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Hong Kong Finance Group Limited
香港信貨集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1273)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013**

Financial Highlights

	Six months ended 30 September		Change
	2013 HK\$'million (Unaudited)	2012 HK\$'million (Unaudited)	
Revenue	37.9	32.0	18.4%
Profit and total comprehensive income for period attributable to equity holders of the Company	16.9	17.4	(2.9%)
Profit and total comprehensive income for period attributable to equity holders of the Company (excluding non-operating items) (note)	19.6	15.4	27.3%
Net profit margin (excluding non-operating items) (note)	51.7%	48.1%	
Net interest margin	20.6%	18.8%	
	As at 30 September 2013 HK\$'million (Unaudited)	As at 31 March 2013 HK\$'million (Audited)	
Loans receivable	327.0	316.8	3.2%
Total assets	486.5	463.4	5.0%
Total equity	262.3	245.4	6.9%

Note: Non-operating items include fair values gains on revaluation of investment properties and listing expenses.

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

The board of directors (the “Board” or “Directors”) of Hong Kong Finance Group Limited (the “Company”) is pleased to announce the interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2013 prepared in accordance with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, together with the comparative figures for the corresponding period in 2012.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2013

		Six months ended	
		30 September	
		2013	2012
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Revenue	4, 5	37,887	32,046
Other income	5	3,277	2,906
Administrative expenses	6	<u>(17,491)</u>	<u>(8,697)</u>
Operating profit		23,673	26,255
Finance costs	7	<u>(3,366)</u>	<u>(5,926)</u>
Profit before income tax		20,307	20,329
Income tax expense	8	<u>(3,413)</u>	<u>(2,950)</u>
Profit and total comprehensive income for the period attributable to equity holders of the Company		<u>16,894</u>	<u>17,379</u>
Earnings per share for profit attributable to equity holders of the Company – Basic and diluted (<i>HK cents</i>)	9	<u>4.07</u>	<u>4.19</u>
Dividends	10	<u>Nil</u>	<u>Nil</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2013

		As at 30 September 2013 <i>HK\$'000</i> (Unaudited)	As at 31 March 2013 <i>HK\$'000</i> (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		65,665	66,165
Investment properties		72,950	70,770
Loans receivable	<i>11</i>	16,118	16,653
Total non-current assets		154,733	153,588
Current assets			
Loans receivable	<i>11</i>	310,842	300,135
Interest receivables	<i>12</i>	7,294	6,315
Prepayments, deposits and other receivables		10,640	781
Cash and cash equivalents		3,015	2,551
Total current assets		331,791	309,782
Total assets		486,524	463,370
EQUITY			
Equity attributable to the owners of the Company			
Share capital	<i>14</i>	20	20
Capital reserves		100,020	100,020
Retained earnings		162,227	145,333
Total equity		262,267	245,373

		As at 30 September 2013 <i>HK\$'000</i> (Unaudited)	As at 31 March 2013 <i>HK\$'000</i> (Audited)
	<i>Note</i>		
LIABILITIES			
Current liabilities			
Trade and other payables		16,075	12,053
Amount due to a fellow subsidiary	<i>16(b)</i>	–	15,699
Tax payable		4,676	2,575
Bank and other borrowings	<i>13</i>	199,744	183,838
Total current liabilities		220,495	214,165
Non-current liabilities			
Deferred income tax liabilities		3,762	3,832
Total non-current liabilities		3,762	3,832
Total liabilities		224,257	217,997
Total equity and liabilities		486,524	463,370
Net current assets		111,296	95,617
Total assets less current liabilities		266,029	249,205

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 30 September 2013*

	Attributable to equity holders of the Company (Unaudited)			
	Share capital	Capital reserves	Retained earnings	Total equity
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at 1 April 2013	20	100,020	145,333	245,373
Total comprehensive income for the period	<u>–</u>	<u>–</u>	<u>16,894</u>	<u>16,894</u>
Balance at 30 September 2013	<u>20</u>	<u>100,020</u>	<u>162,227</u>	<u>262,267</u>

