香港信貸
Hong Kong Finance

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1273)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

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 2017, 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 2017

		Six months ended 30 September	
		2017	2016
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*4, 5*	**60,037**	50,124
Other income	*5*	**9,702**	3,887
Provision for impairment and write-off of loans receivable and repossessed assets, net	*6*	**(8,856)**	(755)
Administrative expenses	*7*	**(24,342)**	(13,828)
Operating profit		**36,541**	39,428
Finance costs	*8*	**(13,229)**	(10,651)
Profit before income tax		**23,312**	28,777
Income tax expense	*9*	**(2,712)**	(4,417)
Profit and total comprehensive income for the period attributable to owners of the Company		**20,600**	24,360
Earnings per share for profit attributable to owners of the Company			
— Basic *(HK cents)*	*10(a)*	**4.96**	5.87
— Diluted *(HK cents)*	*10(b)*	**4.96**	5.87
Dividends	*11*	**3,320**	6,640

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2017

	Note	As at 30 September 2017 HK$'000 (Unaudited)	As at 31 March 2017 HK$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**80,770**	81,529
Investment properties		**72,920**	64,530
Available-for-sale investment		**625**	625
Loans receivable	*12*	**102,192**	59,039
Other asset		**1,100**	1,100
Deferred income tax assets		**1,299**	266
Total non-current assets		**258,906**	207,089
Current assets			
Loans receivable	*12*	**639,439**	760,003
Interest receivables	*13*	**17,064**	17,887
Prepayments, deposits and other receivables		**4,346**	5,195
Tax recoverable		**–**	1,461
Cash and cash equivalents		**28,654**	15,298
Total current assets		**689,503**	799,844
Total assets		**948,409**	1,006,933
EQUITY			
Equity attributable to the owners of the Company			
Share capital		**4,150**	4,150
Reserves		**508,465**	492,430
Total equity		**512,615**	496,580

	Note	As at 30 September 2017 HK$'000 (Unaudited)	As at 31 March 2017 HK$'000 (Audited)
LIABILITIES			
Current liabilities			
Trade and other payables		**6,628**	6,972
Amount due to a fellow subsidiary	*17(b)*	**34,900**	69,700
Tax payable		**2,289**	–
Bank and other borrowings	*14*	**268,600**	315,752
Dividends payables		**4,565**	–
Bonds	*15*	**36,700**	–
Total current liabilities		**353,682**	392,424
Non-current liabilities			
Bonds	*15*	**78,272**	113,797
Deferred income tax liabilities		**3,840**	4,132
Total non-current liabilities		**82,112**	117,929
Total liabilities		**435,794**	510,353
Total equity and liabilities		**948,409**	1,006,933
Net current assets		**335,821**	407,420
Total assets less current liabilities		**594,727**	614,509

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 listed on the Main Board of The Stock Exchange of Hong Kong Limited.

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

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

These interim condensed consolidated financial statements of the Company are presented in thousands of Hong Kong dollars ("**HK$'000**"), unless otherwise stated. These interim condensed consolidated financial statements were approved by the board of the Company for issue on 29 November 2017.

These interim condensed consolidated financial statements are unaudited and have been reviewed.

2 BASIS OF PREPARATION

The interim condensed consolidated financial statements of the Company for the six months ended 30 September 2017 have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). The interim condensed consolidated financial statements should be read in conjunction with the 2017 annual report of the Company, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

3 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2017, as described in those annual financial statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of amendments to HKFRSs effective for the financial year ending 31 March 2018.

(A) Amendments to HKFRSs effective for the financial year ending 31 March 2017 do not have a material impact on the Group.

(B) Impact of standards issued but not yet applied by the Group

HKFRS 9 Financial instruments

HKFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, and introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has decided not to adopt HKFRS 9 until it becomes mandatory on 1 January 2018.

The Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income ("FVOCI"), contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts.

