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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 2014**

Financial Highlights

	Six months ended		Change
	30 September		
	2014	2013	
	<i>HK\$'million</i>	<i>HK\$'million</i>	
	(Unaudited)	(Unaudited)	
Revenue	48.6	37.9	28.2%
Profit and total comprehensive income for the period attributable to equity holders of the Company	28.1	16.9	66.3%
Net profit margin	57.8%	44.6%	13.2pt
Net interest margin	18.6%	20.6%	(2.0pt)
Basic and diluted earnings per share (<i>HK cents</i>)	6.78	5.63	20.4%
Declared interim dividends per share (<i>HK cents</i>)	1.7	–	
	As at	As at	
	30 September	31 March	
	2014	2014	
	<i>HK\$'million</i>	<i>HK\$'million</i>	
	(Unaudited)	(Audited)	
Loans receivable	501.9	467.7	7.3%
Total assets	656.4	621.1	5.7%
Total equity	410.2	393.7	4.2%

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

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 2014 prepared in accordance with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), together with the comparative figures for the corresponding period in 2013.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the six months ended 30 September 2014

		Six months ended	
		30 September	
		2014	2013
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Revenue	4, 5	48,572	37,887
Other income	5	2,939	3,277
Administrative expenses	6	(14,090)	(17,491)
Operating profit		37,421	23,673
Finance costs	7	(4,094)	(3,366)
Profit before income tax		33,327	20,307
Income tax expense	8	(5,210)	(3,413)
Profit and total comprehensive income for the period attributable to equity holders of the Company		28,117	16,894
Earnings per share for profit attributable to equity holders of the Company			
– Basic and diluted (<i>HK cents</i>)	9	6.78	5.63
Dividends	10	7,055	Nil

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 30 September 2014

		As at 30 September 2014 <i>HK\$'000</i> (Unaudited)	As at 31 March 2014 <i>HK\$'000</i> (Audited)
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		64,932	66,405
Investment properties		74,940	73,090
Loans receivable	<i>11</i>	<u>28,824</u>	<u>33,143</u>
Total non-current assets		<u>168,696</u>	<u>172,638</u>
Current assets			
Loans receivable	<i>11</i>	473,085	434,565
Interest receivables	<i>12</i>	12,808	10,640
Prepayments, deposits and other receivables		1,380	2,355
Cash and cash equivalents		<u>428</u>	<u>863</u>
Total current assets		<u>487,701</u>	<u>448,423</u>
Total assets		<u>656,397</u>	<u>621,061</u>
EQUITY			
Equity attributable to the owners of the Company			
Share capital		4,150	4,150
Reserves		406,047	377,930
Proposal final dividend		<u>–</u>	<u>11,620</u>
Total equity		<u>410,197</u>	<u>393,700</u>

		As at 30 September 2014 <i>HK\$'000</i> (Unaudited)	As at 31 March 2014 <i>HK\$'000</i> (Audited)
	<i>Note</i>		
LIABILITIES			
Current liabilities			
Trade and other payables		2,684	3,029
Amount due to a fellow subsidiary	<i>15(b)</i>	64,000	39,000
Tax payable		5,667	2,141
Bank and other borrowings	<i>13</i>	169,790	179,136
Total current liabilities		242,141	223,306
Non-current liabilities			
Deferred income tax liabilities		4,059	4,055
Total non-current liabilities		4,059	4,055
Total liabilities		246,200	227,361
Total equity and liabilities		656,397	621,061
Net current assets		245,560	225,117
Total assets less current liabilities		414,256	397,755

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six months ended 30 September 2014