	Attributable to equity holders of the Company (Unaudited)			
	Share capital	Capital reserves	Retained earnings	Total equity
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at 1 April 2012	20	60,000	118,628	178,648
Total comprehensive income for the period	<u>–</u>	<u>–</u>	<u>17,379</u>	<u>17,379</u>
Balance at 30 September 2012	<u>20</u>	<u>60,000</u>	<u>136,007</u>	<u>196,027</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2013

	Six months ended	
	30 September	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Cash (used in)/generated from operations	(807)	32,194
Interest paid	(3,366)	(5,926)
Hong Kong profits tax paid	(1,382)	(1,010)
	<u>(5,555)</u>	<u>25,258</u>
Net cash (used in)/generated from operating activities		
Cash flows from investing activities		
Purchase of property, plant and equipment	(887)	(472)
	<u>(887)</u>	<u>(472)</u>
Net cash used in investing activities		
Cash flows from financing activities		
Repayment of bank and other borrowings	(45,031)	(44,805)
Proceeds from new bank and other borrowings	60,937	15,100
Decrease in pledged bank deposits	–	5,207
Dividend paid to equity holders	(9,000)	–
	<u>6,906</u>	<u>(24,498)</u>
Net cash generated from/(used in) financing activities		
Net increase in cash and cash equivalents	464	288
Cash and cash equivalents at beginning of the period	<u>2,551</u>	<u>273</u>
Cash and cash equivalents at end of the period	<u>3,015</u>	<u>561</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

The Company had been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 2 October 2013.

This interim condensed consolidated financial statements is presented in Hong Kong dollars (“HK\$”), unless otherwise stated. These interim condensed consolidated financial statements were approved by the Board for issue on 22 November 2013.

These interim condensed consolidated financial statements have been reviewed, not audited.

Key events

Pursuant to a group reorganisation as set out under the section headed “Corporate structure and corporate reorganisation” in the Company’s listing prospectus dated 17 September 2013 (the “Prospectus”), which was completed on 9 September 2013 (the “Reorganisation”), the Company became the holding company of the subsidiaries now comprising the Group. The unaudited condensed consolidated interim financial statements of the Group have been prepared as if the Group had always been in existence throughout both periods presented, or since the respective dates of incorporation or establishment of the group companies, rather than from the date when the Company became the holding company pursuant to the Reorganisation.

2 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 September 2013 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 Accountant’s Report included in Appendix I to the Prospectus, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those described in the Accountant's Report included in Appendix I to the Prospectus.

- HKAS 1 (Amendment), 'Financial statements presentation'
- HKAS 19 (Amendment), 'Employee benefits'
- HKAS 27 (Revised), 'Separate financial statements'
- HKAS 28 (Revised), 'Investments in associates and joint ventures'
- HKFRS 1 (Amendment), 'Government loans'
- HKFRS 7 (Amendment), 'Financial instruments: Disclosures – Offsetting financial assets and financial liabilities'
- HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments), 'Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance'
- HKFRS 11, 'Joint arrangements'
- HKFRS 12, 'Disclosures of interests in other entities'
- HKFRS 13, 'Fair value measurement'
- HK(IFRIC) – Int 20, 'Stripping costs in the production phase of a surface mine'

The above new standards are not expected to have significant impact to the Group.

4 SEGMENT INFORMATION

During the six months ended 30 September 2013 and 2012, all of the Group's revenue were generated from the money lending business of providing property mortgage loans in Hong Kong. Revenue represents interest income earned from 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 2013 and 2012.

