Post Hearing Information Pack of

K Cash Fintech Corporation Limited
K Cash金融科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)

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K Cash Fintech Corporation Limited
K Cash金融科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED] under the [REDACTED]	:	**[REDACTED] Shares (subject to the [REDACTED])**
Number of [REDACTED]	:	**[REDACTED] Shares (subject to [REDACTED])**
Number of [REDACTED]	:	**[REDACTED] Shares (subject to [REDACTED] and the [REDACTED])**
Maximum [REDACTED]	:	**HK$[REDACTED] per [REDACTED] plus brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	:	**HK$0.0001 per Share**
[REDACTED]	:	**[REDACTED]**

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DBS

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The **[REDACTED]** (for themselves and on behalf of the **[REDACTED]**), with the consent of our Company, may reduce the indicative **[REDACTED]** stated in this document and/or reduce the number of **[REDACTED]** being **[REDACTED]** pursuant to the **[REDACTED]** at any time on or prior to the morning of the last day for lodging applications under the **[REDACTED]**. In such a case, notices of the reduction of the indicative **[REDACTED]** and/or the number of **[REDACTED]** will be published on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.kcash.hk** as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the **[REDACTED]**. Further details are set forth in the sections headed "Structure of the **[REDACTED]**" and "How to Apply for **[REDACTED]**" in this document.

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[REDACTED]

IMPORTANT

[**REDACTED**]

IMPORTANT

[**REDACTED**]

[**REDACTED**]

EXPECTED TIMETABLE

[**REDACTED**]

EXPECTED TIMETABLE

[**REDACTED**]

CONTENTS

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Page

CONTENTS

This summary aims to give you an overview of the information contained in this document. As it is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to [**REDACTED**] *in the* [**REDACTED**].

There are risks associated with any [**REDACTED**]. *For more details, see "Risk Factors". You should read that section carefully before you decide to* [**REDACTED**] *in the* [**REDACTED**].

OVERVIEW

We are the fourth largest licensed money lender in Hong Kong in respect of the overall unsecured loan business with a proven operating track record.

We started our journey in 2006, and since then, we have fostered creativity and innovation in our entrepreneurial endeavors. In 2015, we introduced Video Teller Machines or VTMs, which are digital teller machines that provide loan drawdown and repayment services. In the following years, we constantly upgraded the functions of our VTMs by adopting various technologies. We also launched our online lending portal, and are committed to maintaining high ethical standards and technologically advanced credit assessment models and risk management systems.

However, in today's connected world, where information exchange is seamless, we believe that traditional money lender businesses are struggling to keep pace with the speed of technological advancements in a digitalized world, resulting in the need for smart lending businesses supported by applications.

Our loan products are tailored to meet the needs of subprime borrowers who face financial hardships, emergencies or unexpected expenses. We offer unsecured credit access, including loan application, credit assessment, drawdown and loan repayment. Our loan products can be classified into three categories:

- ***Unsecured Property Owner Loans:*** unsecured loans offered to borrowers who are property owners in Hong Kong, mostly owners of HOS Properties, without the need to provide any collaterals;
- ***Personal Loans:*** unsecured loans offered to individuals, including "7x24 AI Loans"; and
- ***SME Loans:*** unsecured loans offered to SMEs, with a personal guarantee typically provided by a director or a shareholder of the SME borrower.

The market share of licensed money lenders as a percentage of the entire unsecured loan market in Hong Kong is approximately 4.1% as in 2022. In terms of the entire unsecured loan market (comprising of authorised institutions and licensed money lenders) and the licensed unsecured money lenders market in Hong Kong, our market share in terms of revenue is approximately 0.15% and 3.6% in 2022, respectively. Further, the licensed unsecured financing market is relatively concentrated with top three market participants accounting for 79.2% of the overall market share by revenue in 2022.

Our loan receivables amounted to HK$986.0 million, HK$844.5 million, HK$913.8 million and HK$948.2 million as of December 31, 2020, 2021 and 2022 and May 31, 2023, respectively. In addition, our net interest income was HK$267.7 million, HK$234.1 million, HK$211.0 million and HK$95.0 million in 2020, 2021 and 2022 and May 31, 2023, respectively.

We pride ourselves on providing highly automated, transparent, efficient, and digital borrowing experiences to our borrowers. We strive to make credit accessible to all, and we are dedicated to ensuring that our borrowers receive the best experience when borrowing from us.

Our business is built on deep industry expertise in Hong Kong's licensed money lending market and risk management. We provide a range of unsecured loans to borrowers whose financing needs were not satisfied by authorized institutions. We implement a comprehensive credit risk management methodology to control our credit risk exposure throughout the loan cycle of our loan products.

We have also integrated various technologies into our business operation to achieve digitalization and automation across the lending process, including loan application, credit review and approval, drawdown and post-drawdown. The deployed financial technologies, inter alia, blockchain technology, cloud computing, big data analytics, machine learning technology, and business process automation technology, are technologies adopted and implemented at various stages of our company's business process. On the front-end, we leverage various technology tools to automate and digitalize our credit cycle from loan application to loan repayment, which continuously enhance user experience. Meanwhile, on the back-end, we use applications to leverage established technologies, such as AI, blockchain and business process automation technology, to automate and streamline our risk management systems and business process. Our K Cash GO Platform is built on a hybrid cloud environment which supports all these technologies, allowing us to achieve optimal operational efficiency.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths contribute to our success and differentiate us from our competitors:

- We are the fourth largest licensed money lender in Hong Kong in respect of the overall unsecured loan business with a proven operating track record.
- We provide cost-effective money lending services through our application of technologies.
- We possess comprehensive credit risk management capability enhanced by technology and industry experience.
- We deploy our online plus offline lending platform effectively and set up branches strategically, adopt diverse and effective marketing measures to more efficiently focus on our target customers.
- We have a dedicated and experienced management team.

OUR BUSINESS STRATEGIES

We will execute the following strategies to further expand our business:

- We plan to continuously enhance our customers' borrowing experience and streamline our workflow, including enhancing our K Cash GO Platform and launching our Customer Data Platform.
- We intend to further expand our existing loan portfolio and expand our business. For example, we intend to expand our business scope to provide "Buy Now, Pay Later" services, and intend to collaborate with River Square on a blockchain technology platform.

[**REDACTED**]

We estimate that we will receive [**REDACTED**] from the [**REDACTED**] of approximately HK$[**REDACTED**] million (after deducting [**REDACTED**] and other estimated expenses in connection with the [**REDACTED**]), assuming an [**REDACTED**] of HK$[**REDACTED**] per Share, being the mid-point of the [**REDACTED**], and that the [**REDACTED**] is not exercised. We intend to use the [**REDACTED**] from the [**REDACTED**] for the following purposes:

- approximately [**REDACTED**] or approximately HK$[**REDACTED**] million, will be used to enrich our technology capabilities;

- approximately [**REDACTED**] or approximately HK$[**REDACTED**] million, will be used to expand our loan portfolio; and

- not more than [**REDACTED**] or approximately HK$[**REDACTED**] million, will be used for general working capital and general corporate purposes.

For details, see "Future Plans and [**REDACTED**]".

RISK FACTORS

Our operations and the [**REDACTED**] involve certain risks and uncertainties, some of which are beyond our control and may affect your decision to invest in us or the value of your investment. See "Risk Factors" for details, which we strongly urge you to read in full before making an investment in our Shares. Some of the major risks we face include the following:

- We are exposed to credit risks of our customers who may default on their loans.

- If we fail to promote our financial technology-based services to a satisfactory level of market acceptance, or if we fail to continuously enhance our technologies at a competitive pace, we may lose certain businesses and not be able to recover our investment on adopting relevant technologies.

- If the credit or other information of a prospective borrower we receive from other parties is inaccurate or unreliable, the accuracy or effectiveness of our credit assessment and risk-based pricing may be compromised.

- If we fail to control our credit risk exposure, our bad debt ratio may increase, and our business and results of operations may be adversely affected.

- We are in a highly competitive industry. If we are not able to compete effectively, it could impact our profitability.

- Our provision for expected credit losses may not be adequate to cover actual credit losses.

- Our future expansion plans are subject to uncertainties and risks.

- We may not be able to obtain sufficient funding on terms acceptable to us to finance our operation; we may not be able to comply with covenants in our borrowings, and our lenders may request loan repayment without prior notice.

OUR CONTROLLING SHAREHOLDERS

Mr. Steven Lee through Lee Trust, Chairman Lee, Mrs. Lee and Mr. Edwin Lee will own 28.5%, 25.0%, 25.0%, and 21.5% respectively of the issued share capital of Konew Group which in turn indirectly holds [**REDACTED**] of the issued capital of our Company through its wholly-owned subsidiary, Konew Fintech, immediately following the completion of the [**REDACTED**] and the [**REDACTED**] (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**] or options which may be granted under the Share Option Scheme). Chairman Lee and Mrs. Lee are spouses and the parents of Mr. Steven Lee and Mr. Edwin Lee. Accordingly, Konew Group, Konew Fintech, Chairman Lee, Mrs. Lee, Mr. Steven Lee and Mr. Edwin Lee are regarded as a group of Controlling Shareholders of our Company.

To avoid any actual or potential competition between the business of the Controlling Shareholders and our Company, our Controlling Shareholders have provided non-competition undertakings to us to the effect that each of them shall not, and shall procure its close associates not to, directly or indirectly, engage in, invest in, participate in, or attempt to participate in, whether on its own account or with each other or in conjunction with or on behalf of any person or company, any business directly or indirectly in competition with or likely to be in competition with the Unsecured Loan Business.

KEY OPERATIONAL DATA

Loan Receivables

The following table sets forth a breakdown of our loan receivables by loan type as of the dates indicated.

	As of December 31,			As of May 31,
	2020	2021	2022	2023
	(HK$'million)			
Loan receivables				
– Unsecured Property Owner Loans	713.4	634.9	730.0	737.8
– Personal Loans	320.1	259.7	234.5	261.5
– SME Loans	58.7	49.6	54.3	57.0
– Others(1)	2.4	1.9	–	–
	1,094.6	946.1	1,018.8	1,056.3
Less: Provision for impairment	(108.6)	(101.6)	(105.0)	(108.1)
	986.0	**844.5**	**913.8**	**948.2**
Expected loss rates	9.9%	10.8%	10.3%	10.2%

(1) Others comprise of subordinated mortgage loan business prior to the [**REDACTED**]. We have already ceased to provide any new loans under subordinated mortgage business and will only focus on providing unsecured loans.

Interest Income

Our principal source of revenue is interest income generated from the loans provided to our borrowers. The following table sets out the breakdown of the interest income from our loan products and its percentage of our relevant interest income during the Track Record Period:

	Year ended December 31,						Five months ended May 31,			
Loan Product[1]	**2020**		**2021**		**2022**		**2022**		**2023**	
	HK$'million	*%*	*HK$'million*	*%*	*HK$'million*	*%*	*HK$'million*	*%*	*HK$'million*	*%*
							(Unaudited)			
Unsecured Property Owner Loans	186.6	61.3	169.6	62.8	146.8	62.7	62.5	62.9	69.6	66.5
– HOS Property	176.7	58.1	161.3	59.7	140.1	59.9	59.5	60.0	65.4	62.5
– Private Property	9.9	3.2	8.3	3.1	6.7	2.8	3.0	2.9	4.2	4.0
Personal Loans	106.4	35.0	87.1	32.2	74.6	31.9	32.0	32.2	30.0	28.7
SME Loans	10.5	3.4	12.9	4.8	12.1	5.2	4.7	4.7	5.1	4.8
Total	**304.3**	**100.0**	**270.1**	**100.0**	**234.0**	**100.0**	**99.5**	**100.0**	**104.7**	**100.0**

(1) Our interest income also comprises income from subordinated mortgage loans, which were insignificant and such loan portfolio were transferred to the Excluded Group as of December 31, 2022 and excluded from this table. We have already ceased to provide any new loans under subordinated mortgage loans and will only focus on providing unsecured loans. For details, see "Financial Information — Principal Components of Our Consolidated Statement of Comprehensive Income — Interest income".

Among the receivables of loan principal of HK$912.6 million as of December 31, 2022, on December 31, 2022, we acquired a loan portfolio from the Excluded Group at carrying amount of approximately HK$150.1 million. For details, see "Business — Key Financial and Operating Metrics — Receivables of Loan Principal and Loan Accounts — Loans Assignment and Transfer".

Net Interest Margin

Our profitability is affected by the net interest margins of our loan products. The table below sets forth the net interest margin of our loan products during the Track Record Period:

	Year ended December 31,			Five months ended May 31,	
Loan Product[(1)]	**2020**	**2021**	**2022**	**2022[(2)]**	**2023[(2)]**
				(Unaudited)	
Unsecured Property Owner Loans	22.8%	21.6%	21.6%	8.9%	8.6%
– HOS Property	22.7%	21.5%	21.5%	8.8%	8.6%
– Private Property	24.5%	25.8%	24.1%	10.4%	8.3%
Personal Loans	26.6%	26.5%	27.9%	11.7%	11.2%
SME Loans	18.2%	20.3%	20.7%	8.1%	8.2%
Overall	**23.8%**	**22.9%**	**23.2%**	**9.6%**	**9.2%**

(1) Our loan products also comprise subordinated mortgage loan business prior to the [**REDACTED**], which were excluded from this table. We have already ceased to provide any new loans under subordinated mortgage loan business and will only focus on providing unsecured loans.

On December 31, 2022, we acquired a loan portfolio from the Excluded Group at its carrying amount of approximately HK$150.1 million. The net interest margin in the table did not take into account the loan portfolio transferred to us. For details, see "Business — Key Financial and Operating Metrics — Receivables of Loan Principal and Loan Accounts — Loans Assignment and Transfer".

(2) The figures for the five months ended May 31, 2022 and 2023 were not annualized.

Interest Spread

The table below sets out the interest spread of our loan products during the Track Record Period:

	Year ended December 31,			Five months ended May 31,
Loan Product[(1)]	**2020**	**2021**	**2022**	**2023**
		(%)		
Unsecured Property Owner Loans	25.3	24.7	23.0	20.4
– HOS property	24.6	24.1	22.5	19.9
– Private property	30.1	29.1	27.7	23.2
Personal Loans	36.0	35.8	35.0	31.2
SME Loans	18.0	18.2	17.1	15.3
Overall	**32.5**	**32.3**	**31.7**	**27.9**

Note: Our interest spread is calculated based on average effective interest rate less weighted average cost of borrowings.

The decrease in net interest margin from 23.2% in 2022 to 22.0% (annualized) for the five months ended May 31, 2023 was mainly due to (i) the decrease in the average effective interest rate of loans we granted because of the decrease in the proportion of loans with interest rate over 36% per annum in our portfolio as we temporarily withhold granting new loans with interest rate over 36% per annum in 2023 after the Presumed Extortionate Rate was lowered from 48% to 36% per annum since December 30, 2022 (for details, see "Business — Key financial and operating metrics — Recent changes in the Presumed

Extortionate Rate".); and (ii) the increase in effective interest rate of our borrowings as a result of interest rate hikes, which contributed to the decrease in net interest margin of approximately 1.1% and 0.1%, respectively. The increase in bad debt ratio from 3.8% in 2022 to 4.2% (annualized) for the five months ended May 31, 2023 was due to the increase in proportion of Personal Loans in our loan portfolio, which had a higher chance to be written off as compared to our other loan products.

Interest spread represents the difference between our (i) average effective interest rate charged and (ii) average cost of borrowings, which focuses on interest-bearing liabilities and more sensitive to increase in borrowing costs. Meanwhile, net interest margin focuses on the profit arising from the interest-earning assets and is computed by interest income (net of interest expenses) divided by the average of the opening and closing balance of the gross loan receivables, therefore fluctuations of net interest margin is less sensitive to fluctuation in borrowing costs and increase in borrowing cost has a larger impact on interest spread than it has on net interest margin.

Credit performance of our loans

We classify certain loan receivables as bad debt after we have determined that such receivables have become irrecoverable. For details of our assessment process, see "Business — Credit performance of our loans — Bad debt ratio" Our bad debt ratio is calculated by dividing the amount of bad debt by the aggregate amount of loan receivables and such bad debt as of the relevant year-end dates. The table below sets forth the bad debt ratio of for each of our loan products as of the dates indicated:

	As of December 31,			As of May 31,	
Loan Product[1]	**2020**	**2021**	**2022**	**2022**	**2023**
				(Unaudited)	
Unsecured Property Owner Loans	0.6%	0.5%	0.3%	0.0%	0.1%
– HOS property	0.6%	0.4%	0.3%	0.0%	0.1%
– Private property	1.4%	1.1%	0.1%	0.0%	0.0%
Personal Loans	12.8%	15.4%	12.7%	5.3%	5.8%
SME Loans	–	1.7%	7.3%	5.3%	4.0%
Overall	**4.5%**	**5.1%**	**3.8%**	**1.8%**	**1.8%**

The following table sets forth the 90+ delinquency ratio of our loans as of the dates indicated:

	As of December 31,			As of May 31,
	2020	**2021**	**2022**	**2023**
Unsecured Property Owner Loans	10.3%	14.6%	19.4%	20.6%
Personal Loans	3.9%	4.6%	6.5%	6.6%
SME Loans	0.1%	5.0%	4.3%	4.1%
Overall	**7.9%**	**11.3%**	**15.6%**	**16.3%**

Average Loan Size

The tables below sets out the average loan size[3] of our loan products during the Track Record Period:

Loan Product[1]	Year ended December 31, 2020	Year ended December 31, 2021	Year ended December 31, 2022	Five months ended May 31, 2023
	(HK$'000)			
Unsecured Property Owner Loans	287.1	304.0	321.7	321.0
– HOS property	310.7	327.5	343.2	351.2
– Private property	118.0	125.4	138.6	148.1
Personal Loans	66.6	67.6	65.0	66.5
SME Loans	1,707.1	1,116.6	899.4	976.7
Overall	**144.2**	**147.7**	**141.1**	**151.1**

Average Loan Tenor

The following tables provide an overview of our loan products by average loan tenor as of the respective dates as indicated:

Loan Product[1]	As of December 31, 2020	As of December 31, 2021	As of December 31, 2022	As of May 31, 2023
	(months)			
Unsecured Property Owner Loans	56.0	57.1	59.2	58.7
– HOS property	58.5	59.5	62.2	62.6
– Private property	34.7	35.9	37.5	37.5
Personal Loans	27.8	25.9	23.3	23.2
SME Loans	29.1	29.0	27.5	28.0
Overall	**37.5**	**36.4**	**35.5**	**35.1**

Average Effective Interest Rate

The table below sets out the average effective interest rate[(2)] of our loan products during the Track Record Period:

Loan Product[(1)]	Year ended December 31, 2020	2021	2022	Five months ended May 31, 2023
	(per annum)			
Unsecured Property Owner Loans	31.3%	30.6%	29.9%	29.2%
– HOS property	30.6%	30.1%	29.4%	28.7%
– Private property	36.1%	35.0%	34.6%	32.0%
Personal Loans	42.0%	41.8%	41.9%	40.0%
SME Loans	24.1%	24.1%	23.9%	24.0%
Overall	**38.5%**	**38.2%**	**38.5%**	**36.6%**

Notes:

(1) Our loan portfolio also comprises a residual subordinated mortgage loan business which were transferred to the Excluded Group at December 31, 2022 and excluded from this table. We have already ceased to provide any new loans under subordinated mortgage loan business and will only focus on providing unsecured loans.

On December 31, 2022, we acquired the Transferred Loans at the carrying amount of approximately HK$150.1 million.

(2) Average effective interest rate represents the average of effective interest rates in respect of the existing loan agreements during the year or period.

(3) Average loan size represents the arithmetic average of loan principal originally granted by us for loans which generated interest income during each year or period of the Track Record Period.

HOS Property Market

A majority of our income from Unsecured Property Owner Loans are granted to HOS Property Owner. The HOS flats are opened for application by (i) Green Form applicants, who are primarily Public rental housing tenants and eligible public rental house applicants; and (ii) White Form applicants, who are private housing tenants and family members of public housing tenants who have passed the asset assessment. Buyers of HOS Housing are subject to eligibility requirement in buying Home Ownership through Green Form, subject to detailed eligibility criteria, among others, on age, family composition, property ownership restriction to be announced by the HA prior to the launch of each sale exercise. For details of the eligibility and further details of the HOS Properties market, see Industry Overview — Overview of the HOS Properties.

SUMMARY OF FINANCIAL INFORMATION

The following tables set forth summary of our financial data during the Track Record Period, which are extracted from the Accountant's Report set out in "Appendix I — Accountant's Report". The summary financial data set forth below should be read together with our consolidated financial statements and the accompanying notes, as well as "Financial Information".

Consolidated statements of comprehensive income

	Year ended December 31,			Five months ended May 31,	
	2020	2021	2022	2022	2023
			(HK$'million)		
				(Unaudited)	
Interest income	304.3	270.1	234.0	99.5	104.7
Interest expenses	(36.6)	(36.0)	(23.0)	(9.3)	(9.7)
Net interest income	267.7	234.1	211.0	90.2	95.0
Other income	5.7	3.9	10.1	3.8	1.1
Other (losses)/gains, net	(0.3)	0.2	(0.2)	0.1	0.8
Selling expenses	(39.9)	(35.1)	(34.4)	(9.5)	(12.1)
General and administrative expenses	(57.7)	(68.4)	(66.1)	(27.6)	(33.5)
Expected credit losses, net	(69.7)	(41.9)	(37.7)	(17.7)	(21.3)
Operating profit	105.8	92.8	82.7	39.3	30.0
Other finance cost	(0.3)	(0.5)	(0.8)	(0.3)	(0.2)
Profit before income tax	105.5	92.3	81.9	39.0	29.8
Income tax expenses	(14.5)	(15.2)	(14.0)	(6.5)	(6.9)
Profit and total comprehensive income for the year/period	**91.0**	**77.1**	**67.9**	**32.5**	**22.9**

Non-HKFRS Measure

We believe the non-HKFRS measure set out below provides useful information to investors about our operating performance, and enhances the overall understanding of our past performance and future prospects in the same manner as our management. We define adjusted net profit (non-HKFRS measure) as profit for the year or period adjusted by expenses for the [**REDACTED**]. Given such expenses were incurred for the purpose of the [**REDACTED**], the adjustment has been consistently made during the Track Record Period.

The non-HKFRS measure shall not be considered in isolation from, or as substitute for analysis of, our consolidated statement of profit or loss or financial condition as reported under HKFRS. In addition, the non-HKFRS measure may be defined separately from similar terms used by other companies and therefore may not be comparable to similar measures presented by other companies.

The table below sets forth our adjusted net profit (non-HKFRS measure) during the Track Record Period:

	Year ended December 31,			Five months ended May 31,	
	2020	**2021**	**2022**	**2022**	**2023**
			(HK$'million)		
				(Unaudited)	
Profit for the year/period	91.0	77.1	67.9	32.5	22.9
Adjustment for:					
[**REDACTED**]	–	–	[**REDACTED**]	–	[**REDACTED**]
Adjusted net profit for the year/period (non-HKFRS measure)	91.0	77.1	73.2	32.5	34.1

Our adjusted net profit (non-HKFRS measures) increased by approximately HK$1.6 million from approximately HK$32.5 million for the five months ended May 31, 2022 to approximately HK$34.1 million for the five months ended May 31, 2023 primarily due to the growth of our loan portfolio as a result of the gradual recovery of economy after COVID-19. Nonetheless, the growth is rather stagnant due to the cautious market sentiment in the property market, price pressures on major goods and services as a result of inflation and increase in pressure faced by our SME borrowers due to increase in domestic business cost, and all of these factors affected borrowers' spending power which forced them to cut out unnecessary spending or expansion plans, and in turn affected the demand for financing.

Our profit and total comprehensive income decreased from HK$91.0 million in 2020 to HK$77.1 million in 2021 as a result of the decrease in interest income because as compared to the pre-COVID period (i.e. before the Track Record Period commenced), we were (i) more conservative in granting loans, and (ii) there was an increase in early redemption by our borrowers in 2020 which reduced our interest income and thus, affected our profit in subsequent years. Our profit and total comprehensive income decreased from HK$77.1 million in 2021 to HK$67.9 million in 2022 as our credit approval policy remained tightened as a result of COVID-19's persistent impact on Hong Kong's economy, which led to a decrease in the actual size of our loan portfolio (without taking into account the Transferred Loans) and interest income derived from our loans.

Our profit and total comprehensive income decreased from HK$32.5 million for the five months ended May 31, 2022 to HK$22.9 million for the five months ended May 31, 2023 as a result of the increase in [**REDACTED**] and net expected credit losses due to increase in loan receivables, which has offset the increase in interest income as we gradually grow our loan portfolio.