The Group is currently assessing the impact of HKFRS 9 to the Group and expects the adoption of HKFRS 9 will result in an earlier recognition of credit losses. The Group will perform a more detailed assessment which considers all reasonable and supportable information for accounting estimation of expected credit losses on its loans receivable upon the adoption of HKFRS 9.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

4 SEGMENT INFORMATION

During the six months ended 30 September 2017 and 2016, all of the Group's revenue was generated from the money lending business of providing property mortgage loans and personal loans in Hong Kong. Revenue represents interest income earned from such loans offered to the Group's customers. Information reported to the Group's chief operating decision maker, for the purpose of resource allocation and assessment of the Group's performance, is focused on the operating results of the Group as a whole, as the Group's resources are integrated and no discrete financial information is available. Accordingly, no segment analysis or information about the Group's products and services are presented.

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 2017 and 2016.

5 REVENUE AND OTHER INCOME

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

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue		
Interest income — property mortgage loans	**52,791**	50,124
Interest income — personal loans	**7,246**	–
Total revenue	**60,037**	50,124
Other income		
Fair value gains on revaluation of investment properties	**8,390**	2,740
Rental income	**1,312**	1,147
Total other income	**9,702**	3,887

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

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Provision for individual impairment assessment of loans receivable, net *(Note 12)*	**2,567**	50
Provision for collective impairment assessment of loans receivable *(Note 12)*	**3,846**	640
Write-off of loans receivable *(Note 12)*	**2,443**	–
Provision for impairment of repossessed asset	**–**	65
Total provision for impairment and write-off of loans receivable and repossessed assets, net	**8,856**	755

7 ADMINISTRATIVE EXPENSES

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Employee benefit expenses (including directors' emoluments)	**8,998**	5,431
Advertising and marketing expenses	**6,619**	2,865
Depreciation of property, plant and equipment	**1,722**	1,235
Other expenses	**7,003**	4,297
Total administrative expenses	**24,342**	13,828

8 FINANCE COSTS

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on secured bank loans wholly repayable within 5 years	**5,370**	3,508
Interest on bank overdrafts	**108**	183
Interest on amount due to a fellow subsidiary	**1,968**	2,053
Interest and other expenses on bonds	**4,538**	4,538
Interest on other borrowings	**1,245**	369
Total finance costs	**13,229**	10,651

9 INCOME TAX EXPENSE

Hong Kong profits tax has been provided for at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits during the six months ended 30 September 2017.

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

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Hong Kong profits tax		
— Current period	**4,091**	4,372
— (Over)/under provision in prior periods	**(53)**	142
Deferred income tax	**(1,326)**	(97)
	2,712	4,417

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$20,600,000 (2016: HK$24,360,000) by the weighted average number of 415,000,000 (2016: 415,000,000) ordinary shares in issue during the six months ended 30 September 2017.

	Six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company *(HK$'000)*	**20,600**	24,360
Weighted average number of ordinary shares in issue for basic earnings per share *('000)*	**415,000**	415,000
Basic earnings per share *(HK cents)*	**4.96**	5.87

(b) Diluted earnings per share

Diluted earnings per share for the six months ended 30 September 2017 is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Shares issuable under the share option scheme are the only dilutive potential ordinary shares of the Company. For the share options, the number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the period) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

	Six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company *(HK$'000)*	**20,600**	24,360
Weight average number of ordinary shares in issue for diluted earnings per share *('000)*	**415,000**	415,000
Diluted earnings per share *(HK cents)*	**4.96**	5.87

The calculation of diluted earnings per share of the six months ended 30 September 2017 do not assume the exercise of the Company's share options as the exercise prices of the outstanding share options were higher than the market price of the shares of the Company during the period.

11 DIVIDENDS

At the date of this announcement, the Board declared an interim dividend of HK0.8 cents (2016: HK1.6 cents) per share. The interim dividend amounting to HK$3,320,000 have not been recognised as a liability for the six months ended 30 September 2017. It will be recognised in shareholders' equity in the year ending 31 March 2018.

A final dividend of HK1.1 cents per share relating to the year ended 31 March 2017, amounting to HK$4,565,000, was declared and approved in September 2017 and paid in October 2017.