5 REVENUE AND OTHER INCOME

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

	Six months ended	
	30 September	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Revenue		
Interest income	<u>37,887</u>	<u>32,046</u>
Other income		
Rental income	1,095	954
Fair value gains on investment properties	2,180	1,950
Sundry income	<u>2</u>	<u>2</u>
	<u>3,277</u>	<u>2,906</u>

6 EXPENSES BY NATURE

	Six months ended	
	30 September	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Employee benefit expenses	2,922	2,690
Advertising and marketing expenses	5,442	2,866
Depreciation of property, plant and equipment	1,386	962
Listing expenses	4,872	–
Other expenses	<u>2,869</u>	<u>2,179</u>
	<u>17,491</u>	<u>8,697</u>

7 FINANCE COSTS

	Six months ended 30 September	
	2013 <i>HK\$'000</i> (Unaudited)	2012 <i>HK\$'000</i> (Unaudited)
Interest on secured bank borrowings wholly repayable within 5 years	1,945	3,539
Interest on bank overdrafts	1,135	429
Interest on amount due to a fellow subsidiary	279	1,958
Other loan interest	7	–
	<u>3,366</u>	<u>5,926</u>

8 INCOME TAX EXPENSE

	Six months ended 30 September	
	2013 <i>HK\$'000</i> (Unaudited)	2012 <i>HK\$'000</i> (Unaudited)
Hong Kong profits tax		
– Current year	3,646	2,962
– Over provision in prior years	(163)	–
Deferred income tax	(70)	(12)
	<u>3,413</u>	<u>2,950</u>

9 EARNINGS PER SHARE

(a) Basic earnings per share

	Six months ended 30 September	
	2013 (Unaudited)	2012 (Unaudited)
Profit attributable to the equity holders of the Company (<i>HK\$'000</i>)	16,894	17,379
Number of ordinary shares outstanding for basic earnings per share (<i>'000</i>)	415,000	415,000
Basic earnings per share (HK cents) (<i>note</i>)	<u>4.07</u>	<u>4.19</u>

Note: Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by 415,000,000 ordinary shares, which is deemed to have been issued at the beginning of the earliest period presented in the interim condensed consolidated financial statements.

(b) **Diluted earnings per share**

There were no potential dilutive ordinary shares outstanding during the six months ended 30 September 2013 and 2012 and hence the diluted earnings per share is the same as basic earnings per share.

10 DIVIDENDS

During the six months ended 30 September 2013 and 2012, no dividend has been paid or declared by the Company. For the year ended 31 March 2013, a subsidiary of the Company declared dividend of HK\$9.0 million out of the distributable profits to then shareholder of the Group, and such dividend has been fully paid during the six months ended 30 September 2013.

11 LOANS RECEIVABLE

	As at 30 September 2013 HK\$'000 (Unaudited)	As at 31 March 2013 HK\$'000 (Audited)
Loans receivable	326,960	316,788
Less: non-current portion	<u>(16,118)</u>	<u>(16,653)</u>
Current portion	<u>310,842</u>	<u>300,135</u>

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

Loans receivable are secured by collaterals provided by customers, bear interest and are repayable with fixed terms agreed with the customers. The maximum exposure to credit risk at each of the reporting dates is the carrying value of the receivables mentioned above.

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

	As at 30 September 2013 HK\$'000 (Unaudited)	As at 31 March 2013 HK\$'000 (Audited)
Current	310,842	300,135
2 to 5 years	8,049	13,290
Over 5 years	<u>8,069</u>	<u>3,363</u>
	<u>326,960</u>	<u>316,788</u>

12 INTEREST RECEIVABLES

Interest receivables, which are denominated in Hong Kong dollars, are arising from the money lending business of providing property mortgage loans in Hong Kong. They are secured by collaterals provided by customers and repayable with fixed terms agreed with the customers. The maximum exposure to credit risk at each of the reporting dates is the carrying value of the receivables.