Consolidated Balance Sheets

The following table sets forth line items from our consolidated balance sheets as of the dates indicated:

	As of December 31,			As of May 31,
	2020	2021	2022	2023
	(HK$'million)			
Total assets	**1,265.1**	**1,309.1**	**1,087.3**	**1,043.6**
Total liabilities	**671.7**	**656.4**	**366.8**	**400.2**
Total equity	**593.4**	**652.7**	**720.5**	**643.4**

Our total equity increased from HK$593.4 million as of December 31, 2020 to HK$652.7 million as of December 31, 2021, mainly due to profit for the year of HK$77.1 million which was offset by dividends of HK$17.8 million distributed in 2021. Our total equity further increased from HK$652.7 million as of December 31, 2021 to HK$720.5 million as December 31, 2022, mainly due to profit for the year of HK$67.9 million. Our total equity decreased to approximately HK$643.4 million as of May 31, 2023 mainly due to the distribution of a special dividend of HK$100.0 million in 2023.

Consolidated statements of cash flow

	Year ended December 31,			Five months ended May 31,	
	2020	2021	2022	2022	2023
			(HK$'million)		
				(Unaudited)	
Net cash generated from operating activities	164.5	207.0	169.3	64.9	0.4
Net cash used in investing activities	(316.4)	(162.0)	(111.4)	(10.1)	(6.5)
Net cash generated from/(used in) financing activities	160.3	(45.3)	(62.7)	(17.5)	16.5
Net increase/(decrease) in cash and cash equivalents	8.4	(0.3)	(4.8)	37.3	10.4
Cash and cash equivalents at the beginning of year/period	20.8	29.2	28.9	28.9	24.1
Cash and cash equivalents at the end of year/period	**29.2**	**28.9**	**24.1**	**66.2**	**34.5**

SELECTED FINANCIAL RATIOS

The following table sets forth our selected financial ratios during the Track Record Period.

	As of/year ended December 31,			As of/five months ended May 31,	
	2020	2021	2022	2022	2023
				(Unaudited)	
Gearing ratio(1)	1.06	0.96	0.47	0.50	0.54
Return on Assets(2)	7.0%	6.0%	5.7%	2.4%	2.2%
Return on Equity(3)	14.8%	12.4%	9.9%	4.7%	2.2%
Interest coverage ratio(4)	3.9 times	3.6 times	4.6 times	5.2 times	4.1 times

(1) Gearing ratio is calculated by dividing net debts (being total debt including borrowings, amounts due to the ultimate holding company, the immediate holding company and related parties and lease liabilities less cash and cash equivalents) by total equity as of the respective year-end or period-end dates.

(2) Return on assets is calculated by dividing net profit for the year or period by the average total assets as of the beginning and end of the corresponding year/period.

(3) Return on equity is calculated by dividing net profit for the year or period by the average total equity as of the beginning and end of the corresponding year/period.

(4) Interest coverage ratio is calculated by dividing profit before tax and interest (excluding interest expenses on lease liabilities) by the interest expenses for the corresponding year or period.

Our Source of Funds

Our primary funding channels mainly include: (i) funding from loans or facilities from local banks and other authorized institution; (ii) Connected Advances; and (iii) cash flows from our operating activities.

Certain portion of the Connected Advances we received was non-interest bearing, which may have affected our financial performance (such as net profit) and key financial ratios (such as return on equity) if interest expenses shall be borne by us. The non-interest bearing Connected Advances only attributed insignificant portion of our source of fund during the Track Record Period, thus the Directors consider that non-interest bearing Connected Advances are immaterial to the Group's operation and has no significance on the Group's financial performance and business position. For an analysis of how non-interesting bearing Connected Advances might have impacted us if they were interest-bearing, see "Business — Our Source of Funds — Our major fund providers — Connected Advances".

Prior to our [**REDACTED**], existing Connected Advances (if any) owed to our connected persons or related parties shall also be settled by cash, and financial assistance provided to us after our [**REDACTED**] shall also comply with the Listing Rules. Any potential changes in our funding channels may affect our results of operations and financial condition. For details, see "Risk factors — Our financial performance may be adversely affected as we shift away from obtaining financing from related parties to financing from independent fund providers."

RECENT DEVELOPMENTS

Our loan receivables has increased from HK$1,056.3 million as of May 31, 2023 to HK$1,106.5 million as of August 31, 2023, and the number of our loan accounts increased from 7,629 as of May 31, 2023 to 8,233 as of August 31, 2023 which was primarily due to recovery of the economy from the relaxation of restrictions on travel and social distancing in Hong Kong in relation to the COVID-19 pandemic and the loosening of our credit assessment policy, which led to the growth of our loan portfolio.

Our expected loss rate, 90+ delinquency ratio and bad debt ratio was 10.2%, 16.3% and 4.2% (annualized) as of May 31, 2023 and 10.1%, 15.9% and 4.3% (annualized) as of August 31, 2023.

Due to increase in our [**REDACTED**], we expect a decrease in the forecast profit for the year ending December 31, 2023.

Subsequent to the Track Record Period and up to the Latest Practicable Date, as part of the implementation of our development strategies, we have entered into the following initiatives.

Loan Participation Scheme

As of the Latest Practicable Date, we are negotiating with a subsidiary of a Japanese financial institution to establish a loan participation scheme. Under the proposed loan participation scheme, we will act as a grantor and our partner acts as the sole participant who participate in loans granted by us, and they are entitled to a certain portion of economic interest under the participation arrangement so that we are able to utilize the capital contribution of our partner, to provide loans as the sole lender to grant loan to borrowers. Our business partner could participate in our loans which have and receive certain extent of interest income based on the participation arrangement. We believe we can leverage this opportunity to expand our business and to diversify our risk exposure.

We will retain control over the credit assessment process and negotiate terms of the loans with borrowers directly, hence the loans under the loan participation scheme will be approved by us based on our own assessment model and loans will be disbursed to the borrowers using our own funds before our partner is invited to participate. After the disbursement of the loan to the borrower, we will invite our partner for fund contribution. According to the External Legal Counsel, our business partner will be in the position of a money lender and be subject to the regulatory regime of money lenders in Hong Kong. It is observed by the External Legal Counsel that the intended arrangement has not violated the regulatory scheme applicable in Hong Kong and there is no reason at this negotiation stage, to suspect our business partner would not abide by the relevant laws and regulations had the loan participation scheme come into operation.

Collaboration of blockchain technology platform with New World

In February 2023, we entered into a platform collaboration agreement with River Square Company Limited ("**River Square**"), a subsidiary wholly owned by New World Development Company Limited ("**New World**"), a leading conglomerate in Hong Kong, whereby we will join the Riverchain, a blockchain platform built by River Square. We are the first licensed money lender invited to join this blockchain platform. The Riverchain is expected to be in operation by the end of 2023. As of the Latest Practicable Date, as the collaboration has not formally commenced, no revenue has been generated from our participation of the said blockchain platform.

Through Riverchain, subcontractors of New World's property development projects can obtain borrowings from us (apart from traditional authorized institutions) if they have financing needs. Given that the loan principal requested by subcontractors would generally be larger to meet their cash flow needs, and the default risk of these subcontractors are perceived to be lower as their participation in property development projects of New World can be ascertained through Riverchain, we believe that Riverchain will help us target more subcontractors for property development projects which are more capital intensive and grow our SME Loans portfolio in the long run.

Note: Bad debt ratio for the five months ended May 31, 2023 and six months ended June 30, 2023 are annualized based on bad debt for the period, as a percentage of the arithmetic mean of the opening and closing balances of our loan receivables.

Through this platform, we would be able to review certain information and documents of the subcontractors necessary for our loan approval purpose. In addition, the Riverchain can decentralize certain subcontractors' data by use of blockchain technology and make the data storage more secure. The platform facilitates our access to subcontractors' information and documents, which provides the background information for us to conduct our own comprehensive credit analysis to evaluate the creditworthiness of these subcontractors and monitor their financial status.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since May 31, 2023, being the latest period reported on in the Accountant's Report, and there has been no event since May 31, 2023 that would materially affect the information shown in the Accountant's Report set out in Appendix I.

[REDACTED]

	Based on an [REDACTED] of	
	HK$[**REDACTED**] *per* [**REDACTED**]	*HK$*[**REDACTED**] *per* [**REDACTED**]
[**REDACTED**][1]	HK$[**REDACTED**] million	HK$[**REDACTED**] million
[**REDACTED**] adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share[2]	HK$[**REDACTED**]	HK$[**REDACTED**]

(1) The calculation of [**REDACTED**] is based on [**REDACTED**] shares expected to be in issue immediately upon completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised).

(2) See "Appendix II — Unaudited [**REDACTED**] Financial Information — Unaudited [**REDACTED**] Statement of Adjusted Consolidated Net Tangible Assets" for further details regarding the assumptions used and the calculations method.

DIVIDENDS

In 2020, 2021 and 2022 and five months ended May 31, 2023, we declared a dividend of HK$121.0 million, HK$17.8 million, nil and HK$100.0 million, respectively. The dividends were non-cash transactions settled through current account with related parties.

Following completion of the [**REDACTED**], our Shareholders will be entitled to receive dividends only when declared by our Board. The payment and amount of dividends declared by our Board will depend on our (i) overall results of operation; (ii) financial position; (iii) capital requirements; (iv) Shareholders' interests; (v) prospects; and (vi) other factors which our Board deems relevant. We cannot assure our Shareholders that we will be able to declare or distribute dividends in any amount each year or in any year. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and Companies Act, including, among others, the approval of the Shareholders. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

[**REDACTED**]

The [**REDACTED**] primarily represent fees paid to professional parties for our [**REDACTED**]. Based on the mid-point [**REDACTED**] of HK$[**REDACTED**] and assuming [**REDACTED**] not exercised, the total estimated [**REDACTED**] in relation to the [**REDACTED**] is HK$[**REDACTED**] million including estimated [**REDACTED**] expenses of HK$[**REDACTED**] million, and [**REDACTED**] expenses consisting of (i) estimated fees and expenses of legal advisor(s) and accountant(s) of HK$[17.3] million, (ii) estimated other fees and expenses of HK$[16.0] million, and (iii) miscellaneous fees of HK$0.4 million. During the Track Record Period, [**REDACTED**] of HK$[**REDACTED**] million were incurred of which HK$[**REDACTED**] million were charged to our consolidated statement of comprehensive income and HK$[**REDACTED**] million were recognized to our consolidated balance sheet. We estimate that we will further incur [**REDACTED**] of HK$[**REDACTED**] million of which HK$[**REDACTED**] million will be charged to our consolidated statement of comprehensive income and HK$[**REDACTED**] million, which mainly includes [**REDACTED**], is expected to be accounted for as a deduction from equity upon the completion of [**REDACTED**] and the [**REDACTED**]. Our [**REDACTED**] as a percentage of gross [**REDACTED**] is [**REDACTED**], assuming an [**REDACTED**] of HK$[**REDACTED**] per Share and that the [**REDACTED**] is not exercised.

IMPACT OF OUTBREAK OF COVID-19 ON OUR BUSINESS

The COVID-19 outbreak had extensive and long-lasting impact on Hong Kong's economy and local business, and it may pose uncertainty for our business performance. In view of such emerging risks, we have adopted stringent credit risk policy. For details, see "Business — Risk Management and Internal Control — Credit risk management — Credit Risk Management for COVID-19 Outbreak".

In addition to the above, we also implemented certain other measures in response to the COVID-19 outbreak during the Track Record Period. For example, to comply with the Hong Kong Government's regulations on the prevention and control of COVID-19 (including prohibitions on gathering) imposed from time to time, we shortened our operating hours following the social distancing measures implemented by the Hong Kong government at different stages. From mid-February to end of February 2022, the opening hours of our headquarters was shortened by 1.25 hours on business days and from March to mid-April 2022, our opening hours was further shortened by an hour on business days. Our headquarters remained closed on Saturdays throughout the same period. This affected our on-site loan application and drawdown process, and potential borrowers may opt for other financing options if they are unable to complete the loan application process with us. We continued to apply our IDCM risk-based pricing model while being highly cautious of loan applications from applicants involved in industries affected by COVID-19 outbreak. On the other hand, we put more emphasis on alternative data such as payroll method and consumption habits, in addition to attributes generated by a credit reference agency.

In February 2022, in the face of the fifth wave of COVID-19 in Hong Kong, we became more prudent in handling the risk of defaults and suspended our 7x24 AI Loans for applicants working in the catering, retail, hotel or tourism sectors and manually reviewed such loan applications. For details, see "Risk Factors — Risks relating to our business and industry — We face certain risks associated with the outbreak of COVID-19".

As of the Latest Practicable Date, notwithstanding as discussed herein and "Financial Information", we did not experience material business disruptions or operating difficulties due to the COVID-19 outbreak. We believe the impact of COVID-19 outbreak on our operations is temporary in nature, has not materially affected our business in the Track Record Period, and is not expected to have a material adverse impact on us in the long run. Nevertheless, the impact of COVID-19 remains an evolving situation, and there remain uncertainties as to the future development of the pandemic, which is beyond our control. If there are further waves of large-scale outbreaks, social distancing measures or travel restrictions might be imposed by the Hong Kong Government which would affect the overall economy and the demand for financing. In such circumstances, our operations and financial performance maybe adversely affected. Please also see "Risk factors — Risks relating to our business and industry — We face certain risks associated with the outbreak of COVID-19" in this document.

In this document, unless the context otherwise requires, the following terms shall have the meanings set out below.

"affiliate"	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AFRC"	the Accounting and Financial Reporting Council
"AQ Communications"	AQ Communications Limited, a company incorporated under the laws of Hong Kong with limited liability on August 23, 2000 wholly-owned by Ms. Amy Lee and is a connected person of our Company
"Articles" or "Articles of Association"	the [amended and restated] articles of association of our Company conditionally, adopted on [●] effective upon the [**REDACTED**] and as amended from time to time a summary of which is set out in "Appendix III — Summary of the Constitution of our Company and Cayman Islands Company Law"
"Big Development"	Big Development Asset Management Limited (大展資產管理有限公司), a company incorporated under the laws of Hong Kong with limited liability on July 18, 1995 wholly-owned by Ms. Amy Lee and is a connected person of our Company
"Board" or "Board of Directors"	the board of directors of our Company
"business day" or "Business Day"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business
"BVI"	the British Virgin Islands

[**REDACTED**]

"Cayman Islands Companies Act" or "Companies Act"	the Companies Act Cap. 22 of the Cayman Islands and any amendments thereto or re-enactments thereof for the time being in force and includes every other law incorporated therewith or substituted therefor

[**REDACTED**]

[**REDACTED**]

"Chairman Lee"	Mr. Lee Sheung Shing (李常盛), the chairman of our Board, a non-executive Director and one of our Controlling Shareholders
"China" or "the PRC"	the People's Republic of China excluding, for the purpose of this document, Hong Kong, Macau and Taiwan
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented or otherwise modified from time to time
"Company", "our Company" or "K Cash Fintech"	K Cash Fintech Corporation Limited (K Cash 金融科技集團有限公司), the holding company of our Group after the Reorganization and the [**REDACTED**] for the [**REDACTED**], which is an exempted company with limited liability incorporated on October 25, 2022 in the Cayman Islands and the Shares of which are to be [**REDACTED**] on the [**REDACTED**] of the [**REDACTED**]

"Controlling Shareholders"	has the meaning ascribed thereto in the Listing Rules, and unless the context otherwise requires, collectively refers to, Mr. Steven Lee, Chairman Lee, Mrs. Lee, Mr. Edwin Lee, Konew Group and Konew Fintech (for more details, see the section headed "Relationship with our Controlling Shareholders" in this document); and "Controlling Shareholder" means any one of them
"COVID-19"	a novel strain of coronavirus
"Director(s)"	the director(s) of our Company
"Duplicated Loan Range"	the loan range from HK$200,000, being the lowest loan principal generally granted under the Secured Loan Business of the Excluded Group and to HK$400,000, being the highest loan principal generally granted for our Unsecured Private Property Owner Loans
"Enlarged Group"	our Group and the Excluded Group
"ESG"	environmental, social and governance
"Excluded Group"	Konew Group, and together with its operating subsidiaries (excluding our Group) which are principally engaged in the Secured Loan Business
"External Legal Counsel"	Mr. Matthew Ho, barrister-at-law, our Hong Kong legal advisor with respect to regulatory and compliance matters
"External Legal Counsel to the Joint Sponsors"	Ms. Queenie Ng, barrister-at-law, the legal adviser to the Joint Sponsors with respect to certain matters concerning the MLO
"Extreme Conditions"	extreme weather conditions caused by a super typhoon as announced by the Hong Kong government
"First Mortgage Loan Applicant(s)"	the applicant(s) for the First Mortgage Loan(s)
"First Mortgage Loan(s)"	the loan(s) offered by the Excluded Group to borrowers which are secured by first mortgage charged on the relevant property
"Frost & Sullivan"	Frost & Sullivan Limited, our industry consultant and an Independent Third Party
"Frost & Sullivan Report"	an independent market research report commissioned by us and prepared by Frost & Sullivan

[**REDACTED**]

[**REDACTED**]

"Group", "our Group", "we", "our" or "us"	our Company and our subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)
"HIBOR"	Hong Kong Inter-bank Offered Rate

[**REDACTED**]

"HK$", "Hong Kong dollars", "HK dollars", "HKD" or "cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
"HKMA"	Hong Kong Monetary Authority
"HKMA Guideline"	the Guideline on Anti-Money Laundering and Counter-Terrorist Financing (For Authorized Institutions) issued by the HKMA

[**REDACTED**]

"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC

[**REDACTED**]

"Hong Kong Takeovers Code" or "Takeovers Code"	The Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time

[**REDACTED**]

"Honip Credit"	Honip Credit Limited (康業信貸有限公司) (formerly known as Eker Limited (業凱有限公司)), a company incorporated under the laws of Hong Kong with limited liability on January 10, 2001 and wholly-owned by Konew Credit
"HOS"	the Home Ownership Scheme
"HOS Property"	the properties acquired under the HOS
"HOS Property Owner(s)"	the owner(s) of property(ies) acquired under the HOS
"Housing Authority"	the Hong Kong Housing Authority, a statutory body established under the Housing Ordinance
"Housing Department"	the Hong Kong Housing Department, an executive arm of the Housing Authority which is responsible for the management of public housing in Hong Kong
"Housing Ordinance"	the Housing Ordinance (Chapter 283 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Independent Third Party(ies)"	person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, is/are not our connected persons as defined under the Listing Rules

[**REDACTED**]

[**REDACTED**]

"K Cash"	K Cash Limited (formerly known as Ever Concept Holdings Limited (永協集團有限公司), Maxcolm Credit Limited (尚誠信貸有限公司) and mtree.money Limited (金錢樹有限公司)), a company incorporated under the laws of Hong Kong with limited liability on March 4, 2008 and wholly-owned by K Cash (BVI), and is therefore an indirect wholly-owned subsidiary of our Company after the Reorganization
"K Cash (BVI)"	K Cash (BVI) Limited, a company incorporated under the laws of the BVI with limited liability on December 9, 2019 and is a wholly-owned subsidiary of our Company after the Reorganization
"K Cash Express"	K Cash Express Limited (formerly known as Konew Financial Express Limited (康業信貸快遞有限公司), Konew Business Development Limited (康業企業拓展有限公司) and Winston Credit Limited (康業貸款有限公司)), a company incorporated under the laws of Hong Kong with limited liability on February 24, 1999 and wholly-owned by K Cash Express (BVI), and is therefore an indirect wholly-owned subsidiary of our Company after the Reorganization
"K Cash Express (BVI)"	K Cash Express (BVI) Limited, a company incorporated under the laws of the BVI with limited liability on October 28, 2022 and wholly-owned by our Company
"Konew Capital"	Konew Capital International Limited (康業資本國際有限公司) (formerly known as Maxcolm Industrial Limited (尚誠實業有限公司) and Konew Capital International Limited (康業資融國際有限公司)), a company incorporated under the laws of Hong Kong with limited liability on February 25, 2011 and wholly-owned by Konew Credit

"Konew Credit"	Konew Credit Corporation Limited (康業信貸集團有限公司) (formerly known as Ever Loyal International Limited (旺信國際有限公司) and Konew International Group Limited (康業國際集團有限公司)), a company incorporated under the laws of Hong Kong with limited liability on December 31, 1992 and wholly-owned by Konew Fintech
"Konew Fintech"	Konew Fintech Corporation Limited (康業金融科技集團有限公司), an exempted company incorporated under the laws of the Cayman Islands with limited liability on December 6, 2019 and wholly-owned by Konew Group and one of our Controlling Shareholders
"Konew Group"	Konew Group Limited, a company incorporated under the laws of the BVI with limited liability on November 28, 2019 and owned as to 28.5%, 25%, 25% and 21.5% by Mr. Steven Lee through Lee Trust, Chairman Lee, Mrs. Lee and Mr. Edwin Lee, respectively, and one of our Controlling Shareholders
"KPIs"	key performance indicators
"Latest Practicable Date"	[October 2], 2023, being the latest practicable date prior to the printing of this document for the purpose of ascertaining certain information contained in this document
"Lee's Family"	collectively, Chairman Lee, Mrs. Lee, Mr. Steven Lee and Mr. Edwin Lee
"Lee Trust"	a discretionary trust established by Mr. Steven Lee (as the settlor) and East Asia International Trustees Limited (as the trustee), for the benefit of Mr. Steven Lee and his family
"Legislative Council"	the Legislative Council of Hong Kong
"Licensing Court"	a magistrate sitting alone in a Magistrates' Court in Hong Kong

[**REDACTED**]

"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time

"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
"Maxcolm Finance"	Maxcolm Finance Limited (尚誠融資有限公司) (formerly known as Eagle Finance Limited (鷹財務有限公司), Eagle Finance Limited (易高信貸有限公司), Konew Credit Limited (康業貸款有限公司) and Konew Capital International Limited (康業資融國際有限公司)), a company incorporated under the laws of Hong Kong with limited liability on April 16, 2008 and wholly-owned by Konew Credit
"Memorandum" or "Memorandum of Association"	the memorandum of association of our Company adopted on October 25, 2022 and as amended from time to time a summary of which is set out in "Appendix III — Summary of the Constitution of our Company and Cayman Islands Company Law"
"Modern Creative"	Modern Creative (HK) Limited (現創(香港)有限公司), a company incorporated under the laws of Hong Kong with limited liability on July 8, 2016 and is owned in equal shares by Mr. Chan Ka Lok and Ms. Wong Kwan Ying, the brother and mother, respectively, of Ms. Chan Wing Sze, our non-executive Director, and therefore is a connected person of our Company
"MoneySQ"	Moneysq Limited (錢滙有限公司) (formerly known as Money. Money Limited (錢滙有限公司)), a company incorporated under the laws of Hong Kong with limited liability on April 28, 2015 and is indirectly owned by Mr. Steven Lee, Chairman Lee and Mrs. Lee, and therefore is a connected person of our Company
"money lender(s)"	has the same meaning ascribed thereto under the Money Lenders Ordinance
"Money Lenders License"	the money lenders license issued by the Licensing Court pursuant to the Money Lenders Ordinance and Money Lenders Regulations for carrying on money lending business in Hong Kong
"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
"Money Lenders Regulations"	the Money Lenders Regulations (Chapter 163A of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"MPF"	mandatory provident fund
"Mr. Edwin Lee"	Mr. Lee Edwin Kan Hing (李根興), one of our Controlling Shareholders, the son of Chairman Lee and Mrs Lee, and the brother of Mr. Steven Lee

"Mr. Steven Lee"	Mr. Lee Kun Tai Steven (李根泰), the chief executive officer of our Company, an executive Director and one of our Controlling Shareholders, and the son of Chairman Lee and Mrs. Lee, and the brother of Mr. Edwin Lee and Ms. Amy Lee
"Mrs. Lee"	Ms. Lee Pik Tsong (李碧葱), the vice-chairlady of our Board, a non-executive Director and one of our Controlling Shareholders, and the spouse of Chairman Lee
"Ms. Amy Lee"	Ms. Lee Yu Han Amy (李鈺涵), the daughter of Chairman Lee and Mrs. Lee, and the sister of Mr. Steven Lee and Mr. Edwin Lee

[**REDACTED**]

"PCPD"	the office of the Privacy Commissioner for Personal Data
"PDPO"	Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong)
"Personal Loan(s)"	the unsecured loan(s) offered by our Group to individuals without any collaterals

[**REDACTED**]

[**REDACTED**]

"Private Property"	the properties not acquired under the HOS

[**REDACTED**]

