ratio ⁽⁴⁾	5.2%	7.5%
Interest coverage ratio ⁽⁵⁾	4.0 times	4.9 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 operating profit before fair value losses 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 2024 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 governing the money lending business in Hong Kong and the AMLO governs the matters in relation to the money laundering and terrorist financing our Group may encounter in our money lending business. Our money lending business has been conducted through the subsidiaries of our Company. During the current 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 8.0% (2023: 10.8%) of our total revenue, and our single largest customer accounted for approximately 1.9% (2023: 3.2%) of our total revenue.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2024, our Group employed 49 (2023: 47) full time employees. The total staff costs of our Group for the current year were HK\$31.2 million (2023: HK\$28.7 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 2024, our land and buildings of HK\$118.5 million (2023: HK\$68.0 million), our investment properties of HK\$48.1 million (2023: HK\$105.2 million) and certain loans and interest receivables of HK\$423.8 million in aggregate (2023: HK\$409.3 million) were secured for the Group's bank borrowings.

FOREIGN EXCHANGE EXPOSURE

During the current year, the business activities of our Group were denominated in Hong Kong dollars. Our Directors did not consider our Group was exposed to any significant foreign exchange risks. Our Group did not use derivative financial instruments to hedge against the volatility associated with foreign currency transactions and other financial assets and liabilities arising in the ordinary course of business.

CONTINGENT LIABILITIES

As at 31 March 2024, our Group had no material contingent liabilities (2023: Nil).

CAPITAL COMMITMENTS

The Group had capital commitments to purchase property, plant and equipment amounting to HK\$193,000 as at 31 March 2024 (2023: Nil).

OUTLOOK

The economic outlook for Hong Kong in 2024 remains uncertain and will be influenced by various significant factors highlighted in the "Business Review and Industry Overview" section above. The impending outcome of the U.S. presidential election in November 2024 and the timing of the Federal Reserve's rate adjustments present additional challenges that may constrain the growth momentum of our loan portfolio.

Encouragingly, the recent complete removal of property market cooling measures by the Hong Kong Government indicates the potential for a revival and the stimulation of transactions and market momentum within the property sector. Moreover, anticipated interest rate cuts from the second half of 2024 could gradually stabilise the property market, counteracting its previous downward trend. In light of these dynamic challenges and opportunities, we will maintain a cautious approach, diligently adhering to our robust risk management policies and credit review processes. We will proactively adapt our strategy by diversifying our loan portfolio, adjusting loan terms, promptly reviewing and tightening our credit policies, increasing our focus on high net-worth customers, and rebalancing our product mix. Leveraging our professionalism, the esteemed brand name “**Hong Kong Finance**” and our extensive experience in the money lending business, we will ensure the quality of our Group’s loan portfolio while simultaneously capitalising on business opportunities to expand our portfolio in alignment with the anticipated economic recovery.

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

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

CORPORATE GOVERNANCE PRACTICES

Our Company has adopted and complied with the code provisions as set out in the Corporate Governance Code contained in Appendix C1 to the Listing Rules during the year.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 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 controls 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 2024. 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.

SCOPE OF WORK

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2024 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on the preliminary announcement.

ANNUAL GENERAL MEETING

The annual general meeting of our Company will be held on Wednesday, 4 September 2024 (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 issued to our shareholders together with our Company's 2024 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 2024, subject to shareholders' approval at the AGM. The proposed final dividend will be paid on Friday, 4 October 2024.

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 Friday 30 August 2024 to Wednesday, 4 September 2024, 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 Thursday, 29 August 2024; and

- (ii) from Wednesday, 11 September 2024 to Friday, 13 September 2024, both days inclusive, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend for the year ended 31 March 2024. 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 Tuesday, 10 September 2024.

PUBLICATION

This announcement is published on the aforesaid websites. The 2024 annual report for the year ended 31 March 2024 of the Company will be issued 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, 26 June 2024

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