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

ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 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 interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2024, together with the comparative figures for the corresponding period of the previous year, are as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 September 2024

	Note	Six months ended 30 September 2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Interest income	4, 5	82,959	73,154
Interest expenses	8	(9,157)	(10,718)
Net interest income		73,802	62,436
Other income	5	717	636
Fair value losses on revaluation of investment properties		(900)	(2,300)
Impairment losses on loans and interest receivables, net	6	(9,017)	(3,616)
Impairment losses on repossessed assets, net		(1,560)	(444)
Other operating expenses	7	(33,408)	(31,407)
Operating profit		29,634	25,305
Share of results of a joint venture		89	188
Profit before income tax		29,723	25,493
Income tax expense	9	(5,364)	(4,784)
Profit and total comprehensive income for the period		24,359	20,709
Earnings per share for profit			
– Basic and diluted (<i>HK cents</i>)	10(a)	5.87	4.99
Dividends	11	5,395	5,395

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2024

		As at 30 September 2024 <i>HK\$'000</i> (Unaudited)	As at 31 March 2024 <i>HK\$'000</i> (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		121,828	121,234
Investment properties		47,200	48,100
Financial asset at fair value through profit or loss		800	800
Loans and interest receivables	12	317,279	266,880
Deferred income tax assets		5,848	4,519
Investment in a joint venture		12,225	12,136
Total non-current assets		505,180	453,669
Current assets			
Loans and interest receivables	12	546,720	627,138
Repossessed assets		27,318	23,328
Prepayments, deposits and other receivables		1,583	2,487
Cash and cash equivalents		32,020	28,376
Total current assets		607,641	681,329
Total assets		1,112,821	1,134,998
EQUITY			
Equity attributable to the owners of the Company			
Share capital		4,150	4,150
Reserves		831,432	812,468
Total equity		835,582	816,618

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 September 2024

		As at 30 September 2024 <i>HK\$'000</i> (Unaudited)	As at 31 March 2024 <i>HK\$'000</i> (Audited)
	<i>Note</i>		
LIABILITIES			
Current liabilities			
Other payables and accruals		9,464	6,019
Amount due to a fellow subsidiary	<i>14(b)</i>	53,701	60,697
Amount due to a joint venture	<i>14(c)</i>	600	—
Current income tax liabilities		5,968	1,557
Dividend payable	<i>11</i>	5,395	—
Bank and other borrowings	<i>13</i>	198,083	245,923
Total current liabilities		<u>273,211</u>	<u>314,196</u>
Non-current liabilities			
Other borrowings	<i>13</i>	—	419
Deferred income tax liabilities		4,028	3,765
Total non-current liabilities		<u>4,028</u>	<u>4,184</u>
Total liabilities		<u>277,239</u>	<u>318,380</u>
Total equity and liabilities		<u>1,112,821</u>	<u>1,134,998</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Hong Kong Finance Group Limited (the “**Company**”) was incorporated in the Cayman Islands on 6 February 2013 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised), of the Cayman Islands. The address of the Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries (the “**Group**”) are principally engaged in the money lending business of providing secured property mortgage loans and unsecured personal loans in Hong Kong.

The Company has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

This interim condensed consolidated financial information of the Group is presented in thousands of Hong Kong dollars (the “**HK\$’000**”), unless otherwise stated. This interim condensed consolidated financial information was reviewed by the Company’s Audit Committee and approved by the board of directors of the Company on 27 November 2024.

2 BASIS OF PREPARATION

The interim condensed consolidated financial information of the Group for the six months ended 30 September 2024 has been prepared in accordance with the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities on Stock Exchange and with the Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

The interim condensed consolidated financial information does not include all of the notes normally included in annual consolidated financial statements. Accordingly, the report should be read in conjunction with annual consolidated financial statements from the year ended 31 March 2024.

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those adopted and described in the Group’s annual consolidated financial statements for the year ended 31 March 2024, except for the adoption of new and amended standards as set out below.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earning.