The ageing analysis of interest receivables by past due date is as follows:

	As at 30 September 2013 <i>HK\$'000</i> (Unaudited)	As at 31 March 2013 <i>HK\$'000</i> (Audited)
Current	2,831	3,220
0 – 30 days	1,967	1,937
31 – 60 days	2,098	262
Over 60 days	398	896
	<u>7,294</u>	<u>6,315</u>

13 BANK BORROWINGS

Borrowings are analysed as follows:

	As at 30 September 2013 <i>HK\$'000</i> (Unaudited)	As at 31 March 2013 <i>HK\$'000</i> (Audited)
Bank loans	142,853	147,559
Bank overdrafts	56,891	36,279
Total bank borrowings	<u>199,744</u>	<u>183,838</u>

The weighted average effective interest rate on bank loans and bank overdrafts during the six months ended 30 September 2013 was 2.6% (31 March 2013: 3.8%) per annum.

At 30 September 2013 and 31 March 2013, all bank borrowings are denominated in Hong Kong dollars.

As at 30 September 2013 and 31 March 2013, the bank loans and overdrafts utilised by the Group amounted to HK\$199,744,000 and HK\$183,838,000, respectively, were secured by the investment properties, and land and buildings of the Group, properties held by the fellow subsidiaries of the Group, investment properties held by a director of the Company and relatives of a director of the Company, personal guarantees from the directors of the subsidiaries of the Group, and corporate guarantee from a fellow subsidiary.

14 SHARE CAPITAL

Group:

The Group's share capital and capital reserves represent the aggregate of the share capital of all the underlying companies comprising the Group during the period ended 30 September 2013 and 2012.

Company:

Authorised share capital

	Number of ordinary shares	Nominal value of ordinary shares HK\$	Equivalent nominal value of ordinary shares HK\$
At 1 April 2013	38,000,000	0.01	380,000
Increase in authorised share capital	<u>9,962,000,000</u>	0.01	<u>99,620,000</u>
At 30 September 2013	<u>10,000,000,000</u>	<u>0.01</u>	<u>100,000,000</u>

Issued share capital

	Number of issued shares	Amount HK\$'000 (Unaudited)
At 1 April 2013	1,000,000	–
Issue of new shares (<i>Note (a)</i>)	<u>1,000,000</u>	<u>20</u>
At 30 September 2013	2,000,000	20
Capitalisation of shares (<i>Note (b)</i>)	298,000,000	2,980
Issue of new shares pursuant to the share offer (<i>Note (c)</i>)	<u>115,000,000</u>	<u>1,150</u>
At 2 October 2013	<u>415,000,000</u>	<u>4,150</u>

Notes:

- (a) The Company was incorporated in the Cayman Islands on 6 February 2013 with an authorised share capital of HK\$380,000, divided into 38,000,000 shares of HK\$0.01 each. On incorporation date, 1 nil-paid share was issued to Codan Trust Company (Cayman) Limited, who, on the same date, transferred the said 1 share to Tin Ching Holdings Limited ("Tin Ching Holdings"). On 12 March 2013, 999,999 new shares were allotted and issued at nil paid to Tin Ching Holdings.

On 9 September 2013, the Company acquired the entire equity interest in HKF Overseas Limited by (a) issuing and allotting 1,000,000 new shares to Tin Ching Holdings credited as fully paid; and (b) crediting as fully paid at par the 1,000,000 nil-paid shares, as mentioned above, to Tin Ching Holdings.

- (b) Pursuant to the shareholders' resolutions passed on 4 September 2013, an aggregate of 298,000,000 shares of HK\$0.01 each in the Company were allotted and issued, credited as fully paid at par, by way of capitalisation of the sum of HK\$2,980,000 from the share premium account, to the then existing shareholders of the Company, whose names appeared in the register of the Company on 4 September 2013, in proportion to their respectively shareholdings, such allotment and capitalisation were conditional on the share premium account being credited as a result of the issue of new shares to the public in connection with the Company's initial public offering as detailed in (c) below. Upon the listing of the Company's shares on the Stock Exchange on 2 October 2013, 298,000,000 shares were capitalised.
- (c) In connection with the Company's initial public offering, 115,000,000 shares of HK\$0.01 each were issued at a price of HK\$1.03 per share for a total cash consideration, before listing expenses, of HK\$118,450,000. Dealings in these shares on the Stock Exchange commenced on 2 October 2013.