12 LOANS RECEIVABLE

	As at 30 September 2017 *HK$'000* (Unaudited)	As at 31 March 2017 *HK$'000* (Audited)
Gross loans receivable — property mortgage loans	**702,226**	825,363
Gross loans receivable — personal loans	**52,821**	–
Total gross loans receivable	**755,047**	825,363
Less: Provision for individual impairment assessment of loans receivable	**(5,717)**	(3,150)
Provision for collective impairment assessment of loans receivable	**(5,256)**	(1,410)
Written-off of loans receivable	**(2,443)**	(1,761)
Loans receivable, net of provision for impairment and write-off	**741,631**	819,042
Less: non-current portion	**(102,192)**	(59,039)
Current portion	**639,439**	760,003

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

Except for loans receivable of HK$52,821,000 (31 March 2017: HK$17,325,000) which are unsecured, loans receivable are secured by collaterals provided by customers, bear interest and are repayable with fixed terms agreed with the customers.

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

	As at 30 September 2017 *HK$'000* (Unaudited)	As at 31 March 2017 *HK$'000* (Audited)
At beginning of the year	**3,150**	1,791
Provision for individual impairment of loans receivable	**2,567**	1,359
At end of the period/year	**5,717**	3,150

As at 30 September 2017, additional collective impairment of loans receivable of HK$3,846,000 (31 March 2017: HK$668,000) was made.

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

For personal loans, the Group performs collective impairment assessment of loans receivable by applying a historical impairment rate since the commencement of the personal loans business, as well as making reference to rates adopted by other licensed money lenders.

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

	As at 30 September 2017	As at 31 March 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
At beginning of the year	**1,410**	742
Provision for collective impairment of loans receivable	**3,846**	668
At end of the period/year	**5,256**	1,410

As at 30 September 2017, loans receivable amounted to HK$2,443,000 (31 March 2017: HK$1,761,000) had been written-off. These relate to customers who are either (i) in financial difficulties; (ii) declared bankrupted; or (iii) dead and in the opinion of the directors, such loans receivable are uncollectible.

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

	As at 30 September 2017	As at 31 March 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Current	**639,439**	760,003
2–5 years	**33,719**	21,213
Over 5 years	**68,473**	37,826
	741,631	819,042

As at 30 September 2017, certain properties mortgaged to the subsidiary of the Company for loans granted to its respective customers were pledged to independent third party to secure bank and other borrowings granted *(Note 14 (iii))*.

13 INTEREST RECEIVABLES

	As at 30 September 2017	As at 31 March 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Interest receivables	**17,064**	17,887

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

Except for interest receivables of HK$861,000 (31 March 2017: HK$412,000) which are unsecured, interest receivables are secured by collaterals provided by customers and repayable with fixed terms agreed with the Group's customers. The maximum exposure to credit risk at each of the reporting dates is the carrying value of the receivables mentioned above.

14 BANK AND OTHER BORROWINGS

Bank and borrowings are analysed as follows:

	As at 30 September 2017 *HK$'000* **(Unaudited)**	As at 31 March 2017 *HK$'000* (Audited)
Bank loans	**204,922**	236,545
Bank overdrafts	**28,678**	36,207
Other borrowings	**35,000**	43,000
Total bank and other borrowings	**268,600**	315,752

The weighted average effective interest rate on bank loans and bank overdrafts during the six months ended 30 September 2017 was 5.5% (31 March 2017: 5.1%) per annum.

The other borrowings of HK$35,000,000 (31 March 2017: HK$43,000,000) are unsecured, bear interest at rates ranging from 6.0% to 7.0% per annum (31 March 2017: ranging from 6.0% to 7.0%) per annum and repayable within one year.

At 30 September 2017 and 31 March 2017, all bank borrowings are denominated in Hong Kong dollars.