- (a) New and amendments to standards adopted by the Group for the annual reporting period beginning on 1 April 2024:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current (amendments)
Amendments to HKAS 1	Non-current Liabilities with Covenants (amendments)
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback (amendments)
Hong Kong Interpretation 5 (Revised)	Hong Kong Interpretation 5 (2020) Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (HK Int 5 (2020))
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements (amendments)

The new and amendments to standards listed above did not have any impact to the Group’s interim condensed consolidation financial information in the current and prior periods.

- (b) New and amended standards and interpretations issued but not yet effective for the annual reporting period beginning on 1 April 2024 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
Amendments to HKAS 21 and HKFRS 1	Lack of Exchangeability (amendments)	1 January 2025
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments (amendments)	1 January 2026
HKFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
HKFRS 19	Subsidiaries without Public Accountability Disclosure	1 January 2027
Hong Kong Interpretation 5	Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (amendments)	1 January 2027
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 directors of the Group will adopt the new and amended standards and interpretations when they become effective. According to the preliminary assessment by the directors, the Group expected that these new and amended standards and interpretations issued do not have any significant impact on the Group's result of operations and financial position.

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) secured property mortgage loans and (ii) unsecured 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 are no sales between the operating segments during the six months ended 30 September 2024 (30 September 2023: Nil).

All of the Group's revenue from external customers and assets were generated from and located in Hong Kong during the six months ended 30 September 2024 (30 September 2023: Nil).

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

For the six months ended 30 September 2024

	Secured property mortgage loans HK\$'000	Unsecured personal loans HK\$'000	Unallocated HK\$'000	Total HK\$'000
Interest income from external customers	56,108	26,851	—	82,959
Other income	31	26	660	717
Fair value losses on revaluation of investment properties	(500)	—	(400)	(900)
Impairment losses on loans and interest receivables, net	(5,884)	(3,133)	—	(9,017)
Impairment losses on repossessed assets, net	(1,560)	—	—	(1,560)
Other operating expenses	(17,206)	(13,541)	(2,661)	(33,408)
Operating profit/(loss)	30,989	10,203	(2,401)	38,791
Interest expenses	(6,928)	(1,106)	(1,123)	(9,157)
Share of results of joint venture	—	—	89	89
Profit/(loss) before income tax	24,061	9,097	(3,435)	29,723
Income tax (expense)/credit	(4,073)	(1,500)	209	(5,364)
Profit/(loss) and total comprehensive income/(loss) for the period	<u>19,988</u>	<u>7,597</u>	<u>(3,226)</u>	<u>24,359</u>
Other information:				
Depreciation expense	(613)	(280)	(1,725)	(2,618)
(Impairment losses on)/reversal of impairment on loans and interest receivables, net:				
– Stage 1	(256)	(762)	—	(1,018)
– Stage 2	(1,761)	(447)	—	(2,208)
– Stage 3	(3,867)	(1,924)	—	(5,791)

As at 30 September 2024

	Secured property mortgage loans HK\$'000	Unsecured personal loans HK\$'000	Unallocated HK\$'000	Total HK\$'000
Segment assets	<u>719,503</u>	<u>218,068</u>	<u>175,250</u>	<u>1,112,821</u>
Segment liabilities	<u>(183,078)</u>	<u>(51,435)</u>	<u>(42,726)</u>	<u>(277,239)</u>