15 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 3 years, and the lease agreements are renewable at the end of the lease period at market rate.

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

	Six months ended 30 September 2013 HK\$'000 (Unaudited)	Year ended 31 March 2013 HK\$'000 (Audited)
Not later than one year	<u>1,073</u>	<u>1,359</u>

16 RELATED PARTY TRANSACTIONS – DISCONTINUED

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 2013 and 2012, and balances arising from related party transactions as at 30 September 2013 and 31 March 2013.

(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	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest expenses paid to a fellow subsidiary – Tin Ching Industrial Company Limited	<u>279</u>	<u>1,958</u>

- (i) Interest expenses on amounts advanced to the Group were charged at weighted average interest rate of 3.5% (2012: 6%) per annum.

(b) **Amount due to a fellow subsidiary**

As at 30 September 2012, the amount due to a fellow subsidiary was unsecured, and interest bearing at the rate which was mutually agreed by both parties at weighted average effective interest rate of 6% per annum on the outstanding amount and repayable on demand. The carrying amount of the amount due to a fellow subsidiary was denominated in Hong Kong dollar.

(c) (i) *Guarantees from related parties*

As at 30 September 2013 and 31 March 2013, the bank loans and bank overdrafts amounted to HK\$199,744,000 and HK\$183,838,000, respectively, were secured by the personal guarantees from the directors of the subsidiaries of the Company, as well as a corporate guarantee from a fellow subsidiary (Note 13).

(ii) *Guarantees to related parties*

As at 30 September 2013 and 31 March 2013, the Group has financial guarantees in respect of the corporate guarantee and the pledge of the Group's investment property and land and buildings as security for loans granted to certain fellow subsidiaries and a related company, of which the daughter of a director of the Company is the director.

17 SUBSEQUENT EVENT

Upon the listing of the Company's shares on the Stock Exchange on 2 October 2013, 115,000,000 shares of HK\$0.01 each were issued at a price of HK\$1.03 per share for a total cash consideration, before listing expenses, of HK\$118,450,000. For details of the change in the issued share capital of the Company subsequent to the period ended 30 September 2013, please refer to Note 14.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Since the successful listing of the shares of our Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), our Group has been proactively expanding our money lending business in providing property mortgage loans in Hong Kong to our customers.

During the six months ended 30 September 2013, our property mortgage loan portfolio continued to grow, due to the persisting high demand on mortgage loan products in the market, recording an increase of 3.2% from HK\$316.8 million as at 31 March 2013 to HK\$327.0 million as at 30 September 2013. Our interest income derived from our property mortgage loan portfolio also surged up to HK\$37.9 million for the six months ended 30 September 2013, as compared to HK\$32.0 million for the corresponding period, representing an increase of 18.4%. In terms of dollar amount, as at 30 September 2013, approximately 43.4% of our loan portfolio was first property mortgage and the remaining 56.6% was subordinate property mortgage, while approximately 55.2% of our loan portfolio was individual customers and the remaining 44.8% was corporate customers.

During the six months ended 30 September 2013, we have continued to put much effort and financial resources on our advertising and marketing campaigns, among which the most significant included the sponsorship of television drama and programmes during the television prime time, and the appointment of artistes to be the spokesman of our Company. We consider that these campaigns can efficiently promote our brand, our loan products and services to the public and increase our market share in the money lending business of providing property mortgage loans in Hong Kong. The effectiveness of our marketing campaigns has been reflected on the growth on our money lending business of providing property mortgage loans in Hong Kong.