"[**REDACTED**]"	[●]
"Regulation S"	Regulation S under the U.S. Securities Act
"Reorganization"	the reorganization of our Group in preparation of the [**REDACTED**]. For more details, see "History, Reorganization and Corporate Structure"
"Restricted HOS Properties"	properties subject to alienation restrictions, as stipulated in the Housing Ordinance
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Secured HOS Loan"	the secured loan granted by the Excluded Group to the HOS Property Owner
"Secured Loan Applicant(s)"	the applicant(s) for the Secured Loan(s)
"Secured Loan Business"	the principal business engaged by the Excluded Group
"Secured Loan(s)"	including the First Mortgage Loan(s) and the Subordinated Mortgage Loan(s) offered by the Excluded Group
"SFC"	the Securities and Futures Commission of Hong Kong
"SFC Guidelines"	the Guideline on Anti-Money Laundering and Counter-Terrorist Financing together with the Prevention of Money Laundering and Terrorist Financing Guideline issued by the SFC
"SFO" or "Securities and Futures Ordinance"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Share Option Scheme"	our share option scheme conditionally adopted pursuant to resolutions passed by our Shareholders at an extraordinary general meeting held on [●]. For details, see "Appendix IV — Statutory and General Information — D. Other Information — 1. Share Option Scheme"
"Shareholder(s)"	holder(s) of Shares
"Shares"	ordinary shares in the capital of our Company with nominal value of HK$0.0001 each

"smartME"	smartME Corporation Limited (智能合約有限公司), a company incorporated under the laws of Hong Kong with limited liability on November 21, 2018 and Chairman Lee and Mrs. Lee are indirectly interested in 56.8% of its shares, and therefore is a connected person of our Company
"SME(s)"	small and medium enterprises. Manufacturing enterprises with fewer than 100 employees and non-manufacturing enterprises with fewer than 50 employees are regarded SMEs in Hong Kong
"SME Loan(s)"	the unsecured loan(s) offered by our Group to SME(s) without security, subject to a personal guarantee typically provided by a director or shareholder of the SME borrower

[**REDACTED**]

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subordinated Mortgage Loan Applicant(s)"	the applicant(s) for the Subordinated Mortgage Loan(s)
"Subordinated Mortgage Loan(s)"	the loan(s) offered by the Excluded Group to individuals and corporate property owner borrowers and secured by mortgages which are subordinated to the first or higher ranking mortgages charged on the relevant property
"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules
"SW Lee Limited"	SW Lee Limited, a company incorporated under the laws of the BVI with limited liability on January 24, 2022 and all its issued shares are held by World Wealth Investment Development Limited
"Track Record Period"	the years ended December 31, 2020, 2021 and 2022 and five months ended May 31, 2023
"Transferred Loans"	the unsecured loan portfolio we acquired from the Excluded Group on December 31, 2022 which involved 458 loan accounts and had an aggregate carrying amount of approximately HK$150.1 million
"trustME"	Trustme Chain Corporation Limited, a company incorporated under the laws of Hong Kong with limited liability on April 30, 2018 and is indirectly owned by Mr. Steven Lee, Chairman Lee and Mrs. Lee, and therefore is a connected person of our Company

[**REDACTED**]

[**REDACTED**]

"Unsecured HOS Property Owner Loan(s)"	the Unsecured Property Owner Loan(s) that is/are granted to the HOS Property Owners
"Unsecured Loan Business"	the principal business engaged by our Group
"Unsecured Loan(s)"	including the Personal Loan(s), Unsecured Property Owner Loan(s), and SME Loan(s) offered by our Group
"Unsecured Private Property Owner Loan(s)"	the Unsecured Property Owner Loan(s) that is/are granted to the group of owners of property acquired in the free real estate market from a private property developer
"Unsecured Property Owner Loan(s)"	the unsecured loan(s) offered by our Group to borrowers who are owners of properties but who do not provide any collaterals for the loan(s)
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. Securities Act"	the United States Securities Act of 1933, as amended and supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
"US$", "USD" or "U.S. dollars"	United State dollars, the lawful currency for the time being of the United States

In this document, the terms "associate", "close associate", "connected person", "connected transaction", "core connected person", "controlling shareholder", "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain technical terms used in this document. As such, these terms and their meanings may not correspond to standard industry meanings or usage of these terms.

"AQM Score"	the credit score generated by the AQM System
"AQM System"	the credit scoring system which generates a credit score based on the external credit data
"ATMs"	automated teller machines, which refer to electronic telecommunications devices that allow customers to perform financial services, such as cash withdrawal, deposit, or inquiries of account information, at any time and without the aid of a branch representative or teller
"AVS Methodology" or "AVS"	the asset valuation methodology to assist us with assets valuation by referencing latest publicly available market data and market trends
"bad debt"	doubtful debt for which loan receivables are irrecoverable
"bad debt ratio"	the ratio calculated by dividing the amount of bad debt by the aggregate amount of loan receivables and such bad debt as of the relevant year-end or period-end dates
"blockchain" or "blockchain technology"	a series of time-stamped and immutable data records, and is managed by a cluster of computers not owned by any single entity
"business process automation technology"	an emerging form of business process automation technology based on metaphorical software robots and artificial intelligence workers
"business risk engine"	our proprietary & litigation risk business engine, which is used to assist us monitoring the creditability change of our customers based on monitoring their latest litigation record in local court and the latest encumbrance of the underlying assets registered in local land registry
"Buy Now, Pay Later" or "BNPL"	a type of short-term financing that allows consumers to make purchases and pay for them at a future date
"CAGR"	compound annual growth rate, is the annualized average rate of growth over a specific period

"CDP"	customer data platform, a platform designed for managing customer data
"cloud computing"	delivery of computing services over the Internet, including servers, storage, databases, networking, software, analytics, and intelligence
"Credit Modeling System"	the credit modeling system that we engaged a global technology services provider to develop, which generates a machine learning-based credit score, based on our industry-specific knowledge and experience, for our consideration in our loan approval process
"CRP"	the Credit Reference Platform, which was launched by HKMA on November 28, 2022
"data analytics"	the process of exploring and analyzing large datasets
"data visualization"	the process of translating information into a visual context to make data easier for comprehension
"debt service ratio"	the ratio of an applicant's aggregate monthly debt obligations as a percentage of their aggregate monthly income
"eAML"	a system adopted by the Company to perform assessment on money laundering and terrorism financing risks
"E-contract"	electronic contract, which is an agreement that is drafted and executed completely online
"ECL model"	the expected credit losses (ECL) model, which adopts a forward-looking approach to estimation of impairment losses
"eKYC"	electronic Know Your Client, which is an electronic process to verify the identity of prospective borrowers through mobile app
"facial recognition"	a technology which is capable of matching a human face in a video in real time against the image of his or her Hong Kong identity card
"finger vein"	a technology adopted by our VTMs for biometric authentication
"FPS"	faster payment system, which is a method for drawdown
"high value loans"	loans with a loan principal of over HK$700,000, and the aggregate receivables of loan principal for such loans accounted for approximately 25% of our loan receivables in each year or period of the Track Record Period

"hybrid cloud"	a mixed computing environment including on-premise data center and public cloud
"IDCM"	intelligent dynamic credit matrix, which consists of the AQM Score and MLC Score
"K Cash GO Platform"	our hybrid cloud loan application platform and loan management platform
"Loan Application System"	a customized loan application system built on our K Cash GO Platform for loan application purpose
"Loan Management System"	a customized loan management system built on our K Cash GO Platform for loan management purpose
"machine learning"	an underlying technology through our Credit Modeling System to analyze borrower's credit data and behavior patterns according to certain pre-set parameters
"MCRA platform"	a financial infrastructure launched in November 2022 to facilitate the transmission of consumer credit information in encrypted form between credit providers and credit rating agencies
"MLC Score"	the machine learning-based credit score generated by our Credit Modeling System, enabling us to classify loan applicants into different risk categories
"net interest margin"	for each loan type, interest income generated (net of interest expenses) divided by the average of the opening and closing monthly balance of the gross loan receivables of the corresponding loan type during the year or period. Interest expenses for each loan type are allocated based on the ratio derived from dividing the average of the opening and closing monthly balance of the gross loan receivables of the corresponding loan type by the average of the opening and closing balance of the gross loan receivables of all loan types during the year or period
"Presumed Extortionate Rate"	the interest rate stipulated in the Money Lenders Ordinance, whereby loan transactions exceeding such interest rate may be considered extortionate
"POS system"	point of sale system, which consists of hardware and software that works together to process sales and payment transactions at the point of purchase
"QR code"	quick response code, which is a type of matrix barcode or two-dimensional barcode

"SME dashboard"	small and medium enterprises business dashboard service, a system connected to the POS system of the SME borrower which presents SME borrower's key financial performance in charts and summaries via an interactive data visualization software
"Statutory Limit"	the interest rate stipulated in the MLO, whereby loan transactions exceeding such interest rate will be unenforceable
"turned down loan applications"	collectively, loan applications rejected by us outright, and loan applications approved by us whereby loan offers had been provided to prospective borrowers which were subsequently not accepted by them
"VTMs"	video teller machines are evolved ATMs with video collaboration, remote transaction processing technology and other technologies

FORWARD-LOOKING STATEMENTS

This document contains certain forward-looking statements and information relating to our Company and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words "aim", "anticipate", "believe", "could", "expect", "going forward", "intend", "may", "might", "ought to", "plan", "potential", "predict", "project", "seek", "should", "will", "would" and the negative of these words and other similar expressions, as they relate to our Group or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this document. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our operations and business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business strategies and plans to achieve these strategies;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- the effects of the global financial markets and economic crisis;
- our ability to control or reduce costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors;
- certain statements in "Business" and "Financial Information" with respect to trends in prices, operations, margins, overall market trends, and risk management; and
- change or volatility in interest rates, foreign exchange rates, operations, margins, risk management and overall market trends.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information.

In this document, statements of or references to our intentions or those of the Directors are made as of the date of this document. Any such information may change in light of future developments.

All forward-looking statements contained in this document are qualified by reference to the cautionary statements set out in this section.

[**REDACTED**] ***in our*** [**REDACTED**] ***involves risks. Before deciding to*** [**REDACTED**] ***in the*** [**REDACTED**]***, you should carefully consider all of the information in this document, including the following risk factors, in light of the circumstances and your own investment objectives. The occurrence of any of the following events could materially and adversely affect our business, financial condition and results of operations, in which case the*** [**REDACTED**] ***of our Shares could also decline, and you could lose part or all of*** [**REDACTED**]***. You should pay particular attention to the fact that we are a company incorporated in the Cayman Islands and that our principal operations are conducted in Hong Kong and are governed by a legal and regulatory environment that may differ significantly from that of other countries.***

There are certain risks involved in our operations, and many of these risks are beyond our control. These risks can be characterized as: (i) risks relating to our business and industry; and (ii) risks relating to the [**REDACTED**] and our Shares. You should consider our business and prospects in light of the challenges we face, including those discussed in this section.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We are exposed to credit risks of our customers who may default on their loans.

We engage in the money lending business where we provide financing to customers on the premise that such loans will be repaid together with interest. Our business is therefore subject to risks that our customers may fail to perform their contractual obligations and default on payment of interest and/or the principal. As of December 31, 2020, 2021 and 2022 and May 31, 2023, our loan receivables before provision for impairment amounted to approximately HK$1,094.6 million, HK$946.1 million, HK$1,018.8 million and HK$1,056.3 million, respectively, of which we made approximately HK$108.6 million, HK$101.6 million, HK$105.0 million and HK$108.1 million, respectively, of provision for impairment. In 2020, 2021 and 2022 and five months ended May 31, 2023, we recorded net expected credit losses of approximately HK$69.7 million, HK$41.9 million, HK$37.7 million and HK$21.3 million, respectively.

We remind borrowers of their late payments. Where the customer does not repay the outstanding amounts, we may consider commencing legal proceedings or engage our debt collection agent to recover outstanding loans. If our customers delay or default on their payments, we may incur additional legal costs and expenses in order to enforce the guarantee (for SME Loans), execute the order for sale (for Unsecured Property Owner Loans) and/or make provision for impairment or write-off the relevant loans and interest receivables, which will have a material adverse effect on our business, results of operations, financial condition and prospects. We do not obtain collaterals from our borrowers, hence the outstanding amount may not be recovered even if legal proceedings are brought against defaulting borrowers.

During the Track Record Period, we initiated 556 legal proceedings, and among these, we obtained court judgments against 335 overdue loans. As of May 31, 2023, we engaged our debt collection agent in 917 out of 1,982 overdue loans. Nevertheless, we have still written-off an aggregate loan and interest receivables of approximately HK$40.2 million and HK$19.3 million during the year ended December 31, 2022 and five months ended May 31, 2023. During the Track Record Period, we enforced order for sale against ten properties which we have obtained charging orders against overdue Unsecured Property Owner Loans. For details of the enforcement procedures, please see "Business — Risk management and internal control — Credit risk management — Enforcement of judgment". However, the value of one of the properties sold was insufficient to fully cover the outstanding amount, which led to a repossessed assets written-off of approximately HK$86,000 during the Track Record Period. During the Track Record Period, we obtained one bankruptcy order against a defaulting borrower and the realization of assets from the defaulting borrower was unable to cover his debt to all creditors including us, which led to an aggregate loss of approximately HK$0.5 million. We may incur this kind of loss in the future in the recovery of overdue loans, which could materially and adversely affect our business, results of operations, financial condition and prospects.

If we fail to control our credit risk exposure, our bad debt ratio may increase, and our business and results of operations may be adversely affected.

As of December 31, 2020, 2021 and 2022 and May 31, 2023, our overall bad debt ratio was approximately 4.5%, 5.1%, 3.8% and 1.8%, respectively. In 2020, 2021 and 2022 and five months ended May 31, 2023, our overall bad debt was approximately HK$51.3 million, HK$51.0 million, HK$40.2 million and HK$19.3 million, respectively. As of December 31, 2020, 2021, 2022 and May 31, 2023, our 90+ delinquency ratio was approximately 7.9%, 11.3%, 15.6% and 16.3%, respectively. We deploy various technologies to assist us in our credit assessment and develop our risk management model. These tools assist us in categorizing them into different risk groups and reaching credit decisions based on credit score results to establish a risk profile for each of them. For a discussion of our adoption and application of technologies, see "Business — Our Technology Application on the Loan Process" and "Business — Our Technology Application on our Back-end Operation". We cannot assure you that our technologies will continue to be effective without disruption. If we fail to continuously enhance any of these technologies at a competitive pace, our risk-based pricing capabilities could be negatively affected, which may result in mispriced loans or incorrect approvals or denials of loans. If we are unable to precisely assess the credit profiles of our borrowers, our bad debt ratios may increase and our business, results of operations, financial condition and prospects may be materially and adversely affected.

Our provision for expected credit losses may not be adequate to cover actual credit losses.

We make provision for expected credit losses on our loan receivables in accordance with HKFRS. As of December 31, 2020, 2021 and 2022 and May 31, 2023, our provision for impairment of loan receivables was approximately HK$108.6 million, HK$101.6 million, HK$105.0 million and HK$108.1 million, respectively, representing expected loss rates of approximately 9.9%, 10.8%, 10.3% and 10.2%, respectively. For details, see "Appendix I — Accountant's Report — II. Notes to the Historical Financial Information — Note 14" and "Financial Information — Principal Components of our Consolidated Statement of Comprehensive Income — Reversal of credit losses/(expected credit losses), net". In addition, in 2020, 2021 and 2022 and five months ended May 31, 2023, we recorded net expected credit losses of approximately HK$69.7 million, HK$41.9 million, HK$37.7 million and HK$21.3 million, respectively. The determination of provision for impairment losses involves accounting judgment and estimates, and the expected credit losses are a probability-weighted estimate of credit losses. Our provision may prove to be inadequate if unforeseen adverse changes occur in Hong Kong's economy, or if other events adversely affect specific customers such that the amount of loan we recovered is less than our net expected credit loss. Under such circumstances, we may need to make additional provisions, which could significantly reduce our profit and may materially and adversely affect our business, results of operations, financial condition and prospects.

We are in a highly competitive industry. If we are not able to compete effectively, it could impact our profitability.

Hong Kong's lending market is intensely competitive and rapidly evolving. According to the Frost & Sullivan Report, there were 2,414 licensed money lenders in Hong Kong as of December 31, 2022 and the licensed unsecured financing market is relatively concentrated with top three market participants accounting for 79.2% of the overall market share by revenue in 2022. These licensed money lenders operate under various scales and conditions, some of which may or may not be our direct competitors.

Our competitors operate with different business models, have different cost structures or participate selectively in different market segments. They may ultimately prove to be more successful or more adaptable to new regulatory, technologies and other developments. Some of our current and potential competitors may have significantly more financial, technical, marketing and other resources than us and may be able to devote greater resources to the development, promotion, sale and support of their products. Our competitors may also have longer operating histories, more extensive borrower or lender bases, greater brand recognition, brand loyalty and broader partner relationships than us.

In response to competition and in order to gain or maintain market share, we may have to charge lower interest rate and bear higher marketing fees, which could materially and adversely affect our business and results of operations. Failure to (i) maintain or enhance our competitiveness in the money lending industry, (ii) maintain our customer base with good credit standing or (iii) adapt to technologies used by our peers may result in a decrease in profit and loss of market share, which may materially and adversely affect our business, results of operations, financial condition and prospects.

If we fail to promote our technology-based services to a satisfactory level of market acceptance, or if we fail to continuously enhance our technologies at a competitive pace, we may lose certain businesses and may not be able to recover our investment on adopting the relevant technologies.

Our competitors are constantly developing innovations in technology online marketing, communications, social networking and other services to enhance borrowers' lending experience. We continue to invest resources in enhancing our technology capabilities to provide cost-effective lending services. The success of any new services or current services that we offer would depend on our ability to promote relevant services, to raise our customers' awareness of the new technologies, and to encourage the use of relevant technologies. If we are unable to promote our technology-based services successfully to achieve a satisfactory level of market acceptance, or if we have to phase out certain services due to lack of popularity among our targeted customers, we may not be able to recover the investment that we have made in the adoption of relevant technologies.

During 2020, 2021 and 2022 and five months ended May 31, 2023, our technology related expenses was approximately HK$7.8 million, HK$6.8 million, HK$7.1 million and HK$3.4 million, respectively. However, our competitors may be able to provide services that better cater to market demand and customers' acceptance than ours through more advanced or appropriate technologies, which may result in our loss of business and a substantial decline of revenue. If we fail to keep up with the rapid development of technology and its application in the money lending market, we may lose our competitive advantage and market share, and our business, results of operations, financial condition and prospects may be materially and adversely affected.

If the credit or other information of a prospective borrower we receive from other parties is inaccurate or unreliable, the accuracy or effectiveness of our credit assessment and risk-based pricing may be compromised.

We perform credit assessment based on, to a significant extent, information provided by loan applicants and data provided by a credit reference agency and other third parties. The information provided by loan applicants to us may be inaccurate or fraudulent, and the data provided by a credit reference agency or third parties may be inaccurate or unreliable. Moreover, credit information and analysis provided by third parties may be falsified or tainted in the collection process and may be produced based on assumptions and methodologies undisclosed to us, which would limit our ability to properly use such data inputs in our credit assessment and risk-based pricing. In addition, historical data and analysis may not provide a reliable basis to assess an applicant's credit profile where the economic conditions have changed or the financial conditions of such applicant deteriorate after the loan has been funded. Our risk-based pricing is made by taking into consideration various variables. If the underlying data is outdated, incomplete, inaccurate or otherwise not indicative of the creditworthiness of the borrowers, the accuracy or effectiveness of our credit assessment and risk-based pricing may be compromised, in which case we may approve less creditworthy borrowers from whom we are unable to recoup funds or effectively control our bad debt ratios, which may materially and adversely affect our business, results of operations, financial condition and prospects.

Our future expansion plans are subject to uncertainties and risks.

We intend to further expand our existing loan portfolio and diversify our product offerings with our technology capability. In particular, we intend to introduce "Buy Now Pay Later" services in response to the evolving market trend. Further information on our future plans is set out in the section headed "Future plans and [**REDACTED**]" of this document.

Whether or not our business expansion plan can be implemented successfully depends on various factors which may be beyond our control, such as additional compliance expenses due to regulatory change and delays in obtaining the necessary licenses and approvals from the government. There is no assurance that our business expansion plans may be implemented successfully. If we fail to project accurately the time, labor and costs required for implementing our expansion plans, or if we fail to comply with the new regulatory requirements or secure sufficient number of customers or at all after the expansion, our business, results of operations and prospects may be materially and adversely affected.

In addition, our business expansion plan may place substantial demands on our managerial, operational, technological, financial and other resources. All of these endeavors will require substantial attention and time from our management and significant additional expenditures. We cannot assure you that we will be able to manage any future business expansion effectively and efficiently, and our ability to capitalize on new business opportunities may be materially and adversely affected if we fail to do so, which could in turn materially adversely affect our business, results of operations, financial condition and prospects.

We may not be able to obtain sufficient funding on terms acceptable to us to finance our operation; we may not be able to comply with covenants in our borrowings, and our lenders may request loan repayment without prior notice.

During the Track Record Period, our money lending business was primarily financed by (i) funding provided by banks (excluding tax loans); (ii) loans from Controlling Shareholders and their close associates; and (iii) cash flow from our operating activities.

The growth and success of our future operations depend on the availability of adequate lending capital to meet borrowers' demands for loans. To maintain sufficient and sustainable funding to meet borrower demands, we need to keep expanding the funding base and securing a stable stream of funds from our funding resources. There is no assurance that we will generate sufficient cash flow from our operating activities for our intended expansion and growth plans. In the event that we do not have such operating cash flow, we may need to obtain alternative financing. There is no assurance that we will be able to obtain adequate financing from other sources on acceptable terms or at all, especially in light of the increase in our cost of funding as a result of the interest rate hikes. For the five months ended 31 May 2023, as compared with the corresponding period in the previous year, our interest expenses increased due to the increase in HIBOR 1-month interest rate. If we are unable to obtain financing from authorized institutions in the near future, we may be required to seek more expensive financing alternatives, which may result in an increase in our finance costs and adversely affect our business, results of operations, financial condition and prospects since we may not be able to fully transfer the increase in cost to our borrowers.

We are subject to and restricted by restrictive covenants in our borrowings. For example, we undertook that the facilities will not be used for property acquisition or investment purposes. During Track Record Period, we did not breach any restrictive covenant in our loan facilities. There is no assurance that we will always be able to comply with the restrictions and covenants in our current or future debt obligations and other agreements in the future. In the event of a default under such agreements, the lenders could terminate their commitments to us, accelerate the debt or declare all borrowed amounts due and payable. If we default under our debts, there can be no assurance that our working capital would be sufficient to repay those debts in full as they become due, or that we would be able to find alternative financing on terms that are acceptable to us or at all. In addition, all of our banking facilities give the banks an unconditional right to call the loan at any time. In the event that the banks exercise their right to request us to repay the bank loans without prior notice, or if the lenders terminate the facility upon the occurrence of the termination events, we may fail to meet the funding requirements and may not be able to obtain new facilities from other authorized institutions as replacement in time or at all. In such case, our finance costs may then increase and our business, results of operations, financial condition and prospects may be materially and adversely affected. In addition, any expansion plans will be limited by our capacity to obtain financing from sources other than banks or authorized institution and we may be required to scale back our planned expansion, which may adversely affect our business, results of operations, financial condition and prospects.

Our financial performance and securing funding source of reasonable cost may be adversely affected if our net interest margin erodes due to an increase in finance costs, fluctuations in Hong Kong market interest rates or competition.

During the Track Record Period, we obtained part of the funding for our business from independent authorized institutions, at a reasonable interest rate which is in line with the prevailing market rate. Our borrowings from Independent Third Parties (excluding tax loans) remained relatively stable at approximately HK$306.0 million, HK$291.0 million, HK$282.0 million and HK$252.0 million as of December 31, 2020, 2021 and 2022 and May 31, 2023, respectively, for our business operation. During the Track Record Period, we also obtained funding and received advances from our Controlling Shareholders and their close associates. As of December 31, 2020, 2021 and 2022 and May 31, 2023, the amounts due to a related party were HK$35.6 million, HK$32.9 million, HK$27.4 million and HK$26.5 million had interest rates up to 6.25%, 6.25%, 6.88% and 8.76% per annum, respectively. During the Track Record Period, the non-interest bearing Connected Advances was HK$3.2 million, nil, nil and HK$1.2 million, respectively. For details of the impact on our results of operation if the balance of non-interest bearing Connected Advances were interest-bearing, see "Business — Our source of funds — Our major fund providers — Connected Advances". Our operational results and profitability hinge on the net interest margin, primarily being the difference between the average effective interest rate of our loan products and the effective interest rate of our interest-bearing borrowings. In 2020, 2021 and 2022 and five months ended May 31, 2022 and 2023, our overall net interest margin was approximately 23.8%, 22.9%, 23.2%, 9.6% and 9.2%, respectively. In the meantime, the HIBOR 1-month interest rate increased from 2.25% to 4.71% during the Track Record Period which resulted in increase in our funding costs from 6.01% per annum to 8.76% per annum during the Track Record Period. As a result, our profitability and financial performance may be adversely affected by the increase in cost of funds, as we may not be able to fully transfer to our customers through raising of interest rate charged to our customers. For a discussion on the changes of our net interest margin during the Track Record Period, see "Financial Information — Results of Operations". As our loan products carry fixed interest rates but the majority of funds obtained and used in providing our loan products are loans we obtained from authorized institution which are based on the Hong Kong dollar prime rate or Hong Kong Inter-bank Offered Rate, any fluctuation of the prevailing market interest rate may erode into our net interest margin if we cannot pass it to our customers.