For the six months ended 30 September 2023

	Secured property mortgage loans <i>HK\$ '000</i>	Unsecured personal loans <i>HK\$ '000</i>	Unallocated <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
Interest income from external customers	47,196	25,958	—	73,154
Other income	30	1	605	636
Fair value losses on revaluation of investment properties	(200)	—	(2,100)	(2,300)
Impairment losses on loans and interest receivables, net	(3,260)	(356)	—	(3,616)
Impairment losses on repossessed assets, net	(444)	—	—	(444)
Other operating expenses	(16,844)	(12,463)	(2,100)	(31,407)
Operating profit/(loss)	26,478	13,140	(3,595)	36,023
Interest expenses	(8,056)	(1,550)	(1,112)	(10,718)
Share of results of joint venture	—	—	188	188
Profit/(loss) before income tax	18,422	11,590	(4,519)	25,493
Income tax (expense)/credit	(2,999)	(1,912)	127	(4,784)
Profit/(loss) and total comprehensive income/(loss) for the period	<u>15,423</u>	<u>9,678</u>	<u>(4,392)</u>	<u>20,709</u>
Other information:				
Depreciation expense	(296)	(131)	(969)	(1,396)
Reversal of impairment on/(impairment losses on) loans and interest receivables, net:				
– Stage 1	839	(758)	—	81
– Stage 2	(630)	(45)	—	(675)
– Stage 3	(3,469)	447	—	(3,022)

As at 31 March 2024

	Secured property mortgage loans <i>HK\$ '000</i>	Unsecured personal loans <i>HK\$ '000</i>	Unallocated <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
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>

5 INTEREST AND OTHER INCOME

	Six months ended	
	30 September	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest income:		
Secured property mortgage loans	56,108	47,196
Unsecured personal loans	26,851	25,958
	<u>82,959</u>	<u>73,154</u>
Other income		
Rental income	689	635
Sundry income	28	1
	<u>717</u>	<u>636</u>

6 IMPAIRMENT LOSSES ON LOANS AND INTEREST RECEIVABLES, NET

	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	Total HK\$'000
Six months ended 30 September 2024				
Impairment losses on loans and interest receivables, net	<u>1,018</u>	<u>2,208</u>	<u>5,791</u>	<u>9,017</u>
Six months ended 30 September 2023				
(Reversal of impairment on)/impairment losses on loans and interest receivables, net	<u>(81)</u>	<u>675</u>	<u>3,022</u>	<u>3,616</u>

7 OTHER OPERATING EXPENSES

	Six months ended	
	30 September	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Employee benefit expenses (including directors' emoluments)	14,448	13,461
Advertising and marketing expenses	7,073	6,639
Legal and professional fees	2,285	3,804
Referral fees	987	891
Valuation and search fees	784	733
Depreciation of property, plant and equipment	2,618	1,396
Banking facilities charges	726	769
Other expenses	4,487	3,714
	<u>33,408</u>	<u>31,407</u>

8 INTEREST EXPENSES

	Six months ended	
	30 September	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest on secured bank borrowings	6,106	6,230
Interest on an amount due to a fellow subsidiary (<i>Note 14(a)</i>)	2,111	3,587
Interest on unsecured other borrowings	940	901
	<u>9,157</u>	<u>10,718</u>

9 INCOME TAX EXPENSE

Hong Kong profits tax for the six months ended 30 September 2024 have been provided for at the rate of 8.25% for the first HK\$2,000,000 estimated assessable profits and 16.5% for estimated assessable profits above HK\$2,000,000 for an entity of the Group qualified for the two-tiered profits tax rates regime introduced pursuant to the Inland Revenue (Amendment) (No. 7) Bill 2017. For group entities not qualifying for the two-tiered profits tax rates regime, Hong Kong profits tax has been provided for at a flat rate of 16.5% (30 September 2023: same).

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

	Six months ended 30 September	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong profits tax		
– Current period	6,430	5,197
Deferred income tax	(1,066)	(413)
	<u>5,364</u>	<u>4,784</u>

10 EARNINGS PER SHARE

(a) Basic earnings per share

	Six months ended 30 September	
	2024	2023
	(Unaudited)	(Unaudited)
Profit attributable to equity owners of the Company (HK\$'000)	24,359	20,709
Weighted average number of ordinary shares in issue (thousand shares)	415,000	415,000
Basic earnings per share (HK cents)	<u>5.87</u>	<u>4.99</u>

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 September 2024.