As at 30 September 2017, the bank loans and overdrafts utilised by the Group amounted to HK$233,600,000 (31 March 2017: HK$272,752,000) were secured by the following:

(i) investment properties held by the Group amounting to HK$72,920,000 (31 March 2017: HK$64,530,000);

(ii) land and buildings held by the Group with net book value of HK$78,670,000 (31 March 2017: HK$79,639,000). The fair value of these land and buildings were approximately HK$151,900,000 (31 March 2017: HK$134,890,000);

(iii) pledge of certain properties mortgaged to a subsidiary of the Company for loans granted to its respective customers. The fair value of these properties were approximately HK$198,300,000 *(Note 12)* (31 March 2017: HK$273,500,000); and

(iv) corporate guarantee of the Company.

15 BONDS

During the six months period ended 30 September 2017, the Company has balances of Bond I and Bond II (in aggregate, the "**Bonds**") with an aggregate amount of HK$84,000,000 and HK$37,000,000 (31 March 2017: HK$84,000,000 and HK$37,000,000), before placing commission, respectively with coupon rates at 6.0% (2016: 6.0%) and 4.5% (2016: 4.5%) per annum, respectively, repayable in 7 years from the respective issue dates. Bond II carries an option by the bondholder to redeem Bond II three years after the date of issuance.

The aggregate carrying amounts of the Bonds are HK$114,972,000 as at 30 September 2017 (31 March 2017: HK$113,797,000), of which HK$36,700,000 are redeemable within one year from 30 September 2017, approximate to their fair values. The fair values are determined using the expected future payments discounted at effective interest rates prevailing at the period end date and are within level 3 of the fair value hierarchy. The carrying amounts of the Group's bonds are denominated in Hong Kong dollars.

16 COMMITMENTS

Operating lease commitments — Group as lessor

The Group leases out its investment properties to independent third parties under non-cancellable operating lease agreements. The lease term ranges from 1 to 2 years, and the lease agreements are renewable at the end of the lease periods at market rate.

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

	As at 30 September 2017	As at 31 March 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 1 year	**1,239**	1,895
Within 2–5 years	**605**	132
	1,844	2,027

The Company did not have any significant commitments as at 30 September 2017 (31 March 2017: Nil).

17 RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the six months ended 30 September 2017 and 2016, and balances arising from related party transactions as at 30 September 2017 and 31 March 2017.

(a) Significant related party transactions

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

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest expenses paid to a fellow subsidiary — Tin Ching Industrial Company Limited ("**Tin Ching Industrial**")	**1,968**	2,053

Interest expenses on an amount due to a fellow subsidiary was charged at interest rate of 6.5% (2016: 6.5%) per annum.

(b) Amount due to a fellow subsidiary

Tin Ching Industrial, a fellow subsidiary, provided the Group with a loan facility with a limit of HK$150,000,000 (31 March 2017: HK$150,000,000), of which the Group utilised an amount of HK$34,900,000 as at 30 September 2017 (31 March 2017: HK$69,700,000).

The amount was unsecured, interest bearing at interest rate of 6.5% (31 March 2017: 6.5%) per annum on the outstanding amount, and repayable on demand. The carrying amount of the amount due to a fellow subsidiary is denominated in Hong Kong dollars.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

Our Group has been established for more than 20 years and since our establishment, we have principally engaged in the money lending business of providing property mortgage loans in Hong Kong under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). During the six months ended 30 September 2017 (the "**interim period 2017**"), we are still principally focused on our property mortgage loans business under our well-known and highly recognised brand name "***Hong Kong Finance***".

The property market in Hong Kong has been active and energetic again since the beginning of 2016 and the Centa-City Leading Index continued to reach its highest record during the interim period 2017, showing that the property market in Hong Kong has continued to be boiling hot and high rocketing. However, the market competition was still keen with persistent increase in the number of money lenders, and having considered and expected the rises of interest rate in the United States of America and of the prime interest rate in Hong Kong, we considered the property market remained challenging with full of uncertainties during the interim period 2017. A prudent and cautious approach for conducting our mortgage loan business was therefore still necessary and adopted for the current interim period 2017.