	Attributable to equity holders of the Company (Unaudited)				
	Share capital	Share premium	Capital reserves	Retained earnings	Total equity
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at 1 April 2014	4,150	103,665	100,020	185,865	393,700
Total comprehensive income for the period ended 30 September 2014	–	–	–	28,117	28,117
Total transactions with owners, recognised directly in equity Dividends relating to the year ended 31 March 2014 declared and approved in July 2014	–	–	–	(11,620)	(11,620)
Balance at 30 September 2014	<u>4,150</u>	<u>103,665</u>	<u>100,020</u>	<u>202,362</u>	<u>410,197</u>
	Attributable to equity holders of the Company (Unaudited)				
	Share capital	Share premium	Capital reserves	Retained earnings	Total equity
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at 1 April 2013	3,000	–	97,040	145,333	245,373
Total comprehensive income for the period ended 30 September 2013	–	–	–	16,894	16,894
Balance at 30 September 2013	<u>3,000</u>	<u>–</u>	<u>97,040</u>	<u>162,227</u>	<u>262,267</u>

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six months ended 30 September 2014

	Six months ended	
	30 September	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Cash generated from/(used in) operations	26,405	(807)
Interest paid	(4,094)	(3,366)
Hong Kong profits tax paid	(1,681)	(1,382)
	<u>20,630</u>	<u>(5,555)</u>
Net cash generated from/(used in) operating activities		
Cash flows from investing activities		
Purchase of items of property, plant and equipment	(101)	(887)
	<u>(101)</u>	<u>(887)</u>
Net cash used in investing activities		
Cash flows from financing activities		
Repayment of bank and other borrowings	(31,851)	(45,031)
Proceeds from new bank and other borrowings	22,507	60,937
Dividend paid to equity holders	(11,620)	(9,000)
	<u>(20,964)</u>	<u>6,906</u>
Net cash (used in)/generated from financing activities		
Net (decrease)/increase in cash and cash equivalents	(435)	464
Cash and cash equivalents at beginning of the period	863	2,551
	<u>428</u>	<u>3,015</u>
Cash and cash equivalents at end of the period		

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. 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 on 2 October 2013.

These interim condensed consolidated financial statements are presented in Hong Kong dollars (“HK\$”), unless otherwise stated. These interim condensed consolidated financial statements were approved by the Board for issue on 17 November 2014.

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

2 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 September 2014 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 2014 Annual Report of the Company dated 6 June 2014 (“2014 Annual Report”), 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 of the annual financial statements for the year ended 31 March 2014, as described in those annual financial statements.

The following new standards, amendments and interpretations to existing standards that have been issued and effective for annual periods beginning on 1 April 2014 with no impact on the Group's results of operations and financial positions:

- HKAS 32 (Amendment), 'Offsetting Financial Assets and Financial Liabilities'
- HKAS 36 (Amendment), 'Recoverable Amount Disclosures for Non-Financial Assets'
- HKAS 39 (Amendment), 'Novation of Derivatives and Continuation of Hedge Accounting'
- HKFRS 10, 12 and HKAS 27 (2011) (Amendment), 'Investment Entities'
- HK(IFRIC) – Int 21, 'Levies'
- HKFRSs (Amendment), 'Annual Improvements 2010-2012 Cycle'
- HKFRSs (Amendment), 'Annual Improvements 2011-2013 Cycle'

The following new and amended standards and interpretations to the existing standards that have been issued but are not effective for the financial year beginning 1 April 2014 with no early adoption:

- HKAS 16 and HKAS 38 (Amendment), 'Clarification of Acceptable Methods of Depreciation and Amortisation'
- HKAS 16 and HKAS 41 (Amendment), 'Agriculture: Bearer Plants'
- HKAS 19 (2011) (Amendment), 'Defined Benefit Plans: Employee Contributions'
- HKAS 27 (Amendment), 'Equity Method in Separate Financial Statements'
- HKFRS 9, 'Financial Instruments'
- HKFRS 10 and HKAS 28 (Amendment), 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'
- HKFRS 11 (Amendment), 'Accounting for Acquisitions of Interests in Joint Operations'
- HKFRS 14, 'Regulatory Deferral Accounts'
- HKFRS 15, 'Revenue from Contracts with Customers'
- HKFRSs (Amendment), 'Annual Improvements 2012-2014 Cycle'

There are no other amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on this Group.