We periodically review and modify our risk-based pricing model, taking into consideration not only the borrower's credit risk but also other factors, particularly the prevailing market interest rates. If the market interest rates decrease after a loan is made, our borrowers may repay their loans in advance and transfer their loan accounts from us to our competitors or apply for a second loan from us with more favorable interest rates to take advantage of the lower prevailing rates, leading to lower interest income. If interest rates rise after a loan is made, we may lose the opportunity to take advantage of the higher rates. There is no assurance that we will continue to maintain the same net interest margin by virtue of securing funding from Independent Third Parties, particularly authorized institutions, at a commercially viable interest rate or at all. In the event that we are unable to acquire the required financing at competitive interest rates or at all, our business, results of operations, financial condition and prospects may be materially and adversely affected.

Our financial performance may be adversely affected as we shift away from obtaining financing from related parties to financing from independent fund providers.

During the Track Record Period, we received non-interest-bearing loans from Controlling Shareholders and their close associates to finance our money lending business. For details, please see "Business — Our source of funds — Our major fund providers — Loans from our Controlling Shareholders, connected persons and their respective associates" and "Appendix I — Accountant's Report Notes To The Historical Financial Information — Note 25". We will be financially independent from our Controlling Shareholders after [**REDACTED**]. We also intend to obtain more financing from Independent Third Parties after the [**REDACTED**], which would be in the form of interest-bearing borrowings, and/or raise funds from the capital market as part of our growth strategy. This could result in an increase in our finance costs and a reduction of our net interest margin, which could reduce our profit and materially and adversely affect our business, results of operations, financial condition and prospects.

If we or our debt collection agent cannot effectively and properly collect overdue loans, our business, results of operations and financial condition may be materially and adversely affected.

We rely on our frontline departments and debt collection agent to handle the collection of overdue loans. We also initiate legal proceedings for debt collection where necessary. Even though we carry out all these measures for debt collection, we may still not be able to collect overdue loans and may suffer losses. In addition, if any collection methods are determined as harassments, threats, forced collection or other improper activities, or if our debt collection agent uses any other aggressive measures in the collection process which are against the licensing conditions of the money lenders licence, we may be subject to complaints from public, lawsuits, penalties under the Money Lenders Ordinance of up to HK$100,000 and imprisonment for 2 years or other regulatory actions and may be prohibited from using these collection methods or suffer reputational damage, and our money lenders licence may also be revoked or suspended, depending on the severity of the breach. Our Directors or those managing our business may also be subject to a fine up to HK$10,000 and imprisonment for 6 months if the illegal debt collection was conducted with his consent or connivance or due to his neglect. If this happens and we fail to adopt alternative collection methods in a timely manner or the alternative collection methods are not effective, we may be unable to continue to effectively recover our loans, and our business, results of operations, financial condition and prospects may be materially and adversely affected. We have adopted internal control measures to monitor debt collection activities of our debt collection agent.See "Business — Risk Management and Internal Control — Loan collection" for more details.

Our business is affected by changes in the general economic, social political and legal landscape in Hong Kong.

Our business activities are based in Hong Kong and we are directly affected by any change or development in the local economic, social, political and legal situations as well as government policies in

Hong Kong. Such changes or developments are subject to numerous factors, such as the global economy and political conditions which are beyond our control. Events with adverse impact on borrowers' confidence and risk appetites, such as unemployment, travel restrictions and anything that will cause the Hong Kong economy to deteriorate, may lead to a reduction in borrowing behavior and in turn affect our business performance. Poor economic conditions also reduce our customers' ability to repay their obligations to us which reduces our interest income and size of our loan portfolio and increases our credit losses. Any adverse change in the local economic, social and political environment, such as the recent downturn of Hong Kong's economy, may lead to a prolonged period of sluggish market activities and a deterioration in investment and trading activities. Tighter financial conditions may impose constraints on SMEs' business operations and their financial performance, which may affect the credit rating of the SME borrower and in turn affect our credit assessment when deciding whether grant loans to SMEs, and if we are unable to grow the portfolio of our SME loans, it may in turn adversely affect our business, results of operations, financial conditions and prospects.

No securities were provided by our borrowers of our Unsecured Property Owner Loans and Personal Loans. As for the SME loans, we require the provision of a guarantee from the director and/or the shareholder of the borrower. We are heavily reliant on the credit of the borrowers and our credit risk management. Our credit assessment on our customers is based on historical information and behavior of the customers or information voluntarily provided by our customers. In respect of our Personal Loans, we rely on the prediction on the default probability and credit scores generated by our IDCM through analyzing credit data and behavior patterns according to certain pre-set parameters. In respect of our Unsecured Property Owner Loans, we review the applicant's credit history and the value of the property owned by the applicant. In respect of SME Loans, we conduct risk assessment primarily based on the applicant's operating history and financial condition as well as the credit assessment of the guarantor. All these review and analysis are conducted when the loans are being applied for. The accuracy of the parameters we set and the data we assess may not reflect subsequent changes and the accuracy of our credit assessment could be affected by changes in key macro factors. A slowdown in the Hong Kong economy may result in an over optimistic credit assessment result of our borrowers and any changes in the laws, regulations and social political may result in the inaccuracy of our pre-set parameters and assessment results, and may ultimately adversely affect our business performance.

For Unsecured Property Owner Loans, we generally have legal remedies to recover the overdue amount by way of registering a charging order on the property owned by the borrower and obtaining an order for sale. The value of properties owned by the borrowers may decline due to various factors, including those affecting the overall real estate market conditions in Hong Kong. There may be a shortfall between the outstanding amount and amount of sale proceeds of the property that is the subject of the order for sale, which would ultimately affect our business, results of operations and financial condition.

Our business may be affected by changes in laws and regulations applicable to the money lending industry, in particular the Money Lenders Ordinance.

Our business operation is regulated under the Money Lenders Ordinance and compliance with such regulation and all applicable laws is essential for us to carry on our business. Relevant regulatory authorities may from time to time amend the Money Lenders Ordinance or applicable laws or adopt new laws and regulations applicable to licensed money lenders in Hong Kong. Since December 30, 2022, the Statutory Limit was lowered from 60% per annum to 48% per annum, and the Presumed Extortionate Rate was lowered from 48% per annum to 36% per annum. We did not enter into any loan agreements with interest rate higher than 48% per annum throughout the Track Record Period and as of the Latest Practicable Date. Since December 30, 2022, we have entered into loan agreements with interest rate higher than 36% per annum. The presumption that loans with an interest rate exceeding the Presumed Extortionate Rate are extortionate is rebuttable, and the loan transaction is not extortionate if the court is satisfied that such rate is not unreasonable or unfair. For details of how we coped with the change in the Presumed Extortionate Rate, please see "Business — Key financial and operating metrics — Recent changes in the Presumed Extortionate Rate". If we are unable to rebut the presumption, the court may re-open the transaction so as to do justice between the parties and, for that purpose, make such orders/directions in respect of the terms of the transaction or rights of parties thereunder as it thinks fit. As a result, our business, results of operations, financial condition and prospects may be materially and adversely affected if we are unable to comply with requirements of applicable laws and regulations related to the money lending industry in Hong Kong, or if our loan agreements are considered extortionate by the court.

In the event that the Statutory Limit or Presumed Extortionate Rate is further lowered as a result of any change to the Money Lenders Ordinance and/or any relevant laws and regulations, thus limiting the interest rate we can offer to our customers, our business, results of operations, financial condition and prospects may be materially and adversely affected. Any changes to the current applicable laws or new laws related to our industry may require us to change our business practice or internal policy, and ultimately affect our results of operations and financial condition. For more details, see "Regulatory Overview — Money Lending — Licensing & Registration".

Our business and reputation could be adversely affected by negative publicity in relation to us, our management personnel, the Excluded Group or the money lending industry generally.

The corporate image and reputation of a licensed money lender is an important consideration for prospective borrowers when they decide whether to borrow from one licensed money lender over another or over the traditional banking sector more generally. The reputation of us, our management team and the money lending industry are therefore highly correlated to our success. Our business prospects and reputation could be adversely affected by negative media publicity, including the publication of derogatory or defamatory articles relating us, our management team, the Excluded Group or the money lending industry generally. Adverse publicity, which might deter prospective borrowers from borrowing from us or may cause existing borrowers to redeem their loans, may not only adversely affect our reputation but also our business, results of operations, financial condition and prospects. Furthermore, negative publicity may also affect our ability to raise additional funds from external parties.

We may be subject to litigation and regulatory investigations and proceedings and may not always be successful in defending ourselves against such claims or proceedings. Our business may be affected if we fail to obey relevant regulatory requirements or fail to obtain or renew approvals, licenses and permits from regulatory authorities.

During the Track Record Period and as of the Latest Practicable Date, we were not subject to any material litigation, non-compliance and claims. As of the Latest Practicable Date, we were not aware of any threat of any legal, arbitral or administrative proceedings against our Directors which is likely to have a material and adverse effect on our business, results of operations, financial condition and prospects. However, our business operations entail litigation and regulatory risks, including the risk of lawsuits and other legal actions relating to loan disputes, fraud and misconduct, sales and customer services and control procedures deficiencies, as well as the protection of personal and confidential information of our users. We may be subject to claims and lawsuits in the ordinary course of our business. We may be subject to inquiries, inspections, investigations and proceedings by relevant regulatory and other governmental agencies. Actions brought against us may result in settlements, injunctions, fines, penalties or other results adverse to us. Even if we are successful in defending ourselves against these actions, the costs of such defense may be significant to us. Complying with government regulations may require substantial expenses, and any non-compliance may expose us to liability. In case of any non-compliance, we may have to incur significant expenses and divert substantial management time to resolve any deficiencies. We may also experience adverse publicity arising from such non-compliance, which may negatively impact our corporate image. A significant regulatory action against us or a material disruption in our business arising from adverse adjudications in proceedings against our directors, officers or employees would have a material adverse effect on our business, results of operations, financial condition and prospects.

In addition, we may fail to or experience difficulties in obtaining necessary approvals, licenses and permits for our business. During the Track Record Period and as of the Latest Practicable Date, we obtained the Money Lenders License for our operating subsidiaries as required under the Money Lenders Ordinance, did not fail to renew our licenses, and our licenses have never been canceled, revoked, or suspended, and complied with relevant and applicable laws and regulations in Hong Kong in all material aspects. There can be no assurance that we will be able to obtain, renew and/or convert all of the approvals, licenses and permits required for our existing business operations upon expiration in a timely manner or at all. If we cannot obtain or maintain all licenses required to operate our business, our planned expansions may be delayed and our ongoing business could be interrupted. We may also be subject to fines and penalties. In particular, under the Money Lenders Ordinance, in order to carry a money lending business in Hong Kong, we are required to renew our Money Lenders Licenses from the Licensing Court on a yearly basis upon our satisfying all the licensing conditions set out in the Money Lenders Ordinance. There is no assurance that our Money Lenders Licenses can be renewed in a timely manner, which may affect our operations materially. In case of non-compliance with the Money Lenders Ordinance, we may be subject to penalty charges or prosecution for a criminal offense. This may lead to suspension or revocation of our Money Lenders Licenses and termination of our money lending business. For the latest status of our Money Lender Licenses as of the Latest Practicable Date, see "Business — License, Permits and Approvals".

Our failure to protect the confidential information of our customers may subject us to liabilities, administrative penalties or other regulatory actions imposed by data privacy and protection laws and regulations, and may negatively impact our reputation and deter borrowers from using our products and services.

We collect, store and process a large volume of personal and other sensitive data provided by our customers and other third party sources. Although we have taken various measures and adopted certain internal policies to protect the confidential information to which we have access, our security measures could still be breached. Confidential customer data may be leaked and used for unintended purposes in the event of any accidental or willful security breaches or other unauthorized access to our system, which may expose us to liability, administrative penalties or other regulatory actions related to the loss of information and damage our brand and reputation.

In recent years, the Hong Kong government tightened the regulations of the storage, sharing, use, disclosure and protection of personal data. Our collection, storing, and process of personal and sensitive data are regulated by the PCPD and regulated under PDPO, and all applicable laws and regulatory guides. PDPO has been amended in 2021 and 2022, and strictly requires data users to comply with some data protection principles, such as compliance with data access requests and data correction requests, erasure of data no longer required, taking specified action before using and providing personal data in direct marketing, and so on. In addition, the new MCRA platform, which allows the exchange of consumer credit data among participating credit providers, has been launched in November 2022 in Hong Kong and the existing proprietary channel of the pre-existing credit reference agency is scheduled for termination in August 2023. Hong Kong Monetary Authority has issued regulatory guides, such as IC-6 "The Sharing and Use of Consumer Credit Data through Credit Reference Agencies," to ensure the security, confidentiality, and integrity of consumer credit data expected to be exchanged within the platform. Our application to join the MCRA platform was accepted and we finished the implementation of leased line requested by platform operator. As of the Latest Practicable Date, we are working with our vendor on the system implementation. Nevertheless, we may be required to change our privacy policies or business practice according to laws relevant to data protection, such as PDPO, and regulation guidance issued by HKMA governing CRP participants.

During the Track Record Period, we have not received any data privacy related complaint and have not been subject to any data privacy related claim. However, we cannot assure our data privacy protection system will be considered sufficient under the applicable laws and regulations due to the uncertainty of the interpretation and implementation of the existing laws and regulations. Moreover, there could be new laws, regulations or industry standards that have new requirements on data or privacy protection. Complaints, claims or allegation on our inability to adequately address privacy concerns, or to comply with applicable privacy or data protection laws, regulations and privacy standards, even if unfounded, may expose us to liability, expenses, damage our reputation, discourage the use of our loan products and related services and harm our business, results of operations, financial condition and prospects.

Any undetected errors of or security breaches into our IT infrastructure, including cyberattacks, computer viruses, physical or electronic break-ins or similar disruptions, could adversely affect our business.

Our ability to deliver our services in a quality and timely manner depends on the satisfactory performance and reliability of our IT infrastructure and systems. The software and IT infrastructure on which we rely may now or in the future contain, undetected errors or bugs. Errors, malfeasance or design defects within the software and IT infrastructure on which we rely may result in a negative experience for the customers of our online services, delay introductions of new features or enhancements, result in errors or inaccuracy of data analysis, or compromise our ability to protect customers' data. Furthermore, our IT infrastructure may be vulnerable to significant accidents or natural disasters, such as fire, flood or earthquakes, or man-made problems, such as power outage, strikes, terrorism or cyberattacks. Our operations also depend on the systems of our third-party service providers, such as telecommunications carriers. Any occurrence of natural disasters or man-made problems on our or our third party providers' systems may cause lengthy interruptions to our services, and we may not have sufficient capacity to recover all data and restore services after the interruptions. If any serious errors, bugs or defects were to be discovered in our software or IT infrastructure, or the IT infrastructure that we use were to experience any significant disruptions, we may not be able to protect our confidential information, customer data or our intellectual property, or provide online services to borrowers in a timely and efficient manner, or we may be exposed to liabilities related to loss of information or time-consuming and expensive litigation and negative publicity, and in turn, our business, results of operations, financial condition and prospects may be materially and adversely affected. If any of these occurs, it could harm our reputation and reduce the attractiveness of our services to borrowers. During the Track Record Period, we did not experience any hacking of client accounts, technical malfunction, data leakage, unauthorized use and other incidents that lead to a material business disruption. We currently do not maintain business interruption insurance to compensate us for potentially significant losses, including potential harm to our business that may result from interruptions to our loan services.

We may not be able to detect and prevent errors, misconduct and illegal activities committed by our employees or third parties, which could harm our business and reputation.

During our daily operations, we may be exposed to errors, misconduct and illegal activities by our employees, other third parties that could subject us to financial losses and regulatory penalties and adversely affect our reputation. Although our internal control procedures are designed to monitor our operations and ensure overall compliance, it is not always possible to identify and deter all non-compliance incidents or suspicious activities in a timely manner or at all. The precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses.

Bribery, including acceptance of kickbacks, other illegal benefits or gains by our employees or third parties, such as our referral partners and agents and debt collection agent, in our ordinary course of business may be difficult to detect and the precautions we take to prevent and detect such activities may not be effective. If any of our employees engages in illegal or suspicious activities or other misconduct, we could suffer economic losses and may be subject to regulatory sanctions and significant legal liability, and our financial condition and ability to attract new borrowers may be adversely affected as a result.

Furthermore, we have no control on our business partners and cannot manage their internal data privacy policies and data protection measures. For instance, the credit reference system we use may not take adequate security measures to protect the credit data of data subjects or they may keep credit data without the consent from the data subjects, and hence our service provider may be subject to the violation the Personal Data (Privacy) Ordinance.

If any sanction was imposed against an employee during his employment with us or if external third parties that we engage are subject to inquiries, investigations and proceedings by relevant authorities, even for matters unrelated to us, we may be subject to negative publicity which could adversely affect our brand, public image and reputation, as well as potential challenges, suspicions, investigations or alleged claims against us.

Our business may be affected if prospective borrowers experience difficulty in distinguishing the brands of our Group and the Excluded Group.

The Excluded Group is also a licensed money lender in Hong Kong focusing on the Secured Loan Business. In spite of the distinctive branding, promotion and marketing strategies of the Group from those of the Excluded Group, prospective borrowers may experience difficulty in distinguishing the brands of our Group and the Excluded Group, and may not directly access the appropriate channels when they are making their loan applications. Notwithstanding effective business referral mechanism has been put in place such that the Excluded Group shall refer business opportunities from applicants applying for a secured private property loan which is within the Duplicated Loan Range to us, such applicants may not undergo the entire referral process or may decline our loan offer. Confusion amongst prospective borrowers may result in lost business opportunities for us, which may give rise to potential competition between our Group and the Excluded Group and adversely affect our business, results of operations, financial condition and prospects.

Our interest income for Unsecured Property Owner Loans may be adversely affected by the performance of the Hong Kong property market.

A majority of our interest income during the Track Record Period was derived from our Unsecured Property Owner Loans, and we take into account value of properties which our borrowers own in our credit assessment. Hence, our ability to provide a loan offer with competitive interest rate is expected to be correlated with the performance of the Hong Kong property market, which may be affected by local, regional and global factors, including economic and financial developments, speculative activities in local market, demand for and supply of properties, availability of alternative investment choices for property buyers, inflation, government policies, interest rates and the availability of capital. Numerous factors may affect the development of the market and, accordingly, it is very difficult to predict when and how significantly demand will develop. Any decline in the prices for properties in Hong Kong could affect the loan principal and interest rate we are willing to offer our borrower and proceeds that we can recover through selling the property if our borrower defaults, which would have a material and adverse impact on our cash flows, financial condition and results of operations.

Any initiatives of the HKMA to relax its supervisory requirements, such as the establishment of the "Banking Made Easy" taskforce may increase the competition between authorised institutions and us. Our business may be affected if the loan approval process for authorised institutions has shortened as our borrowers may decide to borrow from authorised institutions.

As part of HKMA's initiatives to promote smart banking in Hong Kong, HKMA has established a "Banking Made Easy" taskforce to identify and streamline regulatory frictions to smooth online customer journeys, and will focus on areas, namely remote onboarding, online finance and online wealth management. In particular, HKMA will allow authorised institutions to carve out a portion of their personal lending portfolio, in respect of which departure from conventional lending practices will be permitted. Therefore, we expect that authorised institutions will offer a smoother customer journey in the online environment since HKMA's supervisory requirements, such as those pertaining to the collection of borrowers' income and address proof have been relaxed.

If the approval process of unsecured loans of authorized institution speeds up as a result of such initiatives, our borrowers may decide to borrow from authorized institutions instead of licensed money lenders like us, and our business, results of operations, financial condition and prospects may be adversely affected.

We face certain risks associated with the outbreak of COVID-19.

The outbreak of COVID-19 has had a negative impact on global and local economy. It has, for example, caused the unemployment rates to increase in Hong Kong, led to a weak consumption market and negatively affected the local economic condition, which in turn led to a difficult operating environment for businesses, especially SMEs. If our borrowers fail to repay their obligations to us, our bad debt ratio may increase and our business, results of operations, financial condition and prospects may be negatively impacted. During the Track Record Period, we have tightened our credit risk management policy which also made us lose certain business opportunities and had an adverse effect on our business performance. For details, see "Business — Risk Management and Internal Control — Credit risk management — Credit Risk Management for COVID-19 Outbreak".

In addition, the ongoing concern regarding COVID-19, particularly in relation to restrictions on social distancing and travelling, may also disrupt our operations. During the Track Record Period, when our employees contracted, or were suspected of contracting, COVID-19, we had to quarantine some or all of our employees and shorten our operating hours. For details, see "Summary — Impact of outbreak of COVID-19 on our business". While COVID-19 preventive measures, including social distancing and quarantine, have been loosen recently, we cannot guarantee that more restrictive measures will not be readopted in future. The extent to which COVID-19 impacts our business, results of operations, financial condition and prospects will depend on future developments, which is highly uncertain and cannot be predicted. Where COVID-19 becomes more severe or more restrictive measures are imposed, it may have a negative impact on our business plans and strategies, as well as our business, results of operations, financial condition and prospects.

If our partner for the proposed loan participation scheme does not participate according to the terms, our risk exposure may be enlarged, which may adversely affect our business, financial condition and results of operation.

As of the Latest Practicable Date, we are in the process of negotiating a loan participation scheme with a subsidiary of a Japanese financial institution. However, we cannot assure you that the cooperation thereunder will be successful. If the Partner fails to contribute its proportion of a relevant loan that has already been approved and granted by us, we will need to bear the proportion which is supposed to be contributed by our partner, and as a result, we may not be able to fully utilize our financial resources in hand to provide loans which are profitable for us, or may need to seek additional source of funding which we find appropriate, accordingly our business, financial condition or results of operations could be adversely affected.

Any failure to protect our intellectual property or inappropriate use of our intellectual properties could harm our business, competitive position and our reputation.

We rely on a combination of intellectual property laws regarding trade secrets, trademarks and other rights, as well as agreements with our employees and other third parties that impose confidentiality obligations, to protect our proprietary rights. For details relating to our intellectual property rights, see "Appendix IV — Statutory and General Information — B. Further information about our business — 3. Our material intellectual property rights". These measures may be inadequate to protect any of our intellectual property rights from being challenged, invalidated, circumvented, infringed or misappropriated by third parties.

Our intellectual properties comprise registered trademarks and domain names. If we fail to protect these intellectual properties from being inappropriately used by unauthorized third parties, our business and reputation could be adversely affected. For instance, if an unauthorized third party uses our trademark to provide unlawful loans to borrowers, we may get into disputes and be associated with a negative company image. It is often difficult or costly to effectively protect intellectual property rights or to enforce contractual rights. In the event that we resort to litigation to enforce our intellectual property rights, such litigation could be costly, time-consuming and distracting to our management. We can provide no assurance that we will prevail in such litigation. Any failure in protecting or enforcing our intellectual property rights could have a material adverse effect on our business, results of operations, financial condition and prospects.

We have established business collaborations in different areas of our operations. Failure to maintain our relationship with these business partners may materially and adversely affect our business, results of operations, financial condition and prospects.

We have established collaborations with our business partners in different areas of our operations. In particular, we worked with a global technology services provider to develop our unique Credit Modeling System which takes into account behavior patterns of our applicants and specific parameters determined by us based on our experience, industry knowledge and modeling capabilities. We collaborate with a credit reference agency to perform credit assessment based on, to a significant extent, data provided by the credit reference agency which assists us in making lending decisions. We also engaged GRG HT (HK) Co., Limited, a leading ATM manufacturer headquartered in China, to develop our VTMs in various phases, which we believe are pioneering in the Hong Kong money lending market. In addition, our connected person, Modern Creative, provides us with debt collection services. The process of business collaboration fosters trust with our business partners for ongoing and deeper cooperation. If we fail to maintain our business relationship with these business partners or locate any alternative service providers on acceptable terms or at all, our business, results of operations, financial condition and prospects may be materially and adversely affected.

If restrictions regarding the mortgage of properties by HOS Property Owners are removed, our borrowers may be able to obtain other kinds of financing, which may adversely affect our business, results of operations, financial condition and prospects.