(b) Diluted earnings per share

For the six months ended 30 September 2024, diluted earnings per share was the same as the basic earnings per share as there was no potentially diluted ordinary share outstanding (30 September 2023: same).

11 DIVIDENDS

	Six months ended 30 September	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Dividends	<u>5,395</u>	<u>5,395</u>

A final dividend of HK1.3 cents per ordinary share relating to the year ended 31 March 2024, amounting to HK\$5,395,000, was declared and approved in September 2024. As at 30 September 2024, the dividend was not yet paid.

Dividends not recognised at the end of the half-year

	Six months ended 30 September	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Dividends	<u>5,395</u>	<u>5,395</u>

At the date of this announcement, the Board resolved to declare an interim dividend of HK1.3 cents (30 September 2023: HK1.3 cents) per ordinary share totaling HK\$5,395,000. Such interim dividend has not been recognised as a dividend payable as at 30 September 2024.

12 LOANS AND INTEREST RECEIVABLES

	As at 30 September 2024	As at 31 March 2024
	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Loans and interest receivables		
– secured property mortgage loans	713,727	732,288
Loans and interest receivables		
– unsecured personal loans	<u>199,120</u>	<u>205,715</u>
Total gross loans and interest receivables	912,847	938,003
Less: Provision for impairment	(48,848)	(43,985)
Loans and interest receivables, net of provision	<u>863,999</u>	<u>894,018</u>
Less: non-current portion	(317,279)	(266,880)
Current portion	<u>546,720</u>	<u>627,138</u>
Expected credit loss rate	<u>5.4%</u>	<u>4.7%</u>

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

Except for gross unsecured personal loans and the relevant interest receivables of HK\$199,120,000 (31 March 2024: HK\$205,715,000) which are unsecured, the remaining balances of loans and interest receivables are secured by collaterals provided by customers, bear interest and are repayable with fixed terms agreed with the customers as at 30 September 2024. The maximum exposure to credit risk at the end of the period is the carrying value of the loans and interest receivables mentioned above (31 March 2024: same).

During the six months ended 30 September 2024, impairment losses on loans and interest receivables of HK\$9,017,000 (30 September 2023: HK\$3,616,000) was recognised in the interim condensed consolidated statement of comprehensive income. During the six months ended 30 September 2024, loans and interest receivable amounting to HK\$4,154,000 (31 March 2024: HK\$431,000) had been written off which related to customers who are either (i) in financial difficulties; (ii) declared bankruptcy; or (iii) deceased. As such, the directors of the Group was in the opinion that the relevant loans and interest receivables have no reasonable expectation of recovery.

The aging of the gross balance of loans and interest receivables analysed by loan contracts based on their due date is as follows:

	As at 30 September 2024 HK\$'000 (Unaudited)	As at 31 March 2024 HK\$'000 (Audited)
Not overdue	548,768	548,993
1–30 days past due	112,837	129,178
31–60 days past due	38,919	38,208
61–90 days past due	22,364	32,597
Over 90 days past due	189,959	189,027
	<u>912,847</u>	<u>938,003</u>

As at 30 September 2024, certain bank and other borrowings from an independent third party were secured by gross loans and interest receivables of HK\$450,575,000 (31 March 2024: HK\$425,987,000).

As at 30 September 2024, mortgage loans and interest receivable amounting HK\$22,126,000 (31 March 2024: HK\$19,886,000) are still in progress for registration of the legal charges at the Land Registry.

13 BANK AND OTHER BORROWINGS

	As at 30 September 2024 <i>HK\$'000</i> (Unaudited)	As at 31 March 2024 <i>HK\$'000</i> (Audited)
Bank borrowings	174,083	210,339
Other borrowings	24,000	36,003
	<hr/>	<hr/>
Total bank and other borrowings	198,083	246,342
Less: non-current portion	—	(419)
	<hr/>	<hr/>
Current portion	198,083	245,923
	<hr/>	<hr/>

The weighted average effective interest rate on bank borrowings during the six months ended 30 September 2024 was 6.3% (31 March 2024: 6.3%) per annum.