FINANCIAL REVIEW

Revenue

Our interest income from money lending business of providing property mortgage loans increased by HK\$5.9 million or 18.4% from HK\$32.0 million for the six months ended 30 September 2012 to HK\$37.9 million for the six months ended 30 September 2013. Such increase was primarily due to the increase of average month-end balance of mortgage loans receivables. As discussed above, due to the increasing demand for mortgage loan products in the money lending market, our average month-end balance of aggregate mortgage loans receivables increased by HK\$42.4 million or 14.5% from HK\$292.3 million for the year ended 31 March 2013 to HK\$334.7 million for the six months ended 30 September 2013. For the six months ended 30 September 2013, the effective interest rates charged for our first and subordinate property mortgage loans were 17.3% and 27.1%, respectively.

Other income

Our Group's other income mainly represents the rental income received from leasing of our investment properties and the fair value gains on revaluation of investment properties.

Other income for the six months ended 30 September 2013 was HK\$3.3 million which increased by HK\$0.4 million or 13.8% from HK\$2.9 million for the six months ended 30 September 2012. Such increase was mainly attributable to the aggregate effect of (i) the increase in rental income by HK\$0.1 million or 10.0% from HK\$1.0 million for the six months ended 30 September 2012 to HK\$1.1 million for the six months ended 30 September 2013; and (ii) the increase in fair value gains on revaluation of investment properties by HK\$0.2 million or 10.0% from HK\$2.0 million for the six months ended 30 September 2012 to HK\$2.2 million for the six months ended 30 September 2013. The increase in fair value gains on revaluation of investment properties was mainly due to the increase in value of our Group's commercial properties.

Administrative expenses

We incurred administrative expenses of HK\$17.5 million for the six months ended 30 September 2013, which included listing expense of HK\$4.9 million in relation to the listing of our Company's shares in the Stock Exchange which was considered as a non-operating and non-recurring expense. Should the listing expense be excluded, our administrative expense for the six months ended 30 September 2013 would be HK\$12.6 million, which was HK\$3.9 million or 44.8% higher than the administrative expenses of HK\$8.7 million for the six months ended 30 September 2012. Such increase was mainly attributable to (i) the increase in our Group's employee benefit expenses, as a result of the increment of salary expenses to our staff; and (ii) the increase in our advertising and marketing expenses, resulted from the sponsorship of television drama and programmes during the television prime time, and the appointment of artiste to be the spokesman of our Company, as mentioned above.

Finance costs

Finance costs decreased by HK\$2.5 million or 42.4% from HK\$5.9 million for the six months ended 30 September 2012 to HK\$3.4 million for the six months ended 30 September 2013. The decrease was mainly attributable to the decrease of the interest expenses on the amount due to a fellow subsidiary, as HK\$40.0 million of the balance was assigned to our controlling shareholders and was settled by issuance of shares of our subsidiary to our controlling shareholders in March 2013, resulting in a decrease of the average month-end balance of amount due to a fellow subsidiary from HK\$58.3 million as at 31 March 2013 to HK\$19.0 million as at 30 September 2013.

Net interest margin

The net interest margin of our property mortgage loans increased from 18.8% for the six months ended 30 September 2012 to 20.6% for the six months ended 30 September 2013. The decrease of our cost of finance led to a higher net interest margin accordingly. Our net interest margin on first property mortgage loans increased from 13.2% for the six months ended 30 September 2012 to 15.3% for the six months ended 30 September 2013 while our net interest margin for our subordinate property mortgage loans increased from 24.2% for the six months ended 30 September 2012 to 25.1% for the six months ended 30 September 2013.

Profit and total comprehensive income

As a result of the foregoing, our profit and total comprehensive income for the six months ended 30 September 2013 and 2012 achieved HK\$16.9 million and HK\$17.4 million respectively. Should the non-operating items, fair value gains on revaluation of investment properties and listing expenses, be excluded in both periods, the adjusted profit and total comprehensive income for the six months ended 30 September 2013 and 2012 would have achieved HK\$19.6 million and HK\$15.4 million respectively, representing an increase of 27.3%.