Owners of the Restricted HOS Properties choose our Unsecured Property Owner Loans because they must pay a premium to the Housing Authority before they can let, sell or assign their properties. Further, HOS Property Owners who wish to mortgage or re-mortgage their properties within the restriction period set by Housing Authority, or after the said period without paying the premium, must obtain prior approvals from the Director of Housing. Unless owners of HOS Properties pay a premium to remove the alienation restriction, they would not be eligible for applying mortgage loan, hence some of them would choose our Unsecured Property Owner Loans.

If restrictions regarding the mortgage of properties by HOS Property Owners are removed, competition amongst licensed money lenders, as well as between licensed money lenders and authorised institutions will intensify since our borrowers may be able to obtain other kinds of financing, such as mortgage loans provided by authorised institutions or the Excluded Group, and our borrowers may be able to drawdown larger loan principal and pay a lower interest rate if they offer their HOS Property as collateral. Our business, results of operations, financial condition and prospects may be affected if we are unable to maintain our competitive advantage.

Our business is affected by global interest rate volatility.

The volatility of global interest rate will lead to instability of financial institutions and systems. In particular, central banks have been increasing the interest rates during 2022 in the attempt to curb further inflation. Along with the interest rate hikes, the HIBOR for the interest period of 1 month increased from 0.12% in January 2022 to 5.36% in September 2023, indicating a rising borrowing cost for industry players in the licensed money lending market. The money lending market may show strains as borrowers may become more risk-averse amid heightened economic and policy uncertainty, which may adversely affect our interest income. For SMEs, higher borrowing costs and diminished fiscal support will affect the repayment ability of our SME borrowers. On the other hand, our interest expenses, which is affected by our borrowing costs, may increase as a result of the recent global interest rate hikes, and further erode our interest margin. Where the global interest rate become more uncertain, it may have a negative impact on our business plans and strategies, as well as our business, results of operations, financial condition and prospects.

Our success depends on the continuing efforts of our executive Directors and other key personnel, and our business may be harmed if we lose their services.

Our future success depends on, to a certain extent, the continuing services and performance of our key management personnel. We must continue to attract, retain and motivate a sufficient number of qualified management and operating personnel. If our executive Directors fail to work together successfully, or if one or more of them are unable to effectively implement our business strategy, we may be unable to grow our business at the speed or in the manner which we expect. Competition for experienced management and operating personnel in the money lending industry is strong, while the pool of qualified candidates is limited. We may not be able to retain the services of our key management and operating personnel or attract and retain high quality senior executives or key personnel in the future. In addition, if one or more of our key personnel are unable or unwilling to continue in their present positions, we may not be able to replace them easily or at all. Therefore, our business may be disrupted and our results of operations may be materially and adversely affected. In addition, if any member of our key personnel joins a competitor or forms a competing business, we may lose business secrets and know-how as a result. Any failure to attract, retain and motivate these key personnel may negatively impact our business, results of operations, financial condition and prospects.

Our business may be affected if there are new laws and regulations to prevent over-spending by youngsters

Technological advancements has brought innovations in payment methods. Despite being still at the initial stage of development in Hong Kong, BNPL products are gaining popularity among the consumers, especially the youngsters. Currently, the HKMA requires authorised institutions to implement consumer protection measures when they are marketing their BNPL products. The Hong Kong Government has also been promoting the importance of prudent borrowing which includes avoiding overspending, having due regard to personal financial situation and repayment ability, avoiding piling up of debts, etc., through public education activities.

According to the Money Lenders Ordinance, any person (including companies) who lends money in the ordinary course of business with interest or fees needs to obtain a money lenders license, and comply with the regulatory requirements under the licensing conditions. This includes BNPL providers that offer interest-free or low-interest installment payments for a fixed period. If future laws promulgated and licensing conditions imposes restrictions on the individuals or youngsters from over-spending in any manner, such as by restricting the provision of loans through BNPL services to the youngsters, and if any similar restrictions are imposed on the BNPL services that we will be launching, our loan products might decrease, and may adversely affect our business, financial condition or results of operations.

Our business could be adversely affected by difficulties in employee recruitment and retention.

Our continued success depends in part on our ability to attract, motivate and retain a sufficient number of qualified employees for our business. We rely on our employees to upgrade and operate the various technologies used in the ordinary course of our lending business. Without adequate IT talents, we may not be able to maintain our competitiveness in respect of technologies. We cannot assure you that we will be able to recruit or retain a sufficient number of qualified employees for our business. Any material increases in employee turnover rates and any failure to recruit skilled personnel and to retain key staff due to factors such as failure to keep up with market average employee salary levels may make it difficult for us to continue our operations or implement our growth strategy. Any increased labor costs due to factors such as competition, increased minimum wage requirements and employee benefits would adversely impact our operating costs. Any of the above could materially and adversely affect our business, results of operations, financial condition and prospects.

Our historical financial and operating results are not indicative of future performance, and we may not be able to achieve and sustain the historical level of revenue and profitability.

Our historical results and growth may not be indicative of our future performance. Our financial and operating results may not meet the expectations of [**REDACTED**], which could cause the [**REDACTED**] of our Shares to decline. Our revenues, expenses and operating results may vary from period to period in response to a variety of factors beyond our control. These factors can include general economic conditions, special events, government regulations, policies affecting money lending companies in Hong Kong, and our ability to control costs and operating expenses. In addition, we expect to recognize some of our expenses related to the [**REDACTED**] for the year ending December 31, 2023, which will impact our net profit. Investors should not rely on our historical results to predict the [**REDACTED**] of our Shares.

Our business is subject to risks of natural disasters, health epidemics and other unforeseeable calamities, which could significantly disrupt our operations.

In addition to COVID-19, we are vulnerable to various unforeseeable natural disasters and calamities. Natural disasters, such as fire, floods, typhoons, earthquakes may cause serious interruption to the daily lives of Hong Kong borrowers and the operation of our business. Wars, terrorist attacks, telecommunications failures, break-ins or other similar events may give rise to delays, loss or corruption of data or malfunctions of our technologies as well as adversely affect our ability to provide products and services to our customers. Epidemics, such as the Ebola virus disease, the H1N1 flu, the avian flu and so on, could disrupt our business operations if any of our employees is infected or is suspected of having contracted such diseases. Furthermore, our operations may experience material disruptions if any lockdown caused by epidemics was to occur in Hong Kong.

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for our Shares, and an active trading market may not develop.

Prior to the [**REDACTED**], there has been no public market for our Shares. The initial [**REDACTED**] of our Shares, and the [**REDACTED**], will be the result of negotiations between the [**REDACTED**] (for itself and on behalf of the [**REDACTED**]) and us. In addition, while we have applied to have our Shares [**REDACTED**] on the Stock Exchange, there can be no guarantee that (i) an active trading market for our Shares will develop; or (ii) if it does, that it will be sustained following the completion of the [**REDACTED**]; or (iii) that the [**REDACTED**] of our Shares will not decline below the [**REDACTED**]. You may not be able to resell your shares at a price that is attractive to you or at all.

The price and trading volume of our Shares may be volatile which could result in substantial losses

The price and trading volume of our Shares may be volatile. The [**REDACTED**] of our [**REDACTED**] may fluctuate significantly and rapidly as a result of the following factors, among others, some of which are beyond our control:

- investors' protection of our Group and our future business plan;
- variations in our results of operations (including variations arising from foreign exchange rate fluctuations);
- changes to our Group's management personnel;
- changes in securities analysts' estimates of our financial performance;
- the depth and liquidity of the market for the Shares;
- announcement by us of significant acquisitions, greenfield developments, strategic alliances or joint ventures;
- fluctuations in stock [**REDACTED**] and volume;
- involvement in litigation; and
- general economic and stock market conditions.

Since there will be a gap of several days between pricing and trading of our [REDACTED], holders of our Shares are subject to the risk that the price of our [REDACTED] could fall during the period before trading of our [REDACTED] begins.

The [**REDACTED**] of our [**REDACTED**] is expected to be determined on the [**REDACTED**]. However, our [**REDACTED**] will not commence trading on the Stock Exchange until they are delivered, which is expected to be several Business Days after the pricing date. As a result, investors may not be able to sell or deal in our [**REDACTED**] during that period. Accordingly, holders of our Shares are subject to the risk that the price of our [**REDACTED**] could fall before trading begins as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins.

Future sale or major divestment of Shares by our Controlling Shareholders could materially and adversely affect the prevailing [REDACTED] of our [REDACTED].

The [**REDACTED**] of a significant number of our [**REDACTED**] in the public market after the [**REDACTED**], or the possibility of such sales, by our Controlling Shareholders could materially and adversely affect the [**REDACTED**] of our [**REDACTED**] and could materially impair our future ability to raise capital through [**REDACTED**] of our [**REDACTED**]. Although our Controlling Shareholders have agreed to a lock-up on their Shares, any major disposal of our [**REDACTED**] by any of our Controlling Shareholders upon expiry of the relevant lock-up periods (or the perception that these disposals may occur) may cause the prevailing [**REDACTED**] of our [**REDACTED**] to fall, which could negatively impact our ability to raise equity capital in the future.

Our interests may conflict with those of our Controlling Shareholders, who may take actions that are not in, or may conflict with, our or our [REDACTED] best interests.

Immediately following the [**REDACTED**], our Controlling Shareholders will, in aggregate, beneficially own [**REDACTED**] of our Company's outstanding shares on a fully-diluted basis, or approximately [**REDACTED**] if the [**REDACTED**] is exercised in full. The interests of our Controlling Shareholders may differ from the interests of our other Shareholders. If the interests of our Controlling Shareholders conflict with the interests of our other Shareholders, or if our Controlling Shareholders cause our business to pursue strategic objectives that conflict with the interests of our other Shareholders, the non-controlling Shareholders could be disadvantaged by the actions that our Controlling Shareholders choose to cause us to pursue.

Our Controlling Shareholders could have significant influence in determining the outcome of any corporate transaction or other matter submitted to the Shareholders for approval, including but not limited to mergers, privatizations, consolidations and the sale of all, or substantially all, of our assets, election of directors, and other significant corporate actions. Our Controlling Shareholders have no obligation to consider the interests of our Company or the interests of our other Shareholders other than pursuant to the non-competition undertakings provided in our favour. For more details, see "Relationship with our Controlling Shareholders — Non-competition Undertakings by our Controlling Shareholders". As such, our Controlling Shareholders' interests may not necessarily be in line with the best interests of our Company or the interests of our other Shareholders, which may have a material and adverse effect on our Company's business operations and the price at which our [**REDACTED**] are traded on the Stock Exchange.

There can be no assurance that we will declare or distribute any dividend in the future.

Subject to the Companies Act and the Articles, we may declare dividends, but no dividends shall exceed the amount recommended by our Board. We may also from time to time pay to our Shareholders such interim dividends as appear to our Board to be justified by the financial conditions and the profits of our Company, and may in addition from time to time declare and pay special dividends of such amounts and on such dates and out of such distributable funds of our Company as we think fit.

Any decision to pay dividends will be made having regard to factors such as the results of operations, financial condition and position, and other factors deemed relevant by our Board. Any distributable profits that are not distributed in any given year may be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be reinvested in our operation. There can be no assurance that we will be able to declare or distribute any dividends in the future. Our future declarations of dividends will be at the absolute discretion of our Board.

Certain statistics contained in this document are derived from publicly available official government sources.

This document includes information and statistics relating to the money lending industry and markets. For more details, see "Summary", "Industry Overview" and "Business". Certain information and statistics have been derived from various official government sources. The information derived from various official government sources has not been independently verified by us, the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], the Joint Sponsors, the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], any of our or their respective directors, officers or representatives, or any other person involved in the [**REDACTED**], and no representation is given as to its accuracy. We cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy, as the case may be, in other jurisdictions.

Therefore, you should not unduly rely upon the industry facts and statistics contained in this document.

[REDACTED] should read the entire document carefully and should not consider any particular statements in this document or in published media reports without carefully considering the risks and other information contained in this document.

Prior to the publication of this document, there has been coverage in the media regarding us and the [**REDACTED**], which contained, among other things, certain financial information, projections, valuations and other forward-looking information about us and the [**REDACTED**]. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for the accuracy or completeness of such media coverage or forward-looking statements. We make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media. We disclaim any information in the media to the extent that such information is inconsistent or conflicts with the information contained in this document. Accordingly, [**REDACTED**] are cautioned to make their investment decisions on the basis of the information contained in this document only and should not rely on any other information.

Forward-looking statements contained in this document are subject to risks and uncertainties.

This document contains certain statements and information that are forward-looking and uses forward-looking terminology such as "anticipate", "believe", "could", "going forward", "intend", "plan", "project", "seek", "expect", "may", "ought to", "should", "would" or "will" and similar expressions. You are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations or warranties by us that our plans and objectives will be achieved, and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. Subject to the requirements of the Listing Rules, we do not intend to publicly update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to this cautionary statement.

Purchasers of our Shares in the [REDACTED] will experience immediate dilution and may experience further dilution if we issue additional Shares in the future.

The [**REDACTED**] of our Shares is higher than the net tangible asset value per Share immediately prior to the [**REDACTED**], and therefore [**REDACTED**] will experience an immediate dilution when they purchase our Shares in the [**REDACTED**].

In order to expand our business, we may consider [**REDACTED**] and issuing additional Shares in the future. Purchasers of our Shares may experience further dilution in the net tangible asset value per Share of their Shares if we issue additional Shares in the future at a price that is lower than the net tangible asset value per Share.

There may be difficulties in protecting your interests under the laws of the Cayman Islands.

Our corporate affairs are governed by, among other things, our Memorandum of Association, Articles of Association, the Companies Act and common law of the Cayman Islands. The rights of Shareholders to take action against our Directors, actions by minority shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in other jurisdictions. Such differences may mean that the remedies available to the minority shareholders may be different from those they would have under the laws of other jurisdictions.

In preparation for the [**REDACTED**], we have sought the below waiver from strict compliance with the relevant provisions of the Listing Rules.

CONTINUING CONNECTED TRANSACTION

We [have entered] into, and are expected to continue after the [**REDACTED**], a transaction which would constitute a continuing connected transaction of our Company under the Listing Rules upon [**REDACTED**]. We have applied to the Stock Exchange for, and the Stock Exchange [has granted] us, a waiver pursuant to Rule 14A.105 of the Listing Rules from strict compliance with the announcement requirement under Chapter 14A of the Listing Rules for such partially-exempt continuing connected transaction. Further details of such partially-exempt continuing connected transaction and the waiver are set out in "Connected Transaction".

[REDACTED]

[**REDACTED**]

[REDACTED]

DIRECTORS

Name	Residential address	Nationality
Executive Directors		
Mr. Lee Kun Tai Steven (李根泰)	Apartment A, 2/F Hollywood Heights 6 Old Peak Road Mid-levels Hong Kong	Chinese
Ms. Wong Cheuk Sze (黃卓詩)	Flat A, 61/F Tower 8 The Palazzo Shatin Hong Kong	Chinese
Non-executive Directors		
Mr. Lee Sheung Shing (李常盛)	Apartment A, 2/F Hollywood Heights 6 Old Peak Road Mid-levels Hong Kong	Chinese
Ms. Lee Pik Tsong (李碧葱)	Apartment A, 2/F Hollywood Heights 6 Old Peak Road Mid-levels Hong Kong	Chinese
Ms. Chan Wing Sze (陳詠詩)	Flat B, 17/F, Tower 3 Altissimo 11 Yiu Sha Road Hong Kong	Chinese
Ms. Kan Pui Yan (簡珮茵)	Flat E, 7/F., Block T10 Yee Qun Mansion 37 Tai Hong Street Sai Wan Ho Hong Kong	Chinese

Name	Residential address	Nationality
Independent non-executive Directors		
Prof. Hung Wai Man *JP* (洪爲民)	Flat D, 14/F Maple Mansion Taikoo Shing Quarry Bay Hong Kong	Chinese
Mr. Mak Wing Sum Alvin (麥永森)	Flat D, 16/F Wealthy Heights 35-37 MacDonnell Road Hong Kong	Canadian
Mr. Leung Ka Cheung (梁家昌)	Flat A, 7/F, Block 15 Providence Peak 8 Fo Chun Road Tai Po New Territories Hong Kong	Chinese

For details, see "Directors and Senior Management".

PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors	**DBS Asia Capital Limited** 73/F The Center 99 Queen's Road Central Hong Kong
	Ping An of China Capital (Hong Kong) Company Limited Units 3601, 07 &11-13, 36/F The Center 99 Queen's Road Central Hong Kong

[**REDACTED**]

Financial adviser to our Company	**CCB International Capital Limited** 12/F CCB Tower 3 Connaught Road Central Central, Hong Kong
Legal advisors to our Company	*As to Hong Kong law:* **King & Wood Mallesons** 13/F The Gloucester Tower The Landmark 15 Queen's Road Central Central Hong Kong *As to Hong Kong regulatory and compliance matters:* **Mr. Matthew Ho** *Barrister-at-law, Hong Kong* 10/F New Henry House 10 Ice House Street Central Hong Kong *As to Cayman Islands law:* **Conyers Dill & Pearman** Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands

Legal advisors to the Joint Sponsors and the [REDACTED]

As to Hong Kong law:
Deacons
5/F
Alexandra House
18 Chater Road
Central
Hong Kong

As to Hong Kong regulatory and compliance matters:
Ms. Queenie Ng
Barrister-at-law, Hong Kong
2203 A & B,
Fairmont House
8 Cotton Tree Drive
Central
Hong Kong

Auditor and reporting accountant

PricewaterhouseCoopers
Certified Public Accountants and Registered Public Interest Entity Auditor
22/F, Prince's Building
Central
Hong Kong

[**REDACTED**]

Industry consultant

Frost & Sullivan
Suite 3006, Two Exchange Square
8 Connaught Place
Central
Hong Kong

CORPORATE INFORMATION

Registered Office	**Conyers Trust Company (Cayman) Limited** Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarters and Principal Place of Business in Hong Kong	17/F, Wheelock House 20 Pedder Street Central Hong Kong
Company's Website	www.kcash.hk *(Note: the information on this website does not form part of this document)*
Company Secretary	**Ms. Lai Siu Kuen** *(FCG, HKFCG)* 5/F, Manulife Place 348 Kwun Tong Road Kowloon Hong Kong
Authorized Representatives	**Ms. Lai Siu Kuen** 5/F, Manulife Place 348 Kwun Tong Road Kowloon Hong Kong **Mr. Lee Kun Tai Steven** 17/F, Wheelock House 20 Pedder Street Central Hong Kong
Audit Committee	Mr. Leung Ka Cheung *(Chairman)* Prof. Hung Wai Man *JP* Mr. Mak Wing Sum Alvin
Remuneration Committee	Prof. Hung Wai Man *JP (Chairman)* Mr. Lee Kun Tai Steven Mr. Lee Sheung Shing Mr. Mak Wing Sum Alvin Mr. Leung Ka Cheung
Nomination Committee	Mr. Lee Sheung Shing *(Chairman)* Mr. Lee Kun Tai Steven Prof. Hung Wai Man *JP* Mr. Mak Wing Sum Alvin Mr. Leung Ka Cheung

Independent Business Opportunity Assessment Committee	Mr. Mak Wing Sum Alvin *(Chairman)* Ms. Wong Cheuk Sze Prof. Hung Wai Man *JP* Mr. Leung Ka Cheung
	[**REDACTED**]
Compliance Advisor	**China Everbright Capital Limited** 12th Floor Everbright Centre 108 Gloucester Road Wan Chai Hong Kong
Principal Bankers	**DBS Bank (Hong Kong) Limited** 11/F, The Center 99 Queen's Road Central Hong Kong
	The Bank of East Asia, Limited Bank of East Asia Building 10 Des Voeux Road Central Hong Kong

The information contained in this section and elsewhere in this Document have been extracted from various official government publications, available sources from public market research and other sources from independent suppliers, and from the independent research report prepared by Frost & Sullivan. We engaged Frost & Sullivan to prepare an independent industry report in connection with the* [REDACTED]*. The information from official government sources has not been independently verified by our Company, the Joint Sponsors, the* [REDACTED]*, the* [REDACTED]*, the* [REDACTED]*, the* [REDACTED]*, the* [REDACTED] *and the* [REDACTED] *or any of our or their respective directors and advisers, or any other persons or parties involved in the* [REDACTED]*, and no representation is given as to its accuracy.

SOURCE OF INFORMATION

We have commissioned Frost & Sullivan, an independent market research and consulting company, to conduct an analysis of, and to prepare a report on the Licensed Money Lending and BNPL Market. The report prepared by Frost & Sullivan for us is referred to in this [**REDACTED**] as Industry Report. We agreed to pay Frost & Sullivan a fee of HK$450,000 which we believe reflects market rates for reports of this type.

Founded in 1961, Frost & Sullivan has 40 offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists globally. Frost & Sullivan's services include technology research, independent market research, economic research, corporate best practices advising, training, client research, competitive intelligence, and corporate strategy.

We have included certain information from the Industry Report in this [**REDACTED**] because we believe this information facilitates an understanding of the Licensed Money Lending and BNPL Market for the [**REDACTED**]. The Industry Report includes information of the Licensed Money Lending and BNPL Market as well as other economic data, which have been quoted in the [**REDACTED**]. Frost & Sullivan's independent research consists of both primary and secondary research obtained from various sources in respect of the Licensed Money Lending and BNPL Market. Primary research involved in-depth interviews with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database. Projected data were obtained from historical data analysis plotted against macroeconomic data with reference to specific industry-related factors. Except as otherwise noted, all the data and forecasts contained in this section are derived from the Industry Report, various official government publications and other publications.

In compiling and preparing the research, F&S assumed that the social, economic, and political environments in the relevant markets are likely to remain stable in the forecast period, which ensures the steady development of the Licensed Money Lending and BNPL Market in Hong Kong.

OVERVIEW OF LICENSED MONEY LENDING MARKET IN HONG KONG

Definition and Classification

In Hong Kong, the scope of money lending services primarily includes (i) personal loans; (ii) business loans such as SME loans; and (iii) mortgage loans including first and subordinated mortgage loans.

Personal loans refer to loans and advances granted for personal use and purpose such as consolidating debt, paying for unexpected expenses, etc. Mortgage loans require borrowers to provide properties as collateral and the amount of mortgage loans primarily depends on the value of the property collateral.

Business loans are loans granted to SMEs and corporations facing liquidity issues. Loans granted may be used to manage short-term operational cash flows, facilitate business expansion or purchase machinery and equipment. Large amounts of loans are usually required to be backed by collaterals including properties, shares, accounts receivables, invoices, etc.

There are two major types of legal money lenders in the money lending industry, namely authorized institutions and licensed money lenders. Major differences between authorized banks and licensed money lenders lie in interest rate and operation flexibility. Licensed money lenders usually charge a higher interest rate compared to banks and enjoy a greater operation flexibility in terms of loan sizes, requirement of income proof, types of collaterals and approval process.

- ***Authorized institutions*** include licensed banks, restricted license banks and deposit-taking companies, regulated by the HKMA and governed under the Banking Ordinance. Authorized institutions take up the largest share of the money lending industry in Hong Kong and offer loan products such as personal loans, corporate loans, mortgage loans, credit card facilities, etc. The market share in terms of turnover of loans and advances taken by authorized institutions in the entire unsecured money lending market is approximately 95.9% in 2022.

- ***Licensed money lenders*** are governed by Money Lenders Ordinance and offer an alternative source of financing for small and medium enterprises (SMEs) and individuals with financial needs outside the banking system. The scope of money lending services includes personal loans such as mortgage loans and credit card loans, and corporate loans. The market share in terms of turnover of loans and advances taken by licensed money lenders in the entire unsecured money lending market is approximately 4.1% in 2022.

Loan products can be categorized by types of borrowers and whether collateral is pledged against the loan, namely secured loans and unsecured loans. According to type of borrower, unsecured loans can be categorized into unsecured personal loan, unsecured property owner loan and unsecured SME loan.

Authorized institutions have traditionally served prime borrowers who meet strict underwriting criteria. With large deposit base and access to capital markets, authorized institutions can offer lower interest rates due to their lower cost of funds. However, they generally have a lower risk tolerance and avoid lending to subprime borrowers. Though expanding into near-prime segments in recent years, authorized institutions still conduct stringent credit checks and lengthy income verification compared to licensed money lenders.

Licensed money lenders retain key advantages stemming from their specialization in high-risk lending, the infrastructure to provide quick loans with minimal paperwork, as well as the flexible assessment procedures, which enable licensed money lenders to serve borrowers with urgent financing needs who may not have the time for authorized institutions to process their loan applications. With their focus on speed and accessibility, licensed money lenders fill an important niche and source of credit for underbanked segments in Hong Kong. Overall, authorized institutions compete based on lower rates from cost advantage, while licensed money lenders compete on flexibility, speed and serving subprime borrowers.

Core Competence of Licensed Money Lenders

Licensed money lenders compete with authorized institutions by offering more flexible, easier, and faster access to unsecured loans and willingness to lend to higher-risk borrowers. Below sets out the key core competence of licensed money lenders over authorized institutions.