Other borrowings of HK\$24,000,000 (31 March 2024: HK\$36,003,000) are unsecured and repayable within a year (31 March 2024: within one to eight years). The weighted average effective interest rate on other borrowings during the six months ended 30 September 2024 was 5.6% (31 March 2024: 7.6%) per annum.

As at 30 September 2024, all bank and borrowings are denominated in Hong Kong dollars and the carrying amounts approximate their fair values (31 March 2024: same).

The amounts based on the scheduled repayment dates set out in the loan agreements and the maturities of the Group's bank and other borrowings at the balance sheet date (i.e. ignoring the effect of any repayment on demand clause) are shown below:

	As at 30 September 2024 <i>HK\$'000</i> (Unaudited)	As at 31 March 2024 <i>HK\$'000</i> (Unaudited)
Amounts of borrowings that are repayable:		
– Within 1 year	197,582	244,827
– Between 1 to 2 years	501	1,115
– Between 2 to 5 years	—	111
– Over 5 years	—	289
	<hr/>	<hr/>
	198,083	246,342
	<hr/>	<hr/>

As at 30 September 2024, the banking facilities utilised by the Group amounted to HK\$174,084,000 (31 March 2024: HK\$210,339,000). The Group's unutilised banking facilities as at the same date amounted to HK\$60,597,000 (31 March 2024: HK\$50,220,000). These banking facilities were secured by the followings:

- (i) Investment properties held by the Group with net book value of HK\$47,200,000 (31 March 2024: HK\$48,100,000);
- (ii) Land and buildings held by the Group with net book value of HK\$116,734,000 (31 March 2024: HK\$118,453,000);
- (iii) Certain gross loans and interest receivable of HK\$450,575,000 (31 March 2024: HK\$425,987,000); and
- (iv) Corporate guarantee provided by 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. Members of key management of the Group and their close family members are also considered as related parties.

As at 30 September 2024, the Company is controlled by Tin Ching Holdings Limited, a company incorporated in the British Virgin Islands which is the immediate holding company and the ultimate holding company of the Company.

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the six months ended 30 September 2024 and 2023, and balances arising from related party transactions as at 30 September 2024.

(a) Significant related party transactions

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

	Six months ended	
	30 September	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest expenses paid to a fellow subsidiary		
– Tin Ching Industrial Company Limited (“ Tin Ching Industrial ”)		
<i>(Note 8)*</i>	<u>2,111</u>	<u>3,587</u>
Advertising and marketing expenses paid to a joint venture		
– Shine Joyful Limited	<u>1,800</u>	<u>1,800</u>

*: Interest expenses on an amount due to a fellow subsidiary was charged at an effective interest rate of 7.0% (2023: 7.0%) per annum.

(b) Amount due to a fellow subsidiary

Tin Ching Industrial, a fellow subsidiary, provided the Group with a loan facility with a limit of HK\$200,000,000 (31 March 2024: HK\$200,000,000), of which the Group utilised an amount of HK\$53,701,000 as at 30 September 2024 (31 March 2024: HK\$60,697,000).

The amount was unsecured, interest bearing at weighted average effective interest rate of 7.0% (31 March 2024: 7.0%) 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.

(c) Amount due to a joint venture

As at 30 September 2024, the balance with amount due to a joint venture was unsecured, interest free, repayable on demand and 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 in secured property mortgage loans. 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. We offer our loan products under our widely recognised brand name “*Hong Kong Finance*”.