4 SEGMENT INFORMATION

During the six months ended 30 September 2014 and 2013, all of the Group's revenue was generated from the money lending business of providing property mortgage 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 its external customers and assets were generated from and located in Hong Kong during the six months ended 30 September 2014 and 2013.

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	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Revenue		
Interest income	48,572	37,887
Other income		
Fair value gains on revaluation of investment properties	1,850	2,180
Rental income	1,089	1,095
Sundry income	–	2
	2,939	3,277

6 EXPENSES BY NATURE

	Six months ended	
	30 September	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Employee benefit expenses	4,222	2,922
Advertising and marketing expenses	5,211	5,442
Depreciation of property, plant and equipment	1,570	1,386
Listing expenses	–	4,872
Other expenses	3,087	2,869
	14,090	17,491

7 FINANCE COSTS

	Six months ended	
	30 September	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest on secured bank borrowings wholly repayable within 5 years	1,883	1,945
Interest on bank overdrafts	353	1,135
Interest on an amount due to a fellow subsidiary	1,682	279
Other loan interests	176	7
	4,094	3,366

8 INCOME TAX EXPENSE

Hong Kong profits tax has been provided for at the rate of 16.5% (30 September 2013: 16.5%) on the estimated assessable profits during the six months ended 30 September 2014.

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

	Six months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong profits tax		
– Current year	5,206	3,646
– Over provision in prior years	–	(163)
Deferred income tax	4	(70)
	<u>5,210</u>	<u>3,413</u>

9 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\$28,117,000 (30 September 2013: HK\$16,894,000) by the weighted average number of ordinary shares in issue during the six months ended 30 September 2014 of 415,000,000 (30 September 2013: 300,000,000). In determining the weighted average number of ordinary shares in issue during the six months ended 30 September 2013, the 300,000,000 shares issued and allotted through capitalisation of the share premium account arising from the listing of the Company's shares on 2 October 2013 have been regarded as if these shares were in issue since 1 April 2013.

	Six months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit attributable to the equity holders of the Company (HK\$'000)	28,117	16,894
Number of ordinary shares outstanding for basic earnings per share ('000)	415,000	300,000
Basic earnings per share (HK cents)	<u>6.78</u>	<u>5.63</u>

(b) Diluted earnings per share

There were no potential dilutive ordinary shares outstanding during the six months ended 30 September 2014 and 2013 and hence the diluted earnings per share is the same as basic earnings per share.

10 DIVIDENDS

At the Board meeting held on 17 November 2014, the Company's Board of Directors declared an interim dividend of HK1.7 cents (30 September 2013: Nil) per share. The interim dividend amounting to HK\$7,055,000 has not been recognised as a liability for the six months ended 30 September 2014. It will be recognised in shareholders' equity in the year ending 31 March 2015.

During the six months ended 30 September 2013, no dividend has been paid or declared by the Company.

A final dividend of HK\$11,620,000 relating to the year ended 31 March 2014 was declared and approved in July 2014 and paid in August 2014.

11 LOANS RECEIVABLE

	As at 30 September 2014 HK\$'000 (Unaudited)	As at 31 March 2014 HK\$'000 (Audited)
Loans receivable	501,909	467,708
Less: non-current portion	<u>(28,824)</u>	<u>(33,143)</u>
Current portion	<u>473,085</u>	<u>434,565</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 2014 HK\$'000 (Unaudited)	As at 31 March 2014 HK\$'000 (Audited)
Current	473,085	434,565
2 to 5 years	10,534	9,971
Over 5 years	<u>18,290</u>	<u>23,172</u>
	<u>501,909</u>	<u>467,708</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 2014 HK\$'000 (Unaudited)	As at 31 March 2014 HK\$'000 (Audited)
Current	4,075	4,035
0-30 days	2,221	2,705
31-60 days	2,062	2,627
Over 60 days	4,450	1,273
	<u>12,808</u>	<u>10,640</u>