- ***Flexibility and ease of access:*** Licensed money lenders typically have much more flexible requirements and a simpler application process for unsecured loans compared to banks. They can approve loans more quickly with fewer documentation requirements. This appeals to borrowers who need fast and easy access to funds. In Hong Kong, it is estimated that the application of unsecured personal loan in authorized institution such as licensed banks takes on average one week to process, whereas it can possibly take one day and up to five days for licensed money lenders to process the loan application, considering an unsecured personal loan value of less than HK$200,000, which is attributable to the developed backend database platform and the streamlined internal approval procedure.

- ***Willingness to lend to higher-risk borrowers:*** Money lenders tend to provide lower threshold to borrow for borrowers with relatively mediocre or limited credit histories, irregular incomes, or other risk factors that would likely disqualify them from getting a bank loan, which may involve a notable amount of individuals and SMEs.

- ***Niche focus and customisation:*** The niche focus allows money lenders to tailor their products, process, and service specifically to the needs of their target borrower groups.

Value Chain

Upstream of the licensed money lending market includes regulatory and supervision bodies which stipulate regulatory regime such as the Money Lenders Ordinance. Licensing Court is responsible for determination of applications for and granting of money lender's licenses, registrar of Money Lenders is responsible for processing applications for money lender's licences, renewal of licences and endorsement on licences. Commissioner of Police is responsible for enforcing the Money Lenders Ordinance, including carrying out examinations on applications for money lenders licences, renewal of licences and endorsements on licences; and investigations of complaints against money lenders. Financing service providers are the suppliers to provide funding for midstream licensed money lenders.

Licensed money lenders are required to obtain the Money Lender's Licence and renew it annually before carrying on money lending business. Loan approval process of licensed money lenders starts when they receive the application. Licensed money lenders will collect personal or corporate information of the borrower and conduct review and assessment. For mortgage loans, licensed money lenders will review and conduct valuation of the collateral. Based on the credit score, business performance, and valuation of collateral, licensed money lenders will decide the amount to be granted and details such as interest rate, repayment conditions and period of the loan.

Value and Turnover of Advances Granted by Licensed Money Lenders

Total value of loans and advances granted by licensed money lenders in Hong Kong, including unsecured and secured loan, has grown steadily during 2017 to 2022 with a CAGR of 2.9%, reaching HK$49.5 billion by the end of 2022. Supported by the growth of economy and increasing financing needs of individuals, licensed money lending market in Hong Kong has experienced an upward trend in terms of outstanding value and number of market participants. Personal loans took up a larger share of licensed money lending and enjoyed a higher CAGR of approximately 3.1% from 2017 to 2022.

In line with the expanding value of loans and advances granted by licensed money lenders in Hong Kong, turnover of advanced granted pursuant to secured and unsecured loans has shown a considerable growth from HK$10.0 billion in 2017 to HK$10.9 billion in 2022, representing a CAGR of approximately 2.2% from 2017 to 2022. Due to the rising financing needs from consumers, turnover of personal loans and advances has experienced a CAGR of approximately 1.8% from 2017 to 2022, recording HK$7.2 billion by the end of 2022. Turnover of corporate loans has also shown a steady growth from HK$3.4 billion in 2017 to HK$3.7 billion in 2022, representing a CAGR of approximately 1.7%.

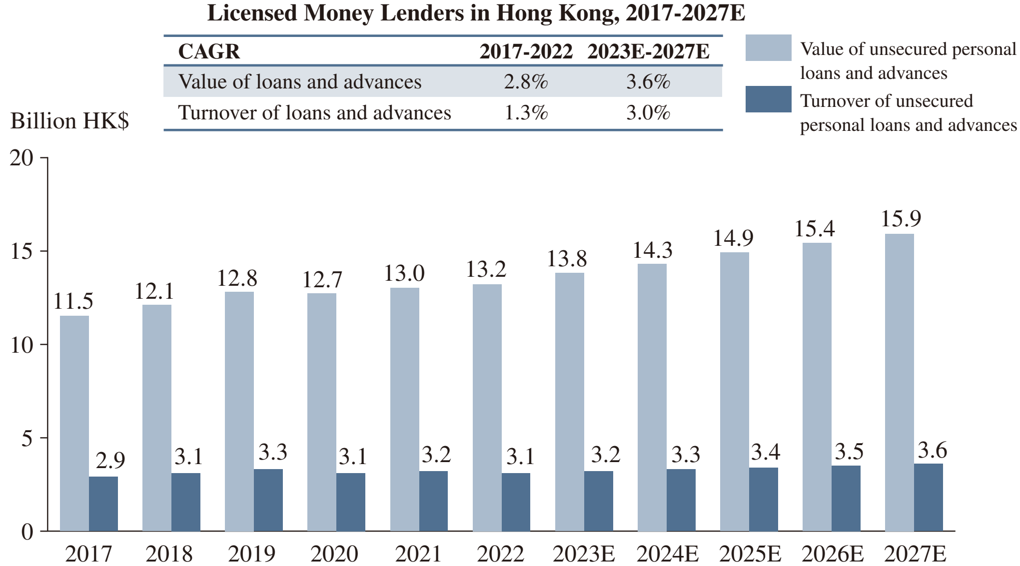
Value and Turnover of Unsecured Personal Loans and Advances Granted by Licensed Money Lenders

In the licensed money lending industry, it is estimated that over 70% of the licensed money lenders are engaged in the provision of unsecured financing, including unsecured personal loans, unsecured property owners loan and unsecured SME loans, while the secured financing accounts for the remaining 30%. Unsecured personal loans have experienced steadily growth during 2017 to 2022, stimulated by the increasing income and expenditure of consumers. In particular, the nominal per capita gross national income has increased from HK$375,400 to HK$404,100 from 2017 to 2022, representing a CAGR of approximately 2.5%, while the average monthly household expenditure has increased from HK$27,600 in 2015 to HK$30,200 in 2020, representing a CAGR of approximately 1.8%. Total value of unsecured personal loans and advances rises from HK$11.5 billion in 2017 to HK$13.2 billion in 2022, representing a CAGR of approximately 2.8%. With the increasing demand to finance unexpected expenses from borrowers, value of unsecured personal loans and advances is projected to achieve HK$15.9 billion in 2027, representing a CAGR of approximately 3.6% from 2023 to 2027.

The interest rate and loan terms of unsecured personal loans and advances are usually based on the credit of borrowers as collateral is not required. Interest rate charged by licensed money lenders is usually higher and ranges from 20% to 48%. From 2017 to 2022, turnover of unsecured loans and advances rose with a CAGR of approximately 1.3%, achieving HK$3.1 billion in 2022. It is estimated that turnover will grow from HK$3.2 billion in 2023 to HK$3.6 billion in 2027, representing a CAGR of approximately 3.0%.

Value and Turnover of Unsecured Personal Loans and Advances Granted by Licensed Money Lenders in Hong Kong, 2017-2027E

CAGR	2017-2022	2023E-2027E
Value of loans and advances	2.8%	3.6%
Turnover of loans and advances	1.3%	3.0%



Note: *Latest available data of the average monthly household expenditure administered by the Census and Statistics Department is in 2020.*

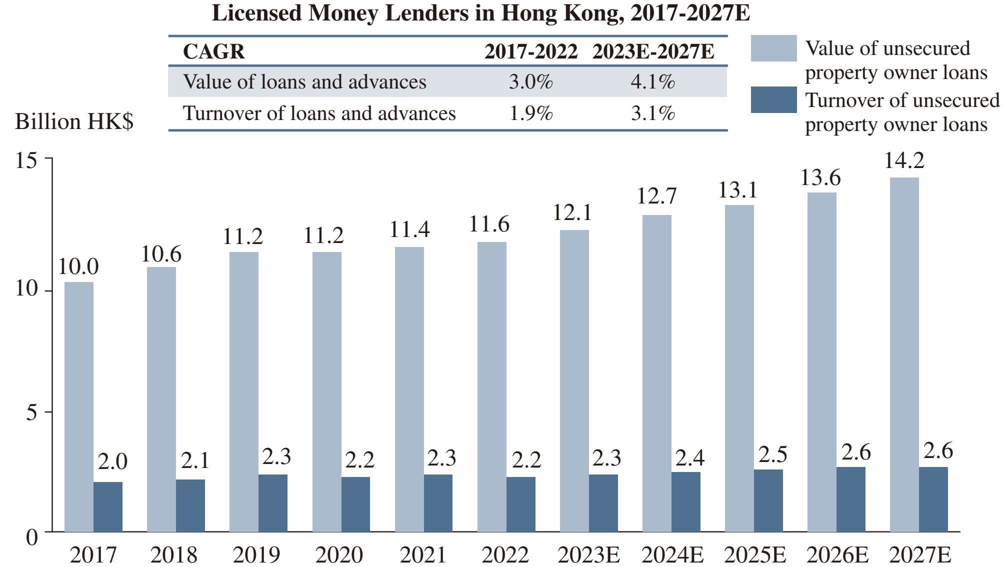
Source: *Annual reports of listed companies, Frost & Sullivan*

Value and Turnover of Unsecured Property Owner Loans by Licensed Money Lenders

Unsecured property owner loans are targeted at borrowers who need quick access to funds but have difficulty obtaining mortgage loans from banks. In Hong Kong, owners of properties acquired under the Home Ownership Scheme are subject to such terms and conditions that the Director of Housing of the Hong Kong Housing Authority may impose, which includes restrictions on refinancing. According to the Housing Ordinance (Cap. 283), owners who wish to mortgage/remortgage their flats within the five-year restriction period or after the said period without paying the premium must obtain prior approvals from the Director of Housing who may impose, such terms and conditions as he or she thinks fit. The demand for unsecured property owner loans has witnessed a rapid growth, which is partly attributable to the growing number of subsidized sales flat which increased from 400,000 in 2017 to 437,000 in 2022, representing a CAGR of approximately 1.8%. The total value of unsecured property owner loans granted by licensed money lenders increased from approximately HK$10.0 billion in 2017 to HK$11.6 billion in 2022, representing a CAGR of 3.0%. The growing trend is likely to continue and the figure is projected to reach approximately HK$14.2 billion in 2027, representing a CAGR of 4.1% from 2023 to 2027. Even though there is no property collateral under the unsecured property owner loans, the creditworthiness of the borrower is in general considered stronger than individuals who do not own any properties and hence licensed money lenders usually charge a lower interest rate for unsecured property owner loans. In line with the increase of the value of unsecured property owner loans granted by licensed money lenders, the total turnover generated from unsecured property owner loans grew from approximately HK$2.0 billion in 2017 to HK$2.2 billion in 2022, representing a CAGR of 1.9%. By 2027, driven by steadily growing demand, the total turnover in this sector is estimated to amount to approximately HK$2.6 billion, representing a CAGR of 3.1% from 2023 to 2027.

Value and Turnover of Unsecured Property Owner Loans by Licensed Money Lenders in Hong Kong, 2017-2027E

CAGR	2017-2022	2023E-2027E
Value of loans and advances	3.0%	4.1%
Turnover of loans and advances	1.9%	3.1%

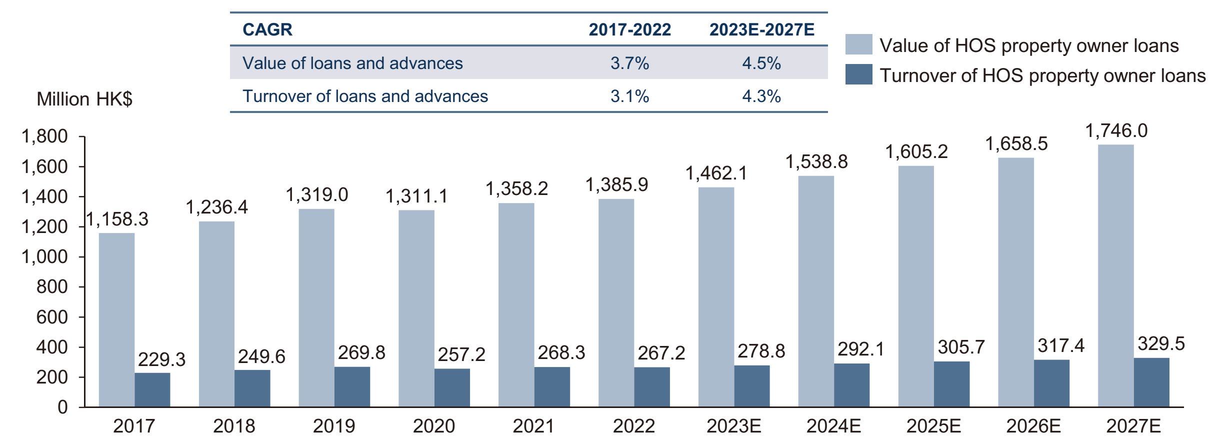


Source: *Annual reports of listed companies, Frost & Sullivan*

During 2017 to 2022, the value of unsecured HOS property owner loans and advances has risen from HK$1,158.3 million to HK$1,385.9 million, representing a CAGR of approximately 3.7%, while the turnover of unsecured HOS property owner loans and advances has attained HK$267.2 million in 2022, representing a CAGR of approximately 3.1% from 2017 to 2022. Going forward, outlined in the Chief Executive's Policy Address in 2022, the Government will make available subsidised sale flats such as those under the Home Ownership Scheme to meet the home ownership aspirations of the public, the value and turnover of unsecured HOS property owner shall increase at CAGRs of approximately 4.5% and 4.3% respectively during 2023 to 2027.

Value and Turnover of Unsecured HOS Property Owner Loans by Licensed Money Lenders in Hong Kong, 2017-2027E

CAGR	2017-2022	2023E-2027E
Value of loans and advances	3.7%	4.5%
Turnover of loans and advances	3.1%	4.3%

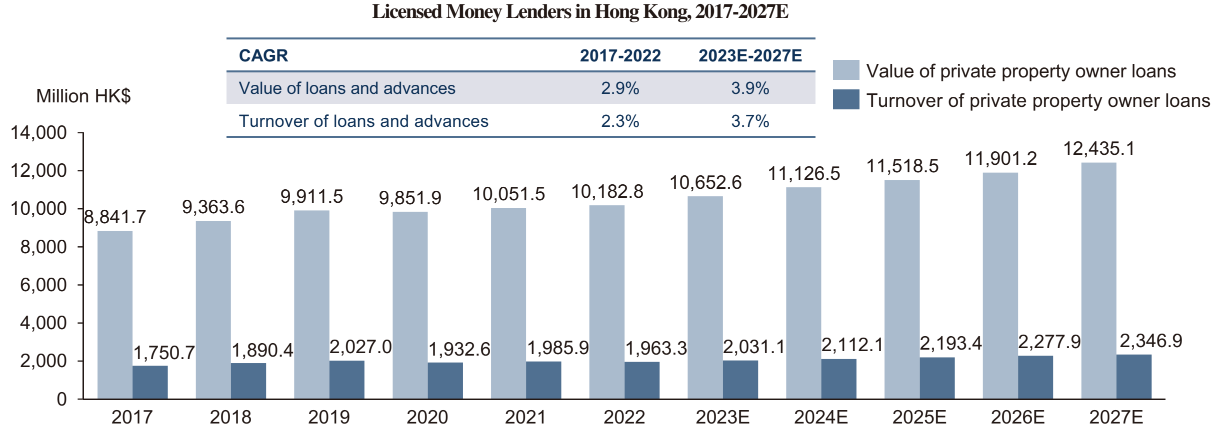


Source: Annual reports of listed companies, Frost & Sullivan

During 2017 to 2022, the value of unsecured private property owner loans and advances has risen from HK$8,841.7 million to HK$10,182.8 million, representing a CAGR of approximately 2.9%, while the turnover of unsecured private property owner loans and advances has attained HK$1,963.3 million in 2022, representing a CAGR of approximately 2.3% from 2017 to 2022. Going forward, the value and turnover of unsecured private property owner shall increase at CAGRs of approximately 3.9% and 3.7% respectively during 2023 to 2027.

Value and Turnover of Unsecured Private Property Owner Loans by Licensed Money Lenders in Hong Kong, 2017-2027E

CAGR	2017-2022	2023E-2027E
Value of loans and advances	2.9%	3.9%
Turnover of loans and advances	2.3%	3.7%



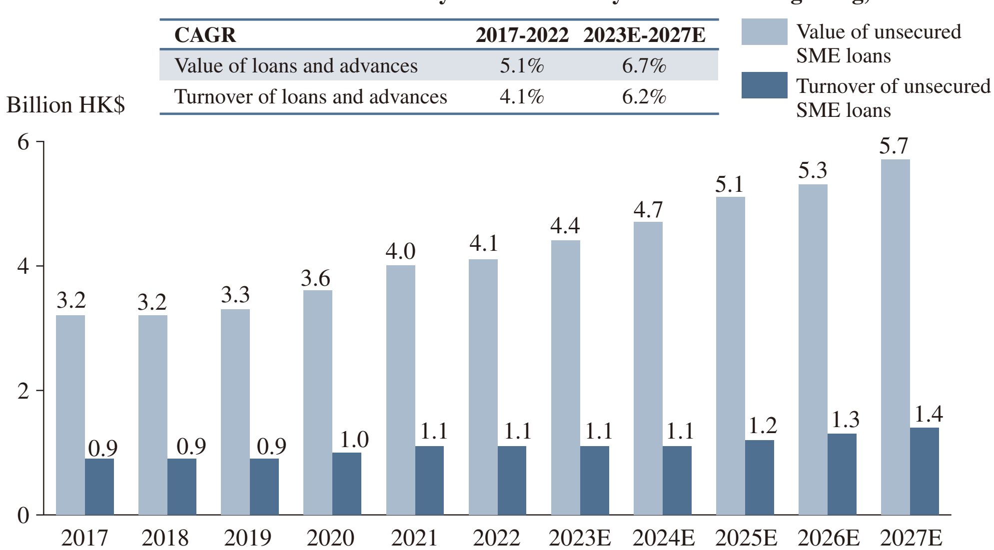
Source: Annual reports of listed companies, Frost & Sullivan

Value and Turnover of Unsecured SME Loans by Licensed Money Lenders

SME in Hong Kong constitute more than 98% of business establishment and their vitality and business performance are of crucial importance to the economy. Owing to social unrest and the outbreak of the COVID-19, SMEs that are less resilient to the economy downturn may require loans and advances for temporary support for daily operation as working capital as well as to cover operating expenses such as rental and salaries. In turn, the value of unsecured SME loans and advances has risen from HK$3.2 billion to HK$4.1 billion from 2017 to 2022, representing a CAGR of approximately 5.1%, while the turnover of unsecured SME loans and advances has attained HK$1.1 billion in 2022, representing a CAGR of approximately 4.1% from 2017 to 2022. The value and turnover of unsecured SME loans and advances are expected to grow at CAGRs of approximately 6.7% and 6.2% during 2023 to 2027. The growth is attributable to (i) the growing number of SMEs, increased from 331,000 in 2017 to 350,000 in 2022, representing a CAGR of approximately 1.1%; (ii) improving accessibility reaching licensed money lenders and convenience of obtaining loans; (iii) shortened application to approval turnaround time, streamlined loan application procedure and increasing flexibility in terms of debt repayments schedule are collectively stimulating the demand; and (iv) outlined in the Budget 2022-2023 by the Financial Secretary of Hong Kong, The SME Financing Guarantee Scheme ("**SFGS**") which was launched in 2011 and assists SMEs in obtaining financing with respective guarantee coverage, has made further enhancements in regards to the maximum loan amount per enterprise and extension on maximum repayment period as well as loan guarantee period, which serve as an impetus to elevate confidence among SMEs to reach for financing.

Value and Turnover of Unsecured SME Loans by Licensed Money Lenders in Hong Kong, 2017-2027E

CAGR	2017-2022	2023E-2027E
Value of loans and advances	5.1%	6.7%
Turnover of loans and advances	4.1%	6.2%

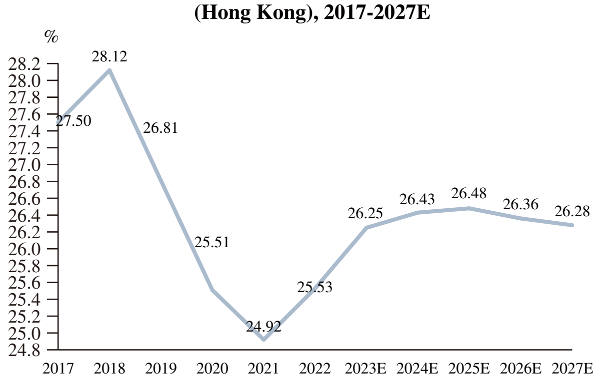


Source: Annual reports of listed companies, Frost & Sullivan

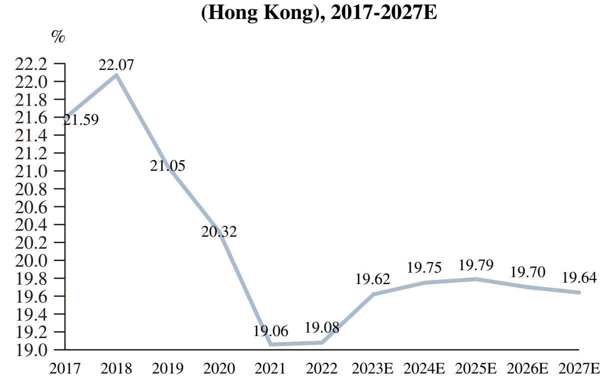
Net Interest Margin and Net Interest Spread

In the unsecured licensed money lending market, the net interest margin is a financial ratio that measures the difference between the interest income generated by assets and the interest expense on liabilities, divided by the average interest-earning assets, while net interest spread refers to the difference between the average yield on interest-earning assets and the average cost of interest-bearing liabilities. Higher figures for both indicates a more profitable business model for industry players. The fluctuation is mainly attributable to the change in cost of funds over the years, which is the interest rate that money lenders pay to acquire the funds that they lend out and is highly associated with the interest rate environment in recent years, the increasing competition in the industry that lenders may lower their interest rates to attract borrowers, and borrower's demand. In particular, the decline in net interest margin during 2018 to 2020 and 2021 to 2022 was attributable to the overall increase in interbank offered rates and prime lending rates as these rates in Hong Kong follow interest rate moves in the US. When general interest rates rise, licensed money lenders see their funding costs increase but tend to not fully pass on increased funding costs to new customers in order to remain attractive and competitive for new customers, resulting in fierce competition, lowered lenders' pricing power and diminished ability to maintain wider spreads in general. The net interest margin and net interest spread in the unsecured licensed money lending market in Hong Kong has hovered around 24.9% to 28.2% and 19.0% to 22.0% respectively during 2017 to 2022, and is expected to grow steadily during 2023 to 2027 considering the growing demand for money lending as well as the macroeconomy factors such as potential cut of interest rate. In particular, the Economic Advisory Committee of the American Bankers Association, which is constituted of chief economists from some of North America's largest banks, predicts that the Federal Reserve will start cutting interest rates in 2024 as economic growth in the US is expected to slow, which would increase unemployment while reducing inflation. These factors would typically prompt the central bank of the US to lower interest rates in an attempt to stimulate economic activity, and as Hong Kong's monetary policy moves in lock-step with the US as the city's currency is pegged to the US currency, Hong Kong will likely follow suit and cut interest rates as well if the predictions of the Economic Advisory Committee prove accurate. Accordingly, the interest rates in Hong Kong are likely to be lowered under the linked exchange rate system. The reduction in interest rates makes borrowing money more affordable for individuals and businesses, thereby stimulating borrowing activity. By lowering the cost of servicing debt, lower interest rates can increase the demand for loans, ultimately benefiting the money lending industry in Hong Kong.

Net interest margin of unsecured licensed money lender (Hong Kong), 2017-2027E



Net interest spread of unsecured licensed money lender (Hong Kong), 2017-2027E



Source: Hong Kong Monetary Authority, Annual reports of listed companies, Frost & Sullivan

Key Growth Drivers and Trends

Simplified and convenient approval procedure with the incorporation of Fintech – In regard to customer service and operational procedure, licensed money lending companies are adopting technologies such as artificial intelligence, robotic process automation, robotic advisors, and digital identification technologies. Empowered by digital-enabled information infrastructure, licensed money lenders are able to implement a simpler and more convenient approval procedure which helps to attract and retain customer base, as compared to authorized institution. Further, leading market participants are able to minimize the lead time between successful approval and the transfer of loan to reaching customers through deploying handy machinery for withdrawal or momentary bank transfer to saving accounts.

