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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)

DISCLOSEABLE TRANSACTION PROVISION OF FINANCIAL ASSISTANCE

PROVISION OF FINANCIAL ASSISTANCE

The Board is pleased to announce that on 19 August 2020, the Loan Agreement was entered into between HK Finance as the lender and Customer C, Customer D, Customer E, Customer F and Customer G, collectively as the Borrowers. Pursuant to the Loan Agreement, HK Finance has agreed to grant the Loan to the Borrowers for a term of 12 months.

LISTING RULES IMPLICATIONS

As an applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the Loan granted to the Borrowers under the Loan Agreement exceeds 5% but is less than 25%, the grant of the Loan constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

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Summarised below are the principal terms of the Loan Agreement.

THE LOAN AGREEMENT

Date of the Loan Agreement : 19 August 2020

Lender : HK Finance

Borrowers	:	Customer C, Customer D, Customer E, Customer F and Customer G
Principal	:	HK\$21,000,000
Interest rate	:	0.83334% per month (equivalent to 10% per annum)
Term	:	12 months commencing from the drawdown date
Security	:	A first legal charge/mortgage in respect of three commercial properties, two of which located at Cheung Sha Wan Road, Hong Kong and the remaining one located at Wing Hong Street, Hong Kong, with valuation conducted by an independent property valuer based on the valuation cut-off date on 4 August 2020 with an aggregate amount of approximately HK\$27,800,000
Repayment	:	the Borrowers will repay the interest on a monthly basis with the principal amount to be repaid at Loan maturity
Early redemption	:	the Borrowers will have an option at any time to make early repayment of the whole or part of the Loan after the drawdown date subject to the Borrowers giving HK Finance not less than one calendar month's advance notice in writing

INFORMATION ON THE CREDIT RISK RELATING TO THE LOAN

The making of the Loan is collateralised. The collateral provided by the Borrowers for the Loan is sufficient as the loan-to-value ratio of the mortgaged properties for the Loan to the Group is approximately 75.5% based on the value of the mortgaged properties for the Loan determined by an independent valuer.

The proceeds of the Loan is to be applied for the repayment and discharge of previous mortgages granted by other finance company and secured by the same group of collaterals. The advance in respect of the Loan were also made on the basis of the Company's credit assessments made on (i) the collateral provided by the Borrowers; (ii) the fact that the personal net worth of both Customer F and G is strong and solid to prove their repayment ability; (iii) the healthy and satisfactory repayment history and records of previous mortgages in other finance company with no default record; (iv) the good credit grading of both Customer F and Customer G issued by a reputable credit reference agency; and (v) the relatively short term nature of the advance. After taking into account the factors as disclosed above in assessing the risks of the relevant advance, the Company considers that the risks involved in the advance to the Borrowers are low and manageable.

FUNDING OF THE LOAN

The Group will finance the Loan with the Company's general working capital.

INFORMATION ON THE BORROWERS

Each of Customer C, Customer D and Customer E is a company incorporated in Hong Kong engaging in the business of property investment holdings, and all of them are directly-owned by Customer F and Customer G jointly, being individuals who are merchants. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, the Borrowers are Independent Third Party and not connected with the Group.

INFORMATION ON THE GROUP AND THE LENDER

The Company is an investment holding company. The Group is principally engaged in money lending business in Hong Kong and mainly provides mortgage loans under the Money Lenders Ordinance. HK Finance, as the lender of the Loan, is an indirect wholly-owned subsidiary of the Company.

REASONS FOR ENTERING INTO THE LOAN AGREEMENT

Taking into account the principal business activities of the Group, the grant of the Loan to the Borrowers is in the ordinary and usual course of business of the Group.

The terms of the Loan Agreement were negotiated on an arm's length basis between HK Finance and the Borrowers. The Directors consider that the grant of the Loan is a financial assistance provided by the Group within the meaning of the Listing Rules. The Directors are of the view that the terms of the Loan Agreement were entered into on normal commercial terms based on the Group's credit policy. Taking into account the satisfactory financial background of the Borrowers and that a stable revenue and cashflow stream from the interest income is expected, the Directors consider that the terms of the Loan Agreement are fair and reasonable and the entering into of the Loan Agreement is in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As an applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the Loan granted to the Borrowers under Loan Agreement exceeds 5% but is less than 25%, the grant of the Loan constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

It is required under Rule 14.58(2) of the Listing Rules to disclose the identities of the Borrowers. Since (i) the Loan is not regarded as a material transaction of the Company as compared to the Company's overall financial position; (ii) the Company has practical difficulties in complying with the aforesaid disclosure requirement as the Borrowers have confirmed to the Group that they will not consent to the disclosure of their identities in this announcement; (iii) the disclosure of the identities of the Borrowers does not reflect its financial standing or repayment abilities and thus will serve little purpose in assisting the Shareholders to evaluate their creditworthiness and the risks and exposure of the Loan; and (iv) the Company has made alternative disclosures in respect of the Loan in this announcement, including but not limited to the details of the collateral and the loan-to-value ratio of the collateral in respect of the Loan, which would be much more meaningful for the Shareholders in assessing the risk and exposure of the Loan and the repayment abilities of the Borrowers, the Company has applied to, and been granted by, the Stock Exchange for a waiver from strict compliance with Rule 14.58(2) of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the following meanings:

“Board”	the board of Directors
“Borrowers”	Customer C, Customer D, Customer E, Customer F and Customer G collectively
“Company”	Hong Kong Finance Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Customer C”	a corporation incorporated in Hong Kong pursuant to the Loan Agreement, and is an Independent Third Party
“Customer D”	a corporation incorporated in Hong Kong pursuant to the Loan Agreement, and is an Independent Third Party
“Customer E”	a corporation incorporated in Hong Kong pursuant to the Loan Agreement, and is an Independent Third Party
“Customer F”	an individual who is an Independent Third Party
“Customer G”	an individual who is an Independent Third Party
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“HK Finance”	Hong Kong Finance Company Limited, a company incorporated in Hong Kong with limited liability with money lenders licence registered under Money Lenders Ordinance, and is an indirect wholly-owned subsidiary of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	party(ies) who is/are independent of the Company and its connected person(s) (as defined in the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the mortgage loan in the principal amount of HK\$21,000,000 provided by HK Finance to the Borrowers under the Loan Agreement

“Loan Agreement”	the loan agreement dated 19 August 2020 entered into between HK Finance and the Borrowers
“Money Lenders Ordinance”	the Money Lenders Ordinance (Chapter 163 of the laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

On behalf of the Board
Hong Kong Finance Group Limited
Chan Kwong Yin William
Chairman

Hong Kong, 20 August 2020

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