13 BANK AND OTHER BORROWINGS

Borrowings are analysed as follows:

	As at 30 September 2014 HK\$'000 (Unaudited)	As at 31 March 2014 HK\$'000 (Audited)
Bank loans	141,694	146,281
Bank overdrafts	18,096	32,855
Other loan	10,000	–
	<u>169,790</u>	<u>179,136</u>

The weighted average effective interest rate on bank loans and bank overdrafts during the six months ended 30 September 2014 was 2.8% (31 March 2014: 3.1%) per annum.

The other loan amounted to HK\$10,000,000 is unsecured, bears interest at a rate of 7.0% per annum and repayable within one year.

At 30 September 2014 and 31 March 2014, all bank and other borrowings are denominated in Hong Kong dollars.

As at 30 September 2014 and 31 March 2014, the bank loans and overdrafts utilised by the Group amounted to HK\$159,790,000 and HK\$179,136,000, respectively, were secured by the investment properties, land and buildings of the Group, and corporate guarantee of the Company.

14 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 2014 HK\$'000 (Unaudited)	Year ended 31 March 2014 HK\$'000 (Audited)
Not later than 1 year	1,179	1,530
Later than 1 year and no later than 5 years	<u>306</u>	<u>–</u>

15 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 2014 and 2013, and balances arising from related party transactions as at 30 September 2014 and 31 March 2014.

(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 2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Interest expenses paid to a fellow subsidiary – Tin Ching Industrial Company Limited	<u>1,682</u>	<u>279</u>

- (i) Interest expenses on amounts advanced to the Group were charged at weighted average interest rate of 7.0 % (30 September 2013: 3.5%) per annum.

(b) Amount due to a fellow subsidiary

Tin Ching Industrial Company Limited, a fellow subsidiary, provided the Group with a loan facility with a limit of HK\$80,000,000, of which the Group utilised an amount of HK\$64,000,000 as at 30 September 2014 (31 March 2013: HK\$39,000,000).

The amount is unsecured, interest bearing at the rate which is mutually agreed by both parties at a weighted average effective interest rate of 7.0% (as at 31 March 2013: 4.2%) 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 dollar.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

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 2014, our property mortgage loan portfolio continued to grow, due to the persisting high demand for mortgage loan products in the market, recording an increase of 7.3% from HK\$467.7 million as at 31 March 2014 to HK\$501.9 million as at 30 September 2014. Our interest income derived from our property mortgage loan portfolio also surged up to HK\$48.6 million for the six months ended 30 September 2014, as compared to HK\$37.9 million for the corresponding period, representing an increase of 28.2%. During the six months ended 30 September 2014 and 2013, we had no bad and doubtful debts from our loans receivable and interest receivables.

During the six months ended 30 September 2014, we have continued to put much effort and financial resources on our advertising and marketing campaigns, among which the most significant included 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 market share in the money lending business of providing property mortgage loans in Hong Kong.

Further, during the period, we have proactively looked for other financing resources for our property mortgage loan business expansion. In August 2014, we have successfully entered into the placing agreement to issue corporate bonds of up to the maximum amount of HK\$100.0 million in aggregate principal amount (the “Bonds”), the details of which have been disclosed in the public announcement of our Company dated 22 August 2014. The maximum gross proceeds from the issue of the Bonds are expected to be HK\$100.0 million and we intend to use the net proceeds from the Bonds for expanding the mortgage loan portfolio of our Group. We believe that the issue of the Bonds will strengthen the financial position of our Group. We consider that the terms of the placing agreement and the Bonds are fair and reasonable based on the then current market conditions and therefore we consider that the transactions contemplated by the placing agreement and the Bonds are in the interests of our Company and our shareholders as a whole.