During the first half of the financial year 2024/25, challenges and complexities characterised the economic landscape. Despite the recent complete removal of property market cooling measures by the Hong Kong Government, the anticipated stimulus effect has not yet demonstrated its full impact on property prices and trade volume. Both local residential and commercial property markets have stagnated, with their prices and transaction volume remaining at low levels. Global interest rate hikes have dampened investment and consumption demand worldwide. Ongoing geopolitical tensions, including the Russia-Ukraine conflict and the Israeli-Palestinian conflict, have heightened investor risk aversion. These unfavorable conditions have impeded market recovery, resulting in a persistently weak property sentiment with no notable improvements in prices or transaction volume during the current period.

In light of these prevailing economic uncertainties and substantial challenges encountered, we have consistently adhered to prudent and cautious strategies in our operational endeavours. These strategies encompassed the enforcement of rigorous credit policies, the maintenance of stringent control over loan-to-value ratios, and the implementation of various measures aimed at safeguarding the quality of our loan portfolio and fostering stable interest income throughout the current period.

Furthermore, in response to the elevated cost of funds, we have proactively adjusted the interest rates levied on our loan customers. Concurrently, we have strategically realigned our product portfolio to prioritise unsecured personal loan offerings. Vigilant oversight of customer creditworthiness and repayment capabilities has been a focal point, prompting swift action to recall loans from individuals identified as posing heightened default risks.

As a result, our Group’s overall financial performance steady grew during the current period, achieving our Group’s interest income of HK\$83.0 million, although we have also incurred additional provision for impairment of loans and interest receivables, and repossessed assets of HK\$10.6 million. Our profit attributable to our shareholders reached to HK\$24.4 million, representing a growth of 17.9%.

Secured property mortgage loans remained the primary revenue source for our Group, contributing approximately 67.6% to our total revenue for the current period. Interest income generated from secured property mortgage loans increased by 18.9% to HK\$56.1 million. As of 30 September 2024, our gross secured property mortgage loan and interest receivables amounted to HK\$713.7 million. For our unsecured personal loan business, interest income increased by 3.5% to HK\$26.9 million, accounting for approximately 32.4% of our Group's revenue for the current period. As of 30 September 2024, our gross unsecured personal loan and interest receivables stood at HK\$199.1 million.

Financial review

Interest Income

Our Group's interest income from money lending business increased by HK\$9.8 million or 13.4% from HK\$73.2 million for the last period to HK\$83.0 million for the current period. Interest income from our secured property mortgage loan business increased by HK\$8.9 million or 18.9% from HK\$47.2 million for the last period to HK\$56.1 million for the current period, whereas the interest income from our unsecured personal loan business also slightly increased by HK\$0.9 million or 3.5% from HK\$26.0 million for the last period to HK\$26.9 million for the current period.

Interest expenses

We have incurred interest expenses of HK\$9.2 million for the current period (2023: HK\$10.7 million), which mainly comprised of interest on interest bearing bank and other borrowings and amount due to a fellow subsidiary. It is our Group's policy to prioritise the utilisation of our available facilities which offer the lowest finance cost to our Group. During the current period, we have reduced our borrowings from our fellow subsidiary, Tin Ching Industrial Company Limited ("**Tin Ching Industrial**") and incurred less interest expenses of HK\$2.1 million (2023: HK\$3.6 million) paid to Tin Ching Industrial for the current period.

Other income

We have recorded other income of HK\$0.7 million (2023: HK\$0.6 million) for the current period which mainly comprised of rental income from our investment properties.

Fair value losses on revaluation of investment properties

During the current period, our Group recorded a loss of HK\$0.9 million (2023: HK\$2.3 million) on the revaluation of our investment properties, as a result of the decline of market values of our Group's investment properties.

Impairment losses on loans and interest receivables and repossessed assets, net

We have recorded an impairment losses on loans and interest receivables and repossessed assets of HK\$10.6 million for the current period (2023: HK\$4.1 million).