We continued to tighten our credit policy when granting mortgage loans to our customers and intended to provide more first-mortgage loan products to our high net worth customers with sound quality and credit history. We anticipated that the above prudent measures and the uncertainty of the property market would affect our financial performance in the foreseeable future. Therefore, to expand our money lending business, capture and enlarge our market share and segments in this money lending industry, and improve our overall interest margin, apart from our core mortgage loan business, we have diversified and soft-launched our new personal loan product under the young and easy-recognised brand name "***EasyLend***" in the last quarter of 2016. This launch represents a new era for us to expand our new position in the money lending market. During the interim period 2017, the personal loan products have already contributed interest income to our Group. Our interest income increased by HK$9.9 million or 19.8% to HK$60.0 million for the interim period 2017. Our net interest margin also slightly improved to 12.4% as compared to 12.2% attained in last period and to 12.0% attained for the year ended 31 March 2017. Our overall loans receivable reduced to HK$741.6 million (net of provisions) as at 30 September 2017, as compared to HK$819.0 million (net of provisions) as at 31 March 2017.

We foresee that the property market in Hong Kong is still energetic and full of business opportunities but, at the same time, with great challenges and uncertainty arising from the rocketing property prices and expected increase in interest rates. We consider the above prudent measures are necessary during the time of unstable and uncertain economic environment and these measures would produce a more solid and healthy position in our mortgage loan business which would compensate the impact on our net interest income and mortgage loan portfolio.

We shall continue to grab business opportunity to expand our mortgage loan portfolio and at the same time, we shall focus on enlarging our personal loan portfolio so as to enlarge our market share in the money lending industry and to improve our overall interest margin.

Industrial review

Since the end of 2016, the Hong Kong Government has imposed additional licensing conditions on money lenders to counteract illegal loans and financial intermediaries. Although we do not place substantial reliance on financial intermediaries to refer lending business to our Group, the above additional licensing conditions created further competition on the money lending industry resulting in those small to medium-sized finance companies which significantly relied on financial intermediaries for business referral, turned to offering much lower interest rates to attract customers, creating a price war and affecting overall yields earned by those money lenders. We believe the above would continue and we shall face more competition in capturing new business opportunity to expand our loan portfolio.

Financial review

Revenue

Our interest income from money lending business of providing property mortgage loans and personal loans in Hong Kong increased by HK$9.9 million or 19.8% from HK$50.1 million for the six months ended 30 September 2016 (the "**interim period 2016**") to HK$60.0 million for the interim period 2017. Such increase was primarily due to the new launch of personal loan business which started to contribute interest income to our Group during the interim period 2017.

Other income

Other income mainly represented fair value gains on revaluation of investment properties and rental income.

Other income increased mainly attributable to the increase in fair value gains on revaluation of investment properties which increased by 211.1% from HK$2.7 million for the interim period 2016 to HK$8.4 million for the interim period 2017. The fair value gains on revaluation of investment properties reflected the significant upward revaluation of the commercial and residential properties held by our Group during the interim period 2017.

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

The balance increased by HK$8.1 million, or 1,012.5%, from HK$0.8 million for the interim period 2016 to HK$8.9 million for the interim period 2017. The increase was mainly attributable to the increase of provision for individual impairment assessment, collective impairment assessment as well as write-off of loans receivable of HK$2.5 million, HK$3.2 million and HK$2.4 million, respectively. Increase in provision for individual impairment assessment of loans receivable was due to the default payments of property mortage loan customers as well as the personal loan customers of which we considered their recoverability were remote. The increase in provision for collective impairment assessment of loans receivable is calculated with reference to the historical impairment rate and is in line with the increase with the increase in provision for individual impairment assessment of loans receivable. The increase in write-off of loans receivable was due to the increase in personal loans receivable in which we considered them as uncollectible either due to (i) the long overdue payments; (ii) bankruptcy of the customers; or (iii) death of the customers.

Administrative expenses

We incurred administrative expenses of HK$24.3 million for the interim period 2017 (interim period 2016: HK$13.8 million), which mainly comprised employee benefit expenses, advertising and marketing expenses, depreciation of property, plant and equipment and other miscellaneous expenses. The amounts increased significantly mainly due to the increases in employee benefit expenses due to the increase in headcount and advertising and marketing expenses resulting from the investment and injection of resources to our new personal loan business during the interim period 2017 which pushed up our overall administrative expenses.