Financial review

Revenue

Our interest income received from money lending business of providing property mortgage loans increased by HK\$10.7 million or 28.2% from HK\$37.9 million for the six months ended 30 September 2013 to HK\$48.6 million for the six months ended 30 September 2014. Such increase was primarily due to the increase of average month-end balance of mortgage loans receivable. 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 receivable increased by HK\$99.2 million or 26.1% from HK\$379.4 million for the year ended 31 March 2014 to HK\$478.6 million for the six months ended 30 September 2014.

Other income

Our Group’s other income mainly represents the fair value gains on revaluation of investment properties and rental income received from leasing of our investment properties. The decrease of our other income by HK\$0.4 million or 12.1% from HK\$3.3 million for the six months ended 30 September 2013 to HK\$2.9 million for the six months ended 30 September 2014 was mainly because of the decrease in fair value gains on revaluation of investment properties by HK\$0.4 million or 18.2% from HK\$2.2 million for the six months ended 30 September 2013 to HK\$1.8 million for the six months ended 30 September 2014.

Administrative expenses

We incurred administrative expenses of HK\$14.1 million for the six months ended 30 September 2014 (30 September 2013: HK\$17.5 million), which mainly comprises employee benefit expenses, advertising and marketing expenses, depreciation of property, plant and equipment, and other miscellaneous expenses. For the six months ended 30 September 2013, there was listing expenses of HK\$4.9 million in relation to the listing of our Company's shares on the Stock Exchange. There was no such listing expense incurred for the current period and the effect of such decrease in listing expenses was partially eliminated by the effect of an increase in our Group's employee benefit expenses resulting from the increment of salary expenses to our staff members. Therefore, this resulted in the overall decrease in administrative expenses by HK\$3.4 million or 19.4% from HK\$17.5 million for the six months ended 30 September 2013 to HK\$14.1 million for the six months ended 30 September 2014.

Finance costs

Finance costs mainly comprised interest on interest-bearing bank borrowings, amount due to a fellow subsidiary and other loan. The increase of finance costs by HK\$0.7 million or 20.6% from HK\$3.4 million for the six months ended 30 September 2013 to HK\$4.1 million for the six months ended 30 September 2014 was mainly attributable to the increase of the interest expenses on the amount due to a fellow subsidiary.

Net interest margin

The net interest margin of our property mortgage loans decreased from 20.6% for the six months ended 30 September 2013 to 18.6% for the six months ended 30 September 2014. The increase in our cost of finance as mentioned above led to a decrease in net interest margin accordingly.

Profit and total comprehensive income

As a result of the foregoing, our profit and total comprehensive income for the six months ended 30 September 2014 achieved HK\$28.1 million, an increase of HK\$11.2 million or 66.3% from HK\$16.9 million for the corresponding period in 2013.

Liquidity and financial resources

During the six months ended 30 September 2014, our Group's operations and capital requirements were financed principally through retained earnings, bank and other borrowings, and advances from our controlling shareholders, through a fellow subsidiary of our Group. 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 borrowings from banks or financial institutions that are independent third parties, advances from our controlling shareholders (through a fellow subsidiary of our Group), retained earnings, proceeds from the issue of the Bonds and our share capital. We had no significant commitments for capital expenditure during the six months ended 30 September 2014.

As at 30 September 2014, the cash and cash equivalent amounted to HK\$0.4 million (31 March 2014: HK\$0.9 million); the amount due to a fellow subsidiary amounted to HK\$64.0 million (31 March 2014: HK\$39.0 million); and the interest-bearing bank borrowings and other borrowings amounted to HK\$169.8 million (31 March 2014: HK\$179.1 million).

During the six months ended 30 September 2014, all interest-bearing bank borrowings were repayable on demand and were secured by our Group's investment properties, land and buildings, and corporate guarantee of the Company. The other loans and the amount due to a fellow subsidiary were unsecured, bearing interest at 7.0% per annum and with fixed term of repayment.