LIQUIDITY AND FINANCIAL RESOURCES

During the six months ended 30 September 2013, our Group's operations and capital requirements were financed principally through retained earnings, loans or advances from our controlling shareholders, through a fellow subsidiary of our Group, and borrowings from banks. Our loans or advances from a fellow subsidiary have been fully settled as at 30 September 2013. Based on our current and anticipated levels of operations, barring unforeseen market conditions, our future operations and capital requirements following the listing of our Company's shares will be financed through loans from banks or financial institutions that are independent third parties, the net proceeds from the listing of our Company's shares, retained earnings and our share capital. We had no significant commitments for capital expenditure during the six months ended 30 September 2013.

As at 30 September 2013, the cash and cash equivalent amounted to HK\$3.0 million (31 March 2013: HK\$2.6 million); the amount due to a fellow subsidiary amounted to Nil (31 March 2013: HK\$15.7 million); and the interest-bearing bank borrowings amounted to HK\$199.7 million (31 March 2013: HK\$183.8 million).

During the six months ended 30 September 2013, all interest-bearing bank borrowings were repayable on demand and were secured by (i) our Group's investment properties and land and buildings, and/or (ii) by the personal guarantees, corporate guarantee and collaterals from our controlling shareholders and their respective associates, which had been fully released upon the listing of our Company's shares. The amount due to a fellow subsidiary were unsecured and had been fully settled by cash before 30 September 2013.

During the six months ended 30 September 2013, 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 2013, our unutilised banking facilities available to our Group for drawdown amounted to HK\$17.6 million (31 March 2013: HK\$ 24.4 million).

GEARING RATIO

As at 30 September 2013, the gearing ratio, which was calculated by dividing net debts (being the total interest-bearing bank borrowings and amount due to a fellow subsidiary less cash and cash equivalents bank deposits) by total equity, was 0.8 (31 March 2013: 0.8).

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS

Save as the listing of our Company's shares on the Main Board of the Stock Exchange on 2 October 2013, our Group did not have any significant investments held, material acquisitions and disposals of subsidiaries and associated companies during the six months ended 30 September 2013 and up to the date of this announcement.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2013, our Group employed 20 full time employees. The total staff costs of our Group for the six months ended 30 September 2013 and 2012 were HK\$2.9 million and HK\$2.7 million respectively.

Our Group relies on our remuneration policy on 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 conditionally adopted the share option scheme on 4 September 2013 and the principal terms of the share option scheme are summarised under the section headed "D. Share option scheme" in Appendix V to the Prospectus.

CHARGES ON GROUP ASSETS

As at 30 September 2013, our investment properties of HK\$73.0 million and our land and buildings of HK\$63.0 million were secured for the Group's bank borrowings.

FINANCIAL GUARANTEES

As at 30 September 2013, our Group had financial guarantees in respect of the corporate guarantee and the pledge of our Group's investment properties and land and buildings as security for loans granted to certain fellow subsidiaries and a related company. The aggregate amount of loans utilised by certain fellow subsidiaries and a related company as at 30 September 2013 was HK\$26.2 million (31 March 2013: HK\$26.7 million). The above corporate guarantee and the pledge of our Group's assets have been released upon the listing of our Company's shares. We are of the view that the fair value of these financial guarantees are not significant.

PROSPECTS

In view of the recent uncertainties arising for the monetary policies of certain major countries such as the United States of America, and the People's Republic of China, the volatility of the capital and stock market, and the contraction of the property market in Hong Kong due to, as generally believed, the stringent government policy imposed on the property market, we have already adopted a more prudent and conservative approach in implementing our loan policy and lending practice, for example, by tightening the loan-to-value ratio for certain loans granted to our customers.