Below is the breakdown of impairment losses on loans and interest receivables and repossessed assets from secured property mortgage loans and unsecured personal loans for the six months ended 30 September 2024 and 2023:

	Secured property mortgage loans		Unsecured personal loans	
	Six months ended		Six months ended	
	30 September		30 September	
	2024	2023	2024	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Impairment losses on loans and interest receivables	5,884	3,260	3,133	356
Impairment losses on repossessed assets	1,560	444	—	—
	7,444	3,704	3,133	356

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

Due to the deteriorating conditions in the property market during the current period and an increase in default loans and interest receivables, we have recorded an impairment losses of HK\$9.0 million on loans and interest receivables, and of HK\$1.6 million on repossessed assets, totalling HK\$10.6 million during the current period. This represented an increase compared to the impairment losses of HK\$4.1 million recorded in the last period. The Group has noted an increase in force sales rate and decrease in fair value of the underlying collaterals of the secured property mortgage loans, resulting to a surge of impairment losses on loans and interest receivables and repossessed assets recognised during the current period.

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 current 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\$33.4 million for the current period (2023: HK\$31.4 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\$2.0 million or 6.4% was mainly due to the increase in our headcounts and the salary adjustments to employees which pushed up our employee benefit expenses during the current period. We have also incurred additional depreciation for the current period, resulting from the change of use of our investment property for self-used office premise, and from the leasehold improvement to this new office premise which overall incurred extra depreciation during the current period.

Profit and total comprehensive income

As a result of the foregoing, our profit and total comprehensive income attributable to owners of our Company improved to HK\$24.4 million for the current period as compared to HK\$20.7 million for the last period, representing a growth of 17.9%.

LIQUIDITY AND SOURCES OF FINANCIAL RESOURCES

During the six months ended 30 September 2024, our Group's operations and capital requirements were financed principally through retained earnings, advances from a fellow subsidiary, Tin Ching Industrial, as well as banks and other borrowings. Based on our current and anticipated levels of operations, barring unforeseeable market conditions, our future operations and capital requirements will be financed through loans from banks or other financial institutions that are independent third parties, retained earnings and our share capital. We had no significant commitments for capital expenditure as at 30 September 2024.

Our Group recorded net current assets of HK\$334.4 million as at 30 September 2024 (31 March 2024: HK\$367.1 million).

As at 30 September 2024, cash and cash equivalents amounted to HK\$32.0 million (31 March 2024: HK\$28.4 million); amount due to a fellow subsidiary amounted to HK\$53.7 million (31 March 2024: HK\$60.7 million); interest bearing bank and other borrowings amounted to HK\$198.1 million (31 March 2024: HK\$246.3 million).

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

During the current period, none of our banking facilities were subject to any covenants relating to financial ratio requirements or any material covenants that restrict our Group to undertake additional debt or equity financing. As at 30 September 2024, our unutilised banking facilities and other unutilised facility available to our Group for drawdown amounted to HK\$60.6 million and HK\$146.3 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 for the six months ended 30 September 2024 and 2023, and as at 30 September 2024 and 31 March 2024 respectively:

	As at 30 September 2024	As at 31 March 2024
Current ratio ⁽¹⁾	2.22	2.17
Gearing ratio ⁽²⁾	0.26	0.34
	For the six months ended	
	30 September 2024	2023
Net interest margin ratio ⁽³⁾	16.3%	13.6%
Return on equity ratio ⁽⁴⁾	5.8%	5.2%
Interest coverage ratio ⁽⁵⁾	4.3 times	3.6 times

Notes:

- (1) Current ratio was calculated by dividing current assets by current liabilities as at the respective period-end/year-end date.
- (2) Gearing ratio was calculated by dividing net debts (being the total interest bearing bank and other borrowings, and amount due to a fellow subsidiary, less cash and cash equivalents) by total equity as at the respective period-end/year-end date.
- (3) Net interest margin ratio was calculated by dividing annualised net interest income (being the annualised interest income net of annualised interest expenses) by the monthly average balance of secured property mortgage loan receivable at the respective period-end date.
- (4) Return on equity ratio was calculated by dividing annualised profit and total comprehensive income for the period attributable to owners of the Company by the total equity as at the respective period-end date.
- (5) Interest coverage ratio was calculated by dividing profit before interest expenses and income tax expenses (excluding fair value losses on revaluation of investment properties) by the interest expenses for the corresponding period.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS

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

IMPORTANT EVENTS OCCURRED AFTER THE SIX MONTHS ENDED OF 30 SEPTEMBER 2024

Our Group did not have any important events affecting our Company and our subsidiaries since the six months ended 30 September 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 period.