During the six months ended 30 September 2014, none of our banking facilities and other 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 2014, our unutilised banking facilities and other unutilised facilities available to our Group for drawdown amounted to HK\$21.4 million and HK\$16.0 million, respectively.

Gearing ratio

As at 30 September 2014, the gearing ratio, which 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, was 0.57 (31 March 2014 : 0.55).

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 six months ended 30 September 2014.

Employees and remuneration policy

As at 30 September 2014, our Group employed 20 full time employees. The total staff costs of our Group for the six months ended 30 September 2014 and 2013 were HK\$4.2 million and HK\$2.9 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 in the 2014 Annual Report.

Charges on group assets

As at 30 September 2014, our land and buildings of HK\$61.5 million and our investment properties of HK\$74.9 million were pledged as security for the Group's bank borrowings.

Contingent liabilities

As at 30 September 2014, our Group had no material contingent liabilities (31 March 2014: Nil).

Prospects

Our Group is the first Hong Kong's Main Board listed company specialising in providing property mortgage loans to our customers. Since the listing of our shares on the Main Board of the Stock Exchange, we have sustained steady business growth over the past years. Although the Hong Kong property market was recently impacted by the tight control on Hong Kong's authorised financial institutions, and the Hong Kong Government's stringent policy on the property market, our Group still recorded remarkable operating results by increasing the profit attributable to our shareholders of 66.3% to HK\$28.1 million for the six months ended 30 September 2014. These favourable results performance proved our efforts in focusing property mortgage loan business. Our solid reputation, and our long established and well-known brand name, "**Hong Kong Finance**", contributed to the steady growth of our customer base and market share in Hong Kong during the period under review.

We are of the view that despite the keen and intense market competition, and in addition to the recent political event of occupy central in Hong Kong, the market demand for property mortgage loan products in Hong Kong remains strong. Being the best alternative to banks' mortgage loan, and leveraging on our long history and well experience and goodwill in carrying property mortgage loan business, diversified products and services, and our prudent, lasting and effective approach in implementing loan policy, we believe we remain highly competitive in the property mortgage loan market in Hong Kong and we are confident about the future performance of our property mortgage loan portfolio, interest income and profit which will generate promising returns to our shareholders in the foreseeable future.

Last but not least, we have already spent and will continue to channel more resources and effort in advertising and enhancing our brand image and awareness, and to promote our products and services. We will also continue to proactively look for different financing resources for our business expansion. As we have mentioned above, in August 2014, we have entered into placing agreement to issue the Bonds of HK\$100.0 million in aggregate. Similar fund raising exercises are expected to be continued and carried out by our management in which we believe that such process will create further growth of our interest income and sound financial results and performance to our shareholders and stakeholders in the years to come.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities during the six months ended 30 September 2014.

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 Rule Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the six months ended 30 September 2014.

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 of the Listing Rules to monitor the code of conduct regarding securities transactions by our Directors. All the Directors have confirmed that they have complied with the required standards as set out in the Model Code during the six months ended 30 September 2014.

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 2014 were reviewed by 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 2014. In addition, the independent auditor of our Company has reviewed the unaudited interim results for the six months ended 30 September 2014 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 DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board declared the payment of an interim dividend of HK1.7 cents per share for the six months ended 30 September 2014. The declared interim dividend will be paid on or about Monday, 29 December 2014 to the shareholders of our Company whose names appear on the register of members of our Company which will be closed on Wednesday, 10 December 2014.

For determining the entitlement to the declared interim dividend, all completed transfer forms 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 of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 9 December 2014.

PUBLICATION

The interim results announcement of our Company for the six months ended 30 September 2014 is published on the websites of the Stock Exchange (www.hkexnews.hk) and of our Company (www.hkfinance.hk) respectively. The 2014 interim report will be dispatched to the shareholders of our Company and published on the respective websites of the Stock Exchange and of 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, 17 November 2014

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.