According to the industry research report prepared by Euromonitor International Limited as set out in the Prospectus, the prospect for the licensed money lending industry remains positive from years 2013 to 2017. The outstanding balance of loans and advances of licensed money lenders is thus expected to continue its strong growth, at a compound annual growth rate of 12.6% as compared to the historical period. During the past years and for the six months ended 30 September 2013, our Group has continued to experience and satisfied high demand on property mortgage loan products and we have persistently recorded a growth in our mortgage loan portfolios. As such, we cautiously believe that the licensed money lending business, particularly our property mortgage loan services, have been set for strong performance and continued value growth. On the other hand, we are mindful of the challenging and competitive nature of the money lending industry and will, therefore, continue to explore business opportunities to enhance our competitiveness and profitability.

Looking forward, our Company has been successfully listed on the Main Board of the Stock Exchange on 2 October 2013 and gross proceeds for a total of HK\$118.5 million were raised. As disclosed in our Prospectus, we will apply for net proceeds to reinforce and expand our market share to increase our customer base by expanding our mortgage loan portfolio, and to conduct marketing activities to improve public awareness of our Company's brand name and image. We are optimistic about the future growth in our mortgage loan portfolio, interest income and profit margin which will generate promising returns to our shareholders and other stakeholders in foreseeable future.

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

Save as the issue of our Company's new shares on the Main Board of the Stock Exchange on 2 October 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities during the period from the listing date and up to the date of this announcement.

CORPORATE GOVERNANCE PRACTICES

Our Company has adopted the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the “CG Code”) contained in Appendix 14 to the Listing Rules.

Our Directors recognise the importance of good corporate governance in the management of our Group. As the shares of our Company had not yet been listed on the Stock Exchange as at 30 September 2013, the CG Code was not applicable to our Company during the six months ended 30 September 2013.

Our Board will review and monitor the corporate governance practices of our Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance practices of our Company.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

For the six months ended 30 September 2013, our Company’s shares had not been listed on the Main Board of the Stock Exchange. Thus, the provisions under the Listing Rules in relation to the compliance of the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules monitoring the code of conduct regarding securities transactions by our directors were not applicable to our Company for the six months ended 30 September 2013. However, the Board has adopted the Model Code on 4 September 2013.

REVIEW OF INTERIM RESULTS

The audit committee (the “Audit Committee”) of our Company consists of three independent non-executive Directors, namely, Mr. Chan Siu Wing Raymond (“Mr. Chan”), Mr. Chu Yat Pang Terry and Mr. Cheung Kok Cheong, and is chaired by Mr. Chan. Our Company has adopted written terms of reference which set out clearly with the constitution, authority, duties, powers and functions of the Audit Committee. Our Group’s interim condensed consolidated results for the six months ended 30 September 2013 were reviewed by the members of the Audit Committee prior to the submission to the Board for approval.

The Audit Committee together with the management of our Company has reviewed the accounting policies and practices adopted by our Group and discussed, among other things, internal controls and financial reporting matters including a review of the unaudited interim results for the six months ended 30 September 2013. In addition, the independent auditor of our Company has reviewed the unaudited interim results for the six months ended 30 September 2013 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.

DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 September 2013.

PUBLICATION

The interim results announcement of our Company for the six months ended 30 September 2013 is published on the websites of the Stock Exchange (www.hkexnews.hk) and our Company (www.hkfinance.hk) respectively. The 2013 interim report will be dispatched to the shareholders of our Company and published on the respective websites of the Stock Exchange and our Company 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, 22 November 2013

As at the date of this announcement, the Board comprises Mr. Chan Kwong Yin, William (Chairman), Mr. Chan Koung Nam and Mr. Tse Pui To (Chief Executive Officer) being the executive Directors, Mr. Chan Siu Wing, Raymond, Mr. Chu Yat Pang Terry and Mr. Cheung Kok Cheong being the independent non-executive Directors.