Finance costs

We incurred finance costs of HK$13.2 million for the interim period 2017 (interim period 2016: HK$10.7 million), which mainly comprised interest on interest bearing bank and other borrowings, amount due to a fellow subsidiary, and issue of bonds. The increase in the finance costs by HK$2.5 million or 23.4% was mainly attributable to the increase in bank borrowings and other borrowings.

Net interest margin

The net interest margin of our money lending business slightly increased from 12.2% for the interim period 2016 to 12.4% for the interim period 2017, which mainly attributed to the contribution from personal loan business which generally offered relatively higher interest rate to personal loan customers than to mortgage loan customers.

Profit and total comprehensive income

As a result of the foregoing, our profit and total comprehensive income for the interim period 2017 and 2016 attributable to owners of our Company achieved HK$20.6 million and HK$24.4 million, respectively, representing a decrease of 15.6%.

LIQUIDITY AND SOURCES OF FINANCIAL RESOURCES

During the interim period 2017, our Group's operations and capital requirements were financed principally through retained earnings, loans or advances from our controlling shareholder, Tin Ching Industrial Company Limited, as well as banks and other borrowings, and the issue of bonds. Based on our current and anticipated levels of operations, barring 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, proceeds from the issue of the bonds and our share capital. We had no significant commitments for capital expenditure during the interim period 2017.

As at 30 September 2017, cash and cash equivalents amounted to HK$28.7 million (31 March 2017: HK$15.3 million); amount due to a fellow subsidiary amounted to HK$34.9 million (31 March 2017: HK$69.7 million); interest bearing bank and other borrowings amounted to HK$268.6 million (31 March 2017: HK$315.8 million), and bonds amounted to HK$115.0 million (31 March 2017: HK$113.8 million).

During the interim period 2017, all interest bearing bank borrowings were repayable on demand and were secured by our Group's investment properties, land and buildings, certain properties mortgaged to our subsidiary and corporate guarantee of our Company. The amount due to a fellow subsidiary and other borrowings were unsecured, interest bearing at a rate ranging from 6.0% to 7.0% per annum with fixed term of repayment. The bonds were unsecured, interest bearing at their respective pre-determined interest rate ranging from 4.5% to 6.0% per annum, and were repayable upon 7 years of its maturity.

During the interim period 2017, 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 2017, our unutilised banking facilities and other unutilised facility available to our Group for drawdown amounted to HK$24.4 million and HK$115.1 million, respectively. It is our Group's policy to prioritise the utilisation of our available facilities which offer the lowest finance cost to our Group.

During the interim period 2017, our bonds were subject to covenants relating to financial ratio requirements, such as interest coverage ratio, current ratio and debt to equity ratio.

KEY FINANCIAL RATIOS

The following table sets forth the key financial ratios of our Group during the interim period 2016 and 2017 and as at 31 March 2017 and 30 September 2017 respectively:

	As at 30 September 2017	As at 31 March 2017
Current ratio (1)	**1.95**	2.04
Gearing ratio (2)	**0.76**	0.97

	For the six months ended 30 September	
	2017	2016
Net interest margin ratio (3)	**12.4%**	12.2%
Return on equity ratio (4)	**8.0%**	10.1%
Interest coverage ratio (5)	**2.1 times**	3.4 times

Notes:

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

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

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

(4) Return on equity ratio was calculated by dividing annualised profit and total comprehensive income for 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 finance costs and income tax expenses (excluding fair value gains on revaluation of investment properties) by the finance costs for the corresponding period.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS

Our Group did not have any significant investments held, material acquisitions and disposals of subsidiaries and associated companies during the interim period 2017.

IMPORTANT EVENTS OCCURRED AFTER THE SIX MONTHS ENDED OF 30 SEPTEMBER 2017

Our Group did not have any important events affecting our Company and our subsidiaries since the six months ended 30 September 2017 and up to the date of this announcement.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2017 our Group employed 43 (interim period 2016: 24) full time employees. The total staff costs of our Group for the interim period 2017 were HK$9.0 million (interim period 2016: HK$5.4 million).