Robust development of SMEs – SMEs serve as the bedrock of Hong Kong's economy, with the number of establishments attaining 340,000 in 2022, accounting for 98% of enterprises and employing 46% of the private sector workforce. In view of the constrained business scale with limited resources and financial capability, SMEs are generally faced with difficulties in sourcing funding from banks. The administrative cost could be hefty while some SME might find the urgent need to fulfill working capital requirement as well as operating expense such as the payment of wages and rents. Particularly in the construction industry, sufficient capital flow is important for construction contractors and subcontractors to satisfy their operational and capital needs. Upfront costs for new entrants may include purchase or deposits for materials and components, fees payable to subcontractors, recruitment of direct labor and provision of performance bonds to customers. The upfront cost incurred construction projects will range from approximately 5% to 50% of the respective contract sum. Taking into consideration that the Hong Kong government is keen to promote economic growth through infrastructural development which will foster the construction industry development in the future, with the gross value of construction works performed by main contractors and sub-contractors to be expected to grow at the CAGRs of 5.5% and 4.0% respectively from 2023 to 2027, the demand for money lending in the construction market is expected to rise steadily. Licensed money lenders provide highly flexible, well-organized and tailor-made financing offerings, with simpler procedures and lower collateral requirement that are suitable for SMEs regardless of the nature and size of businesses.

Further, as outlined in the Chief Executive's Policy Address 2022, the Commercial Data Interchange has been launched in October 2022 by the Hong Kong Monetary Authority with a view to providing a one-stop platform for enterprises to share operational data. Such platform is conducive in enabling financial institutions including licensed money lenders to make accurate assessments on the operating condition of enterprises and providing SMEs with a better chance of securing loans. Accordingly, the growth in number of SMEs in Hong Kong is forecasted to drive the SME corporate loan segment of the licensed money lending market.

While authorized institutions have also benefited to some degree from technological advancements amongst SMEs, their growth as lenders to this segment has been constrained due to more stringent regulatory requirements, traditional risk models and lower risk appetite. These factors contribute to lengthier loan approval processes, which may impede SMEs' ability to obtain urgently needed working capital financing. Moreover, authorized institutions possess less flexibility to tailor customized loan amounts, terms, and structures compared to licensed money lenders. Consequently, new and small enterprises lacking robust credit histories often turn to licensed money lenders as an alternative source of financing and credit. In addition, through deep understanding of particular industries' dynamics, credit cycles, as well as inherent risks and opportunities, certain licensed money lenders have developed specialized expertise in financing specific sectors such as construction or tailored offerings for distinct business life stages, including startups and emerging growth companies. Their niche expertise equips them to effectively serve SME segments that may be perceived as higher-risk or underserved by mainstream finance providers.

Consumption driven economy and steady growth of macroeconomies – The licensed money lending industry is highly associated with the scale and growth of consumer spending, especially for the personal loan sector. The GNI per capita in Hong Kong has increased from HK$375,879 in 2017 to HK$404,138 in 2022, representing a CAGR of approximately 1.5% during 2017 to 2022. The private consumption expenditure has, on the other hand, increased from HK$1,784.4 billion in 2017 to HK$1,882.4 billion in 2022, representing a CAGR of 1.1%. Further in 2023, the Hong Kong Government announced multiple relaxation measures in relation to mandatory quarantine for inbound visitors and infected person, cross-border restrictions and social distancing, the socio-economic activities is expected to gradually normalize. The resumption of cross-border activities and growing local consumption induces a rebounded in total retail sales in early 2023, with the figure attaining HK$36.2 billion in January, 2023, recording an increase of approximately 7.0% compared to January, 2022. The greater purchasing power has driven the continuous demand for credit services such as bank credit cards and subsequently the related financial services including personal loans. For instance, the total volume of new card accounts has attained approximately 1,560 thousand in 2022. In particular, through unsecured personal loans, borrowers are able to streamline their monthly credit card payments at a lower interest rate and ease and simplify the financial consequence. As such, the steady willingness of purchase and growing consumption power, shall serve as the major impetus to the growth of the licensed money lending industry.

More frequent adoption of credit payment services – According to the HKMA, the total value of credit card transactions in Hong Kong has increased from HK$155,076 million in the second quarter of 2017 to HK$177,151 million in second quarter in 2022, representing a CAGR of approximately 2.7% during the period. The steady increment in credit payment services is expected to translate into increasing borrowing or even delinquency of credit card bills. Unsecured personal loan serves as a medium to resolve solvency issue of individuals, and is expected to be propelled by the proliferation of credit payment usage.

Regulation improvement – The enactment and continuous amendment of the Money Lenders Ordinance has posed stringent standard to the money lending market in Hong Kong. For instance, the interest rate cap will be lowered from 60% to 48% per annum, and the extortionate rate from 48% to 36% per annum coming into effect on December 30, 2022 as approved by the Legislative Council. Such enactment is expected to subdue small scale licensed money lenders charging aggressive rates and entail further market consolidation where medium and large players take up the residue market share. In 2021, the "Guideline on Fit and Proper Criteria for Licensing of Money Lenders" set out a series of criteria such as compliance records, financial status, ability to carry on money-lending business, reliability and integrity, business and operations, etc. by the Companies Registry in determining the license assessment and approval process.

Market Challenges and Threats

Subject to economic volatility – The licensed money lending industry is exposed to the volatility of macroeconomy and government policies. For instance, during the interest rate hike owing to continuous inflation in 2022, the investment needs of borrowers are subdued and hence the demand for refinancing might also be affected. During economic downturn such as during the outbreak of the COVID-19, demand could fluctuate when consumers are becoming conservative in their purchase while some corporates may seek additional source of financing when they are facing shortfall of income. Further, in order to maintain competitive rates and secure market foothold, licensed money lenders are required to assess precisely other perceived or actual general economic and social conditions, such as employment, job market conditions, levels of disposable consumer income and wealth, and consumer confidence in the economy.

Risk of bankruptcy and default amount – Licensed money lending businesses is prone to credit risk, which is the possibility of loss due to a borrower's defaulting on a loan or not meeting contractual obligations. During economic downturns, the risk of loan default increases as enterprises and individuals suffer bankruptcy and unemployment. In the wake of default concerns, licensed money lenders focusing on the unsecured loans segment shall identify risk by properly assessing and managing credit risk in order to lessen the severity of a loss. A few credit assessment criteria could be applied, such as the borrower's capital, meaning their revenue or income, and cash flow as well as credit scores, and other conditions such as their financial condition, and credit history.

Potential changes to HOS restrictions in Hong Kong – According to the Housing Ordinance (Cap. 283), owners of HOS flats shall not mortgage within the 5-year alienation restriction period or after the said period without paying the land premium, unless prior approval obtained from the Director of Housing. Currently, refinancing through the mean of mortgage of HOS flats will only be allowed in cases of financial hardship. In the event of the government's removal of the 5-year alienation restriction period, borrowers would be provided with more lending options including secured mortgages. Industry players participated in the unsecured HOS property owner loan market shall actively monitor and manage the alteration of government policies to reduce the volatility of business continuity.

Cost Structure Analysis

The licensed money lending market participants are primarily hiring workers engaged in the financial and insurance sector. Such monthly wage has increased from HK$21,302 to HK$23,125 from 2017 to 2022, representing a CAGR of approximately 1.7%. Going forward, as local economy is expected to normalize post COVID-19, the demand for workers in related industry is expected to rise, thereby driving the forecasted monthly wage to grow at a CAGR of approximately 3.3% during 2023 to 2027. A higher CAGR is expected given (i) a stable economic stability as compared to the historical period where the outbreak of the COVID-19 was occurred; and (ii) as financial technology is increasingly incorporated into the financial and insurance industry, there is increased requirement of workers to be acquainted with sophisticated industry technical know-how, and in turn, the average monthly wage is expected to rise correspondingly.

Information and communications personnel are primarily labor engaged in Fintech transformation in the licensed money lending market in Hong Kong and are accountable as Fintech staff. Such monthly wage has increased from HK$21,600 in 2017 to HK$25,100 in 2022, representing a CAGR of approximately 3.0%. Going forward, the average monthly wages of information and communications personnel is expected to reach HK$29,600 in 2027, representing a CAGR of 3.4% during 2023 to 2027.

In the licensed money lending market in Hong Kong, market participants often leverage the presence of brick-and-mortar store as an establishment of touchpoints with downstream borrowers. The average monthly rental cost per square meter of private retail in Hong Kong has declined over the past 5 years, primarily owing to the outbreak of COVID-19, which subdued the demand for general brick-and-mortar retail. The average monthly rental cost per square meter of private retail has plummeted by 3.8%, 4.4% and 2.2% respectively in Hong Kong Island, Kowloon and New Territories during 2017 to 2022.

The adoption of fintech by leading industry players in the licensed money lending market implies lessened deployment of on-site labor and administrative machinery and equipment, while a fintech-incorporated machinery that is able to accommodate client's requirement serves as a substitute. The streamlined setting of on-site resources and facilities is effective in alleviating the overhead cost of industry players.

COMPETITIVE LANDSCAPE OF LICENSED MONEY LENDING IN HONG KONG

The licensed money lending industry in Hong Kong is highly competitive with 2,414 licensed money lenders providing relevant services in Hong Kong as of December 31, 2022. As estimated, over 70% of the licensed money lenders are engaged in the provision of unsecured financing, including unsecured personal loans and unsecured property owner loans. In particular, the entry barrier of fintech-enabled money lenders is relatively higher as a large amount of initial investment is required for the application of big data and machine learning technology and the building of online platform. In addition, while increasing market consolidation is seen in the unsecured financing industry in Hong Kong, the leading market participants are leveraging the economies of scale to acquire more customers through more diverse sources of funding and lower operating cost, as well as developing more diversified and customized loan products.

Competitive Landscape

The licensed unsecured financing market is relatively concentrated with top five market participants accounting for 84.4% of the overall market share by revenue. The Company's revenue was HK$233.5 million in 2022, representing a share of 3.6% in the licensed unsecured financing market in Hong Kong.

Ranking of Licensed Unsecured Money Lending by Revenue (Hong Kong), 2022

Rank	Market participants	Listing status	Estimated revenue in 2022 (HK$ Million)	Estimated market share in 2022 (%)
1	United Asia Finance Limited	Subsidiary of 0086.HK	2,657.9	41.5%
2	PrimeCredit Limited	Private	1,230.1	19.2%
3	Aeon Credit Service (Asia) Company Limited	0900.HK	1,181.0	18.5%
4	The Group	Private	233.5	3.6%
5	Promise (Hong Kong) Co. Limited	Private	127.4	2.0%
		Subtotal	5,403.1	84.8%
		Others	996.9	15.2%
		Total	6,400.0	100.0%

Note: Only the revenue generated from the provision of unsecured financing is included in the ranking. The revenue of private companies is estimated and compiled by F&S based on the expert interviews conducted and information available in the public domain, including company websites. The revenue of listed companies are exacted from the annual reports or estimated based on the market segmentation.

United Asia Finance Limited is a subsidiary of Sun Hung Kai & Co. Limited (0086.HK). It was established in 1991 and is primarily engaged in the provision of personal and corporate lending, as well as other financial services such as credit cards and insurance products. The company has a strong presence in Hong Kong and has expanded its business to the Mainland China market in recent years. As of 2022, United Asia Finance Limited has more than 49 branches across Hong Kong.

PrimeCredit Limited was established in 1977 and is primarily engaged in the provision of personal and commercial loans, credit cards, and other financial services such as insurance and wealth management and has expanded its business to the Mainland China market in recent years. As of 2022, PrimeCredit Limited has more than 19 branches across Hong Kong.

AEON Credit Service (Asia) Company Limited was established in 1990 and is primarily engaged in the provision of consumer finance services, including personal loans and credit cards. AEON Credit Service (Asia) Company Limited is listed in Hong Kong Stock Exchange (0900.HK). As of 2022, the company has 15 branches across Hong Kong.

Promise (Hong Kong) Co. Limited was established in 1991 and is a private company primarily engaged in the provision of consumer finance services, including personal loans. As of 2022, Promise (Hong Kong) Co. Limited has 18 branches across Hong Kong.

Source: *Annual reports of listed companies, Frost & Sullivan*

In 2022, the Company recorded a revenue of HK$140.1 million from the unsecured HOS property owners loan for the year 2022, representing a share of 10.1% in the licensed unsecured HOS property owners loan market in Hong Kong. In terms of the non-HOS property owners loan market in Hong Kong, the Company had a revenue of HK$6.7 million from the unsecured HOS property owners loan for the year 2022, representing a share of 0.1%.

The total number of industry players in the unsecured financing industry in Hong Kong is 2,596, which includes 182 authorized institutions and 2,414 licensed money lenders as at December 31, 2022. The authorized institutions principally account for majority of the unsecured financing market size with a share of approximately 95.9% of the market size, while licensed money lenders account for approximately 4.1% of the market size in 2022. The unsecured financing market in Hong Kong is relatively concentrated with top three market participants accounting for 33.6% in 2022 of the overall market share by revenue. The Company recorded a share of 0.15% in 2022 in the unsecured financing market in Hong Kong.

The licensed unsecured HOS property and private property loans market is relatively concentrated. In 2022, top five market participants had a total revenue of HK$1,503.5 million, accounting for 68.3% of the overall licensed unsecured personal loan and unsecured property owner loan market. The Company had a segment revenue of HK$146.8 million in 2022, representing a share of 6.7% in the licensed unsecured HOS property and private property loans market in Hong Kong.

Rank	Market participants	Listing status	Estimated revenue in 2022 (HK$ Million)	Estimated market share in 2022 (%)
1	United Asia Finance Limited	Subsidiary of 0086.HK	777.1	35.3%
2	PrimeCredit Limited	Private	464.3	21.1%
3	**The Group**	**Private**	**146.8**	**6.7%**
4	Aeon Credit Service (Asia) Company Limited	0900.HK	69.0	3.1%
5	Promise (Hong Kong) Co. Limited	Private	46.3	2.1%
		Subtotal	1,503.5	68.3%
		Others	696.5	31.7%
		Total	**2,200.0**	**100.0%**

Note: Only the revenue generated from the provision of unsecured HOS property and private property loans is included in the ranking.

The revenue of private companies are estimated and compiled by F&S based on the expert interviews conducted and information available in the public domain, including company websites. The revenue of listed companies are exacted from the annual reports or estimated based on the market segmentation.

Ranking of Authorized Institutions and Licensed Unsecured Money Lending by Revenue (Hong Kong), 2022

Rank	Market participants	Listing status	Estimated revenue in 2022 (HK$ Billion)	Estimated market share in 2022 (%)
1	The Hongkong and Shanghai Banking Corporation Limited	0005.HK	33.0	21.0%
2	Bank of China (Hong Kong) Limited	3988.HK	10.7	6.8%
3	Industrial and Commercial Bank of China (Asia) Limited	1398.HK	9.1	5.8%
		Subtotal	52.8	33.6%
		Others	104.5	66.4%
		Total	157.3	100.0%

Note: Only the revenue generated from the provision of unsecured financing is included in the ranking. The revenue of private companies are estimated and compiled by F&S based on the expert interviews conducted and information available in the public domain, including company websites. The revenue of listed companies are exacted from the annual reports or estimated based on the market segmentation.

The Hongkong and Shanghai Banking Corporation Limited is a multinational banking and financial services company established in Hong Kong in 1865. It offers retail, commercial, investment banking, and wealth management services, including money lending. HSBC has a significant presence in Hong Kong, with a broad range of services and an extensive network of branches and ATMs.

Bank of China (Hong Kong) Limited was established in Hong Kong in 1912 and has grown to become one of the leading banks in the region. BOC's business scope includes commercial banking, investment banking, insurance, money lending, asset management services, among others.

ICBC was established in Hong Kong in 1984, the business scope includes commercial banking, investment banking, insurance, money lending, asset management services, among others.

Source: Frost & Sullivan

In the unsecured personal loan market of authorized institutions and licensed money lenders, the top three players are international scale authorized institutions. The top three players and their respective market shares in 2022 are The Hongkong and Shanghai Banking Corporation Limited (21.2%), Bank of China (Hong Kong) Limited (7.4%) and Standard Chartered Bank (Hong Kong) Limited (4.7%).

In the unsecured property owner loan market of authorized institutions and licensed money lenders, which includes unsecured HOS property and private property loan, the top players are mainly licensed money lenders, as authorized institutions predominantly focus on secured property owner loans, i.e. mortgages, with collateral requirements and lower risk tolerance. It is more prevalent for licensed money lenders to offer unsecured loans for property owners. The top three players and their respective market shares in 2022 are United Asia Finance Limited (35.3%), PrimeCredit Limited (21.1%) and The Group (6.7%).

In the unsecured HOS property owner loan market, the top three players and their respective market shares in 2022 are The Group (52.4%), United Asia Finance Limited (20.9%), and PrimeCredit Limited (13.2%).

In the private property owner loan market, the top three players and their respective market shares in 2022 are United Asia Finance Limited (37.3%), PrimeCredit Limited (22.2%) and Aeon Credit Service (Asia) Company Limited (3.2%).

In the SME loan market of authorized institutions and licensed money lenders, the top three players are international scale authorised institutions, the top three players and respective market share in 2022 are The Hongkong and Shanghai Banking Corporation Limited (21.0%), Bank of China (Hong Kong) Limited (6.8%) and Industrial and Commercial Bank of China (Asia) Limited (6.2%).

Financial Technologies Adopted by Licensed Money Lenders

Cloud-based Loan Management System – Cloud-based loan management systems adopted by licensed money lenders in Hong Kong are software solutions that are hosted on remote servers and accessed by the lenders through the internet rather than being installed locally on individual computers, which provides the lenders with benefits like instant software updates, operational flexibility, cost savings, and enhanced security of their data and systems. Cloud-based loan management systems enable efficient loan origination through automated workflows where the lenders can configure customizable loan applications and decision rules on the platform and borrowers can submit all the required information and documents online, which allows the system to instantly validate credentials, run credit checks, assess affordability and approve loans within minutes, thus significantly improving lending turnaround times. In addition, the cloud-based systems facilitate easier loan servicing and collections by providing functionalities like automated reminders for loan repayments, tracking of repayment histories, and faster notifications in case of late payments by borrowers. The data analytics capabilities of the cloud-based systems also provide valuable business insights to the lenders for risk management and performance monitoring of their overall lending portfolio.

Artificial Intelligence ("AI") – Artificial intelligence technologies, which refer to the simulation of human intelligence and decision-making capabilities by computer systems, are being rapidly adopted by licensed money lenders in Hong Kong to automate and enhance many aspects of the lending process including loan origination, credit underwriting, fraud detection, collections and customer service interactions. By incorporating advanced AI algorithms and machine learning models, the lenders can configure automated loan approval workflows that can quickly gather and analyze sizeable data points from documents and data submitted by borrowers online to generate instant credit risk assessments and lending decisions, thereby accelerating lending turnaround times. The AI systems continuously improve their underwriting accuracy and efficiency by learning from growing data sets of past lending performance and outcomes. The predictive analytics applications of AI are also assisting lenders with early delinquency warnings, optimal debt collection strategies for overdue accounts as well as insights for better portfolio management.

Virtual teller machines ("VTM") – VTMs are an emerging technology being deployed by licensed money lenders in Hong Kong to enable more convenient and efficient customer service. VTMs provide an interactive video banking experience by connecting customers face-to-face with remote tellers via live video feeds. Customers can speak with tellers through the machine to get personalized assistance for account inquiries, loan applications, document submission and other services.

Blockchain Technologies – Blockchain is a distributed ledger system that establishes peer-to-peer transaction networks without intermediaries. Key benefits for lenders include transparent and tamper-proof loan documentation, automated loan execution through smart contracts, and faster loan sale and trading. By recording borrower information and lending terms on encrypted, decentralized ledgers, blockchain can enable instant, low-cost loan issuance and servicing while preventing fraud. blockchain's capabilities of disintermediation, enhanced security, and transaction efficiency make it a promising emerging technology for licensed money lenders in Hong Kong.

Trend of Fintech development for Licensed Money Lenders

Promotion of New Personal-Lending Portfolio – As part of the initiatives to promote Smart Banking in Hong Kong, the Hong Kong Monetary Authority (HKMA) has established a "Banking Made Easy" taskforce in 2018 to identify and streamline regulatory frictions to smooth online customer experiences. The taskforce will initially focus its work on three areas, namely remote onboarding, online finance and online wealth management. To strike a better balance between improving customer banking experience and continuing to uphold prudent credit underwriting standards, the HKMA allows authorized institutions (AIs) to carve out a portion of their personal lending portfolio, in respect of which departure from conventional lending practices will be permitted. This arrangement will enable authorized institutions to explore new credit risk management practices, while keeping any possible financial and other impact under control. This "New Personal-Lending Portfolio" (NPP) is planned to be small initially, and may be expanded over time if the new risk management practices are proved to be effective. The HKMA will keep the NPP arrangement under regular review. The NPP will help the authorized institutions to offer a smoother customer journey in the online environment in Hong Kong, thus promoting the online lending platform and Fintech applications in Hong Kong.

Growing Acceptance of Young Generation – In 2021, over 90% of the population aged 18 and over in Hong Kong has access to the Internet, making online lending immensely accessible. As Generation Y enters into their twenties and thirties and gain higher purchasing power, they have become the center of attention that lenders seek for. Generation Y makes up the fastest growing segment of consumption in Hong Kong, and it is further estimated that they have greater demand for consumer loans. In general, Generation Y is tech-savvy, and often has a high degree of acceptance for online product and services, including online lending. The young generation is expected to play an important role in supporting the growth of online lending. As estimated, digital platforms, including those providing services through the internet, mobile apps, self-service machines (such as Automated Teller Machines ("**ATMs**"), Virtual Teller Machines ("**VTMs**"), etc.) and other digital/mobile devices, will contribute up to 30% of Hong Kong's value of loans and advances of personal loans in 2027, up from 20% in 2022, driven largely by superior borrower experiences, growing acceptance from the young generation and supportive policies in promoting new credit risk management practices. It is expected that Fintech-enabled licensed money lenders would continue to take market share from traditional licensed money lenders at this same pace, or greater, as technology becomes even greater.

Increasing involvement in Fintech – Licensed money lenders increasingly invest in technology and innovation to increase their competitiveness and keep pace with the ever-changing market landscape. Investing in data and artificial intelligence partnership brings increased customer granularity and fuels a more effective, cost-conscious and long-term strategy for successful customer acquisition. Fintech-enabled licensed money lenders are using both physical branches and digital platforms, including those providing services through the internet, mobile apps, self-service machines (such as Automated Teller Machines ("**ATMs**"), Virtual Teller Machines ("**VTMs**"), etc.) and other digital/mobile devices, to provide lending services to customers. The multi-channel strategy allows the licensed money lenders to bring greater convenience for customers. Licensed money lenders have also adopted financial technology to manage credit risks related to personal lending business in a bid to improve customer experience in the digital environment. Instead of collecting borrowers' income proof to assess their repayment ability, licensed money lenders may adopt new credit risk management techniques and practices enabled by innovative technology, such as big data and consumer behavior analytics, to approve and manage the related credit risks. The application of financial technology in personal lending business increases the efficiency of lending process and greatly shortens the loan approval time required, which comes as an distinguishable asset among the licensed money lenders in Hong Kong.

Entry Barriers

License Requirements – The money-lending regime has been tightening up since 2016 when the Registrar began to impose more stringent licensing conditions on money lender regulations. Anyone who wants to carry out money lending business are required to obtain money lending licence and compliance with the restrictions of licence strictly as stated in the Money Lenders Ordinance. It normally takes 3 to 4 months for the application to be approved and the licence has to be renewed yearly. The prerequisite for money lender's license requires firms to be fit and proper. Matters that will be considered are compliance records, management structure, financial position, skills, knowledge and experience, reliability and integrity and disciplinary actions. Moreover, applicants are required to submit business plans in order to apply for a money lender license with their application to show that the applicants have comprehensive understanding of the money-lending business and are ready to carry on the business.

Strong Financial Capability – Money lending industry is generally considered to be a capital-intensive industry. In March 2021, a new licensing condition was adopted that require licensees to assess a borrower's ability to repay. Although there are no minimum capital requirements for licensed money lenders in Hong Kong, strong cash flow and financial capability are fundamental for licenses money lenders to operate successfully. Only a significant amount of cash and liquidity at the beginning phase of business setup can allow quick turnover and immediacy in funding in the money lending business. New market entrants usually lack strong financial capability and fund-raising channels at the beginning, and may find it hard to enter the licensed money lending market in Hong Kong.

Application of Financial Technology – In the licensed money lending industry, application of financial technology is extremely crucial to customers as they value the convenience and efficiency of loan approval. In order to be competitive, a new entrant may need to devote substantial resources to develop and maintain the digital platform and adopt innovative technologies, such as big data and machine learning, in credit risk management. Further, they are also faced with the challenge of keeping up to date with technological innovations, for example the development of data analytics, in order to meet the changing demands.