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

To the best of our knowledge, our Group has complied with the MLO and AMLO in all material aspects, and that our Directors are not aware of any matters that might come to their attention that our money lenders licence would be suspended, terminated or would not be renewed in foreseeable future.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2024 our Group employed 50 (31 March 2024: 49) full time employees. The total staff costs of our Group for the current period were HK\$14.4 million (2023: HK\$13.5 million).

Our Group adopts a remuneration policy covering the position, duties and performance of our employees. The remuneration of our employees include salary, overtime allowance, bonus and various subsidies. We conduct performance appraisal on an annual basis.

CHARGES ON GROUP ASSETS

As at 30 September 2024, our land and buildings of HK\$116.7 million (31 March 2024: HK\$118.5 million), our investment properties of HK\$47.2 million (31 March 2024: HK\$48.1 million) and certain gross loans and interest receivables of HK\$450.6 million (31 March 2024: HK\$426.0 million) were secured for the Group's bank borrowings.

FOREIGN EXCHANGE EXPOSURE

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

CONTINGENT LIABILITIES

As at 30 September 2024, our Group had no material contingent liabilities (31 March 2024: Nil).

CAPITAL COMMITMENTS

The Group did not have significant capital commitments as at 30 September 2024 (31 March 2024: HK\$193,000).

OUTLOOK

Subsequent to the complete removal of property market cooling measures by the Hong Kong Government, the Hong Kong prime rate commenced a decline in late September 2024, coinciding with market expectations of a reduction cycle mirroring that in the U.S. Given the impending financial stimulus plans from China, management is attentive to potential implications for the Hong Kong property market, with indications pointing towards a potential nadir in property prices and a probable increase in transaction volumes in the near term.

In response to these dynamic circumstances, we are committed to maintaining a cautious stance, meticulously upholding our robust risk management protocols and credit evaluation procedures. We intend to proactively adjust our strategies by diversifying our loan portfolio, modifying loan terms, promptly reassessing and reinforcing our credit policies, intensifying our focus on high net-worth customers, and recalibrating our product mix. Drawing on our professionalism, our esteemed brand "*Hong Kong Finance*" and our extensive expertise in the money lending sector, we are poised to safeguard the quality of our Group's loan portfolio while seizing growth opportunities to expand our portfolio in alignment with the anticipated economic resurgence.

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

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

CORPORATE GOVERNANCE PRACTICES

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

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

REVIEW OF INTERIM RESULTS

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

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

INTERIM DIVIDEND

The Board declared the payment of an interim dividend of HK1.3 cents per share for the current period (2023: HK1.3 cents) and will be payable to the shareholders of our Company whose names appeared on the register of members of our Company on Monday, 6 January 2025. The interim dividend will be paid on Tuesday, 14 January 2025.

CLOSURES OF REGISTER OF MEMBERS

The register of members of our Company will be closed from Thursday, 2 January 2025 to Monday, 6 January 2025, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers of ordinary shares of the Company, duly accompanied by the relevant share certificates, must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Union Registrars Limited, at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong for registration no later than 4:00 p.m. on Tuesday, 31 December 2024.

PUBLICATION

This announcement is published on the websites of our Company (www.hkfinance.hk) and of the Stock Exchange (www.hkexnews.hk) respectively. The 2024 interim report for the six months ended 30 September 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, 27 November 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