Our Group adopts a remuneration policy covering the position, duties and performance of our employees. The remuneration of our employees may include salary, overtime allowance, bonus and various subsidies. We conduct performance appraisal on an annual basis. Our Company has also adopted a share option scheme on 4 September 2013, the purpose of which is to provide incentives to our employees who made contributions to our Group with a view to motivating them and/or attracting and retaining them for the long term growth of our Group. No share option was granted during the interim period 2017. As at 30 September 2017, 18,800,000 share options were still outstanding which represents approximately 4.5% of the issued ordinary shares of our Company.

CHARGES ON GROUP ASSETS

As at 30 September 2017, our land and buildings with a carrying value of HK$78.7 million (31 March 2017: HK$79.6 million) and our investment properties with a fair value of HK$72.9 million (31 March 2017: HK$64.5 million) were secured for the Group's bank borrowings.

FOREIGN EXCHANGE EXPOSURE

During the interim period 2017, 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 2017, our Group had no material contingent liabilities (31 March 2017: Nil).

FUTURE DEVELOPMENT AND PROSPECTS

For our mortgage loan business, as discussed above, the boiling hot and high rocketing property market in Hong Kong produces business opportunity but, at the same time, creates challenges and uncertainties to us when expanding our mortgage loan portfolio. As we are professional and highly experienced in our mortgage loan business, we foresee the above situation would continue and periodical prudent measures, increasing the proportion of first mortgage loans and tightening credit policy are important and essential and are expected to be attained in our Group's mortgage loan business in foreseeable future.

To further expand our money lending business and to capture and enlarge our market shares and segments in this money lending industry, we have diversified and launched our new personal loan product under the young and easy-recognised brand name "***EasyLend***". We believe that ***EasyLend*** would be the other revenue and profit driver of our Group and we shall continue to invest resources in our personal loan business such as system formulation and integration, human resources, information technology, etc. Although ***EasyLend*** was still at its investment stage which did not produce positive operating results to our Group during the interim period 2017, based on our professionalism in money lending market, and on our capital investment in this personal loan business, we strongly believe that ***EasyLend*** could grow with fruitful results which would increase our interest income and margin and the profitability of our Group in the foreseeable future.

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

Neither our Company nor any of our subsidiaries purchased, sold or redeemed any of our Company's listed securities during the interim period 2017 and up to the date of this announcement.

CORPORATE GOVERNANCE PRACTICES

Our Company has adopted and complied with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Rules Governing the Listing Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") during the interim period 2017.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

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

REVIEW OF INTERIM RESULTS

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

The Audit Committee has reviewed the unaudited condensed consolidated interim financial information and the interim report of the Company for the interim period 2017 in conjunction with the management of the Group. In addition, the independent auditor of our Company have reviewed the unaudited interim results for the interim period 2017 in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

INTERIM DIVIDENDS

The Board declared the payment of an interim dividend of HK0.8 cents (interim period 2016: HK1.6 cents) per share for the interim period 2017 and will be payable to the shareholders of our Company whose names appear on the register of members of our Company on Wednesday, 24 January 2018. The interim dividend will be paid on Tuesday, 6 February 2018.

CLOSURE OF REGISTER OF MEMBERS

The register of members of our Company will be closed on Tuesday, 23 January 2018 and Wednesday 24 January 2018, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers of shares of our Company, duly accompanied by the relevant share certificates, must be lodged with the Hong Kong branch share registrar and transfer office of our Company, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 22 January 2018.

PUBLICATION

This announcement is published on the websites of our Company (www.hkfinance.hk) and of the Stock Exchange (www.hkexnews.hk), respectively. The 2017 interim report for the six months ended 30 September 2017 of the Company will be dispatched to the shareholders and published on the above websites in due course.

APPRECIATION

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

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

Hong Kong, 29 November 2017

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

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

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