OVERVIEW OF BNPL MARKET IN HONG KONG

Definition and Classification

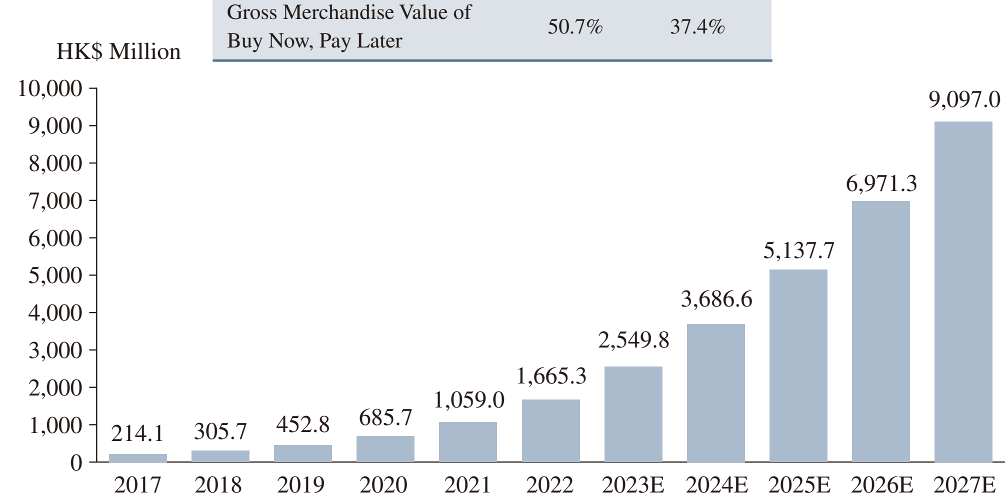
Buy now, Pay Later (BNPL) is a type of short-term financing that allows consumers to make purchases and pay for them at a future date, often interest-free. It is a type of unsecured personal loan, which means the loan does not require any type of collateral. There are two common business model adopted in the BNPL industry, which includes (i) BNPL providers who cooperate with selected merchants and allow consumers to pay by interest-free or low-interest installments and the BNPL providers would pay on behalf of the consumers. BNPL service providers essentially earn the handling fee as a proportion to the purchase price of the goods or services, which is borne by the merchant, while the merchant enjoy the benefit of offering customers the option to pay for purchases using BNPL which serves as potential impetus to the sales value; (ii) BNPL providers to cooperate with payment gateway i.e. credit card or digital wallet companies, allowing consumers to use BNPL services in any merchants that allow such digital payments and the BNPL providers earn the facilitation fee borne by consumer, the late fee charged or interest charged which is determined at the first place. Such business model enables customers to purchase anywhere as long as the designated credit card or digital wallet payment method is available in respective retail store, offering greater flexibility and convenience, which in turn significantly elevate the touchpoints and usage coverage.

Gross Merchandise Value of Buy Now, Pay Later

The gross merchandise value of BNPL in Hong Kong has rocketed from approximately HK$214.1 million to HK$1,665.3 million from 2017 to 2022, representing a CAGR of 50.7%. From 2017 to 2022, the penetration rate of BNPL payment method has rocketed from 0.0% to 0.5% of the total retail sales value in Hong Kong from 2017 to 2022. BNPL products have trended in the US and Europe in the past years, whereas this type of technological advancement has just emerged in Hong Kong and disrupted the traditional financial payment method. In recent years, the BNPL market has increased rapidly, recording a growth of 51.4%, 54.5% and 57.3% in 2020, 2021 and 2022, respectively. Factors such as increase in e-commerce, shift of payment method since COVID-19 towards contactless payment, willingness of the younger generations to use BNPL due to ease of set payments, simple approval process and lack of interest charges fostered the surge of BNPL in the past years. Looking forward, the online retail sales value of BNPL is expected to reach HK$9,097.0 million in 2027 with a CAGR of 37.4% from 2023 to 2027. It is also expected that the BNPL payment method will account for 2.2% of the total retail sales value in 2027. The BNPL market will continue to expand along with higher consumer awareness, increased market regulation and technological advances in providing fintech-based unsecured personal loans.

Gross Merchandise Value of Buy Now, Pay Later (Hong Kong), 2017-2027E

CAGR	2017-2022	2023E-2027E
Gross Merchandise Value of Buy Now, Pay Later	50.7%	37.4%



Source: Frost & Sullivan

Requirements and Licenses of BNPL Providers

According to the Money Lenders Ordinance, any person (including companies) who lends money in the ordinary course of business with interest or fees needs to obtain a money lenders license issued by the Companies Registry, and comply with the regulatory requirements under the licensing conditions. This includes BNPL providers that offer interest-free or low-interest installment payments for a fixed period. As regards provision of credit data to credit reference agency ("**CRA**"), the HKMA requires banks that provide BNPL services to submit credit data of customers to the CRA in accordance with the requirements stipulated in the Code of Practice on Consumer Credit Data. In fact, both banks and licensed money lenders have to provide credit data to the CRA, enabling these credit providers to share personal credit data with a view to assessing creditworthiness of consumers more accurately.

In terms of capital requirement, although there is no minimum paid-up capital requirements in obtaining the money lenders license, robust financial capacity and liquidity are crucial for licensed money lenders to operate viable businesses. Adequate cash and funding, especially in the initial stages of setting up the business, are necessary to enable quick and timely lending to customers.

Competitive Landscape

BNPL is a fast growing segment within the Hong Kong retail sales financing market. These payment platforms became increasingly popular following the shift to online shopping and merchants' need to drive incremental revenue when physical stores were closed during COVID-19 outbreak. The BNPL industry in Hong Kong is at the early stage and sees the increased competition, primarily due to the rapid technological innovation, and increasing demand for higher levels of client experience and the increasing number of market entrants. As estimated, there are less than 10 BNPL service providers in Hong Kong in 2022. Below sets out the ranking and estimated market share of the top industry players.

Ranking of BNPL Market by Gross Merchandise Value in Hong Kong in 2022

Rank	Market participant	Estimated Market Share by Gross Merchandise Value of BNPL (2022)
1	Atome	39.4%
2	Livi Bank	31.3%
3	Pace	14.7%

Source: Frost & Sullivan

OVERVIEW OF THE HOS PROPERTIES

Introduced in 1978, the Home Ownership Scheme (HOS) is a government subsidized sale of public housing flats managed by the Hong Kong Housing Authority ("**HA**") to eligible public housing tenants at a price below the market value of the flats. The majority of the HOS flats constructed by the HA are generally built with different sizes, with the saleable area of the flats generally ranging from about 270 square feet ("**sq ft**") to about 450 sq ft. Apart from new flats rolled out each year, the general public can buy second hand HOS flats in the open market Owners must first pay a premium to the Hong Kong Housing Authority (HA) for removal of the alienation restrictions before they can sell, let, assign or otherwise alienate their flats in the open market.

Eligibility Requirements for Purchasing HOS Properties

The HOS flats are opened for application by (i) Green Form applicants, who are primarily Public rental housing ("**PRH**") tenants and eligible PRH applicants; and (ii) White Form applicants, who are private housing tenants and family members of public housing tenants who have passed the asset assessment.

The following categories of persons are eligible for Green Form status in buying Home Ownership Scheme flats, subject to detailed eligibility criteria on age, family composition, property ownership restriction, etc. to be announced by the HA prior to the launch of each sale exercise: (i) Households of Public Rental Housing ("**PRH**") units under the HA (tenants under conditional tenancies or monthly licencees of HA Transitional Rental Housing units are not allowed to submit application); (ii) Households of Group A Rental Estates/ Elderly Persons Flats (Rental Estates) under the Hong Kong Housing Society (HKHS) (households of Group B Rental Estates or monthly licencees of HKHS Transitional Rental Housing units are not allowed to submit application); (iii) Persons falling into one of the categories who are holders of valid "Green Form Certificates — Applicable to Sale of Home Ownership Scheme Flat Only" issued by the Housing Department (HD)/Urban Renewal Authority; (iv) Recipients of the Rent Allowance for the Elderly Scheme (RAES) administered by the HA, provided that they or any member of the family have not breached any clause of their Rent Allowance Agreement.

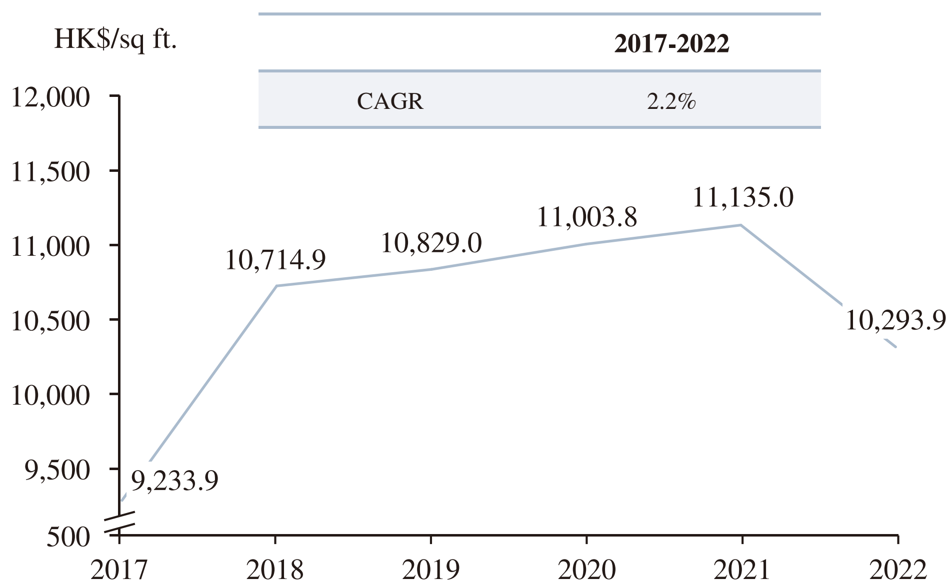
The following groups should be eligible for applying on White Form status, subject to detailed eligibility criteria on age, family composition, residence rule, income and asset limits, property ownership restriction, etc. to be announced by the HA prior to the launch of each sale exercise: (i) Households living in private housing; (ii) Family member(s) of households living in PRH units under the HA or Rental Estates under the HKHS, or any subsidised housing scheme units; (iii) On the closing date of application for this Scheme, flat owners and all their authorised family member(s) under the HA's Tenants Purchase Scheme (TPS) for less than 10 years can apply for the purchase of a flat under the current sale exercise, with no restriction on income and net asset limits. However, they must comply with the "restrictions on domestic property ownership" and subject to designated conditions.

Under the Housing Ordinance (Cap.283), any mortgage, charge, assignment or alienation (together with an agreement so to do) of a property acquired under the Home Ownership Scheme shall, in the absence of release of alienation restriction under the covenant in the deed of assignment of purchase (usually by way of payment of premium), be void. A lender or borrower who purports to create a mortgage of or charge or otherwise alienate the HOS Property commits an offence and is liable to a fine of HK$500,000 and to imprisonment for 1 year. In order for an HOS Property to be mortgaged, charged or otherwise alienated, it is the common practice for its owner to apply to the Housing Department for assessment of the premium payable. Nevertheless, in order to assist first time purchaser for purchasing HOS Property, Housing Authority has entered into deed of guarantee (the "**Deed of Guarantee**") with the banks and financial institution which are governed by the Hong Kong Monetary Authority (the "**HKMA Participants**"), pursuant to which, HKMA Participants which had entered into Deed of Guarantee with the Housing Authority are eligible to providing financing to first time purchasers of HOS Property with reference to the market rate. First time Purchaser can based on the Deed of Guarantee arrangement to apply to the above HKMA Participants for special concessionary mortgage terms specified by the Housing Authority including the maximum amount of loan up to 95% (for Green Form applicants) and 90% (for White Form applicants) of the purchase price, maximum repayment period of 25 years and the interest rate at a maximum of the Best Lending Rate quoted by the HKMA Participants concerned minus 0.5% per annum. However, non HKMA Participants, such as licensed money lenders which are not HKMA Participants and did not enter into Deed of Guarantee with HKMA are still subject to the alienation restriction and restrictive mortgage requirements as stipulated under the Housing Ordinance for granting secured loan, among others the requirement of payment for premium payment, Alienation Restriction and Approval from Housing Department.

Historical Pricing Trend

The yearly average price of HOS properties has risen steadily from HK$9,233.9 per sq ft. in 2017 to HK$10,293.9 per sq ft. in 2022 by saleable area, representing a CAGR of approximately 2.2%, attributable to the strong demand and limited supply in Hong Kong's property market. Price softening in 2022 was principally due to temporary economic downturn as well as continuous global interest hikes resulting in diminishing housing needs in the short run.

Yearly Average Price of HOS properties (Hong Kong), 2017-2022

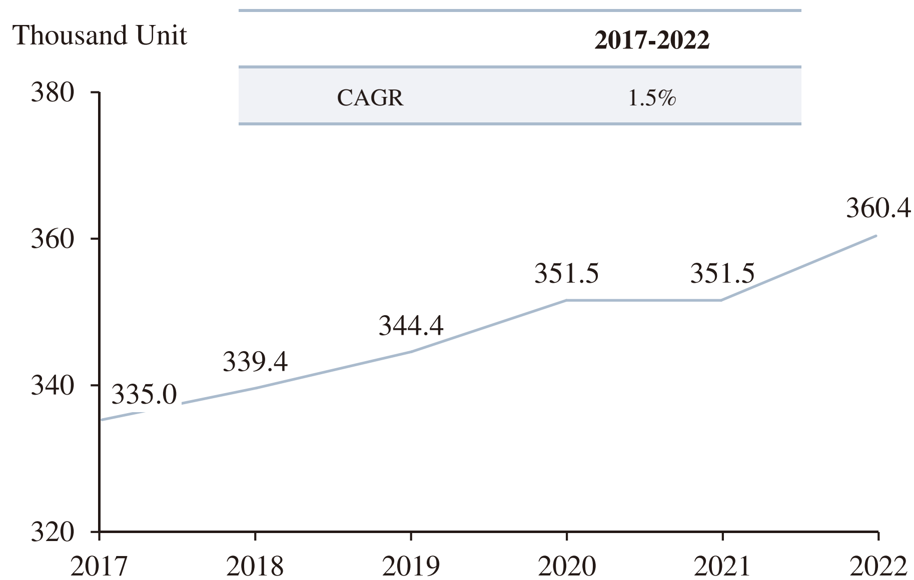


Source: Frost & Sullivan

Number of HOS Properties

Attributable to the continuous and substantial support by the government in developing public housing to meet the housing demand, the number of HOS properties administered by the Housing Authority in Hong Kong has risen from 335.0 thousand unit in 2017 to 360.4 thousand unit in 2022, representing a CAGR of approximately 1.5%.

Number of HOS properties administered by the Housing Authority (Hong Kong), 2017-2022



Source: Housing Authority, Frost & Sullivan

COMPETITIVE STRENGTHS OF OUR GROUP

Please refer to the paragraph headed "Business — Our Competitive Strengths" in this document for a detailed discussion of competitive strengths of our Group.

MONEY LENDING

Licensing & Registration

Under the Money Lenders Ordinance (Cap. 163) ("**MLO**"), a person carrying on the business of a money lender in Hong Kong must obtain a money lender's licence ("**Licence**") in a form prescribed under the Money Lenders Regulations (Cap. 163A), and carry out the business at such place and in accordance with such conditions as specified in the Licence. Any person who carries on business as a money lender without a Licence, or at a place not specified in the Licence, or not in accordance with the conditions of the Licence, or during any period within which the Licence is suspended, commits an offense. The licensing court may revoke or suspend the Licence if: (a) the licensee has ceased to be a fit and proper person to carry on the business; (b) the premises specified in the Licence has ceased to be suitable for carrying on the business; (c) the licensee has been in serious breach of, or has ceased to satisfy, the conditions in the Licence; or (d) the business has been carried on in a manner contrary to public interest.

Further, every person carrying on any business or commencing to carry on any business shall apply for the registration of the business under the Business Registration Ordinance (Cap. 310). If a business is carried on at a branch of a business, application for the registration of that branch should also be made.

Lending Business

A person carrying on the business of money lender in Hong Kong will also have to observe:-

(i) The Code of Money Lending Practice ("**LMLA Code**") issued by the Hong Kong Licensed Money Lenders Association Ltd ("**LMLA**"), which is a non-statutory code issued on voluntary basis to be observed by members of LMLA in dealing with personal customers, and K Cash Express is a member of LMLA.

(ii) The Guidelines on Additional Licensing Conditions of Money Lenders Licence ("**CR Guideline**") issued by the Companies Registry ("**CR**") aim to provide guidance for money lender licensees on the requirements of additional licensing conditions imposed to facilitate effective enforcement of statutory ban on separate fee charged by money lenders and their connected parties, to ensure better protection of privacy of intending borrowers, to enhance transparency and disclosure, and to promote the importance of prudent borrowing.

Enforceability of loan agreement

The enforceability of an agreement for repayment of money lent by a money lender is subject to the provisions of MLO, including: (a) the signing of a written memorandum by the borrower with the particulars prescribed; (b) the inclusion of a summary of the provisions of Part III and Part IV of MLO; (c) absence of compound interest and prohibition of repayment by installments under the agreement; (d) absence of punitive interest by reason of default of repayment; (e) the statutory limit effective interest rate not exceeding 48% per annum (60% per annum for loan agreement entered into before December 30, 2022); (f) loan transaction would be considered as extortionate under the rebuttable presumption if the effective interest rate exceeds 36% per annum (48% per annum for loan agreement entered into before December 30, 2022). However, the court may declare that the agreement is not extortionate if, having regard to all circumstances relating to it, satisfied that such rate is not unreasonable and unfair. Under the MLO, the Court will also consider a transaction to be extortionate if: (a) it requires the debtor or a relative of his to make payments (whether unconditionally or on certain contingencies) which are grossly exorbitant; and (b) it otherwise grossly contravenes ordinary principles of fair-dealing. However, the money lender will not commit a criminal offence by charging an effective interest rate of exceeding 36%

per annum (but below 48% per annum) under the MLO, and the loan transaction shall not become illegal and unenforceable simply for this reason alone. MLO also imposes restrictions on recovery of charges or expenses relating to the granting of the loan and advertisements published by money lenders.

Debt Collecting

Whilst a person carrying on money lending business in Hong Kong is permitted to engage debt collecting agents for the purpose of enforcing and collecting debt under the loan agreement, the debt collection process must be lawful and not in contravention of the conditions specified under the Licence (which often specifies that the money lender must not engage in illegal means in debt collecting). Parties who engage in collection process which are unlawful or against the conditions of the Licence may be subject to criminal liability under MLO. In particular, money lenders who carry on business not in accordance with the conditions of the Licence commits an offence under section 29(1) of MLO and are be punishable at a maximum fine of HK$100,000 and imprisonment for 2 years. Any director, manager or officer managing the money lender company may commit an offence under section 31 of MLO if the money lender carries on the business not in accordance with the conditions of the Licence with his consent or connivance or due to his neglect, and the relevant director, manager or officer is punishable to a maximum fine of HK$10,000 and imprisonment for 6 months. Depending on the nature of the harassment used, the person collecting debt may also be liable to offences such as common law assault or other violence-related offence under Crimes Ordinance (Cap. 200) etc. Further, depends on the severity of the contravention money lenders who engage in unlawful debt collecting activity may have their Licence revoked or suspended by the authority.

Money Laundering & Terrorist Financing

Under Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615) ("**AMLO**"), requirements are imposed on financial institutions to conduct customer due diligence ("**CDD**") and record-keeping on customers. AMLO also empowers the Hong Kong Monetary Authority ("**HKMA**") to supervise compliance of these requirements and other requirements under AMLO. Further, financial institutions are also required to take all reasonable measures: (a) to ensure proper safeguards to prevent contravention of any requirement under Parts 2 and 3 of Schedule 2; and (b) to mitigate money laundering and terrorist financing ("**ML/TF**") risks. The followings are regarded as criminal offenses under AMLO:-

(i) If a financial institution, knowingly or with intent to defraud HKMA, contravenes a specified provision of AMLO (enlisted in section 5(11) of AMLO). Upon conviction, the financial institution can be liable to a maximum penalty of: (a) imprisonment for 2 years and a fine of HK$1 million (if knowingly contravenes a specified provision), or (b) imprisonment for 7 years and a fine of HK$1 million (if with intent to defraud HKMA);

(ii) If a person, being an employee or is concerned in the management of the financial institution, knowingly or with intent to defraud HKMA or the financial institution, causes or permits the financial institution to contravene a specified provision of AMLO. Upon conviction, the person can be liable to a maximum penalty of: (a) imprisonment for 2 years and a fine of HK$1 million (if knowingly contravenes a specified provision), or (b) imprisonment for 7 years and a fine of HK$1 million (if with intent to defraud HKMA or the financial institution).

Further, for contravention of specified provision in AMLO, HKMA may also take disciplinary actions against the financial institution concerned, including: (a) public reprimanding; (b) ordering the financial institution to remedy the contravention; and (c) ordering the financial institution to pay a pecuniary penalty not exceeding HK$10 million or 3 times the amount of profit gained or costs avoided by the financial institution as a result of the contravention, whichever is greater.

The United Nations (Anti-Terrorism Measures) Ordinance (Cap. 575) ("**UN(ATM)O**") implements decision of the Security Council of the United Nations in its Resolutions ("**UNSCRs**") to prevent financing of terrorist acts and combating threats by foreign terrorist fighters. Under the UN(ATM)O, it is criminal offense for a person to: (a) provide or collect property with the intention or knowing that it will be used to commit terrorist act; (b) make any property or financial services available to, or collect property or solicit financial services for the benefit of, the terrorist; (c) deal with terrorist property, or property owned, controlled by or held on behalf of terrorist (whether knowingly or recklessly). Upon conviction, a person can be subject to a maximum penalty of a fine and imprisonment of up to 14 years. The Secretary for Security also has power to freeze any property which he has reasonable ground to suspect that it is terrorist property.

Under the Drug Trafficking (Recovery of Proceeds) Ordinance (Cap. 405) ("**DT(RP)O**") and the Organized and Serious Crimes Ordinance (Cap. 455) ("**OSCO**"):-

(i) Officers of the Hong Kong Police Force ("**HKPF**") and the Custom and Excise Department ("**C&E**") are empowered to investigate assets suspected to be derived from drug trafficking activities/organized crime and triad activities;

(ii) The Court is given jurisdiction to: (a) confiscate proceeds from drug trafficking activities/organized and serious crimes; (b) grant restraint and charging orders in relation to a defendant's realizable properties; and (c) order disclosure of information held by public bodies;

(iii) It is an offense to deal with property known or believed to represent proceeds of drug trafficking/indictable offenses.

Apart from the above, UN(ATM)O, DT(RP)O and OSCO also provide for offenses arising from act or inaction which may prejudice investigation:-

(i) An offense for failing to disclose one's knowledge or suspicion of any property representing a person's proceeds of, was used in connection with, or is intended to be used in connection with, terrorist property, drug trafficking or an indictable offense (as soon as it is reasonable for one to do so). Upon conviction, a person will face maximum penalty of imprisonment of 3 months and a fine of HK$50,000;

(ii) An 'tipping-off' offense for disclosing any matter which is likely to prejudice any investigation which might be conducted following a disclosure, if the said person knows or suspects that such disclosure has been made. Upon conviction, a person will face maximum penalty of imprisonment for 3 years and a fine.

The United Nations Sanctions Ordinance (Cap. 537) ("**UNSO**") provides for the imposition of sanctions against persons and places outside the PRC arising from Chapter 7 of the Charter of the United Nations.

The Weapons of Mass Destruction (Control of Provision of Services) Ordinance (Cap. 526) ("**WMD(CPS)O**") controls the provision of services that will or may assist the development, production, acquisition or stock-piling of weapons capable of causing mass destruction or will or may assist the means of delivery of such weapons. WMD(CPS)O also prohibits a person from providing any services where that person believes or suspects, on reasonable grounds, that those services may be connected to proliferation financing. The provision of services is widely defined under WMS(CPS)O and includes the lending of money or other provision of financial assistance.

A person carrying on the business of money lender in Hong Kong will or may also have to observe the following codes of practice and guidelines:-

(i) The Guideline on Anti-Money Laundering and Counter-Financing of Terrorism ("**HKMA's AML/CFT Guideline**") issued by HKMA was published under section 7 of the AMLO and section 7(3) of the Banking Ordinance (Cap. 155) ("**BO**"). It sets out the statutory requirements under AMLO and BO and the standards which authorized institutions should meet in order to comply with them by providing practical guidance to assist authorized institutions and their senior management in designing/implementing their own policies, procedures and controls in the relevant operational areas. Authorized institutions which fail to comply with HKMA's AML/CFT Guideline may be subject to disciplinary or other actions under AMLO and/or BO, and may reflect adversely on whether the authorized institutions continue to comply with the authorization criteria set out in the Seventh Schedule of BO.

(ii) The Prevention of Money Laundering and Terrorist Financing Guideline ("**SFC's PML/TF Guideline**") issued by the Securities and Futures Commission ("**SFC**") under section 399 of the Securities and Futures Ordinance (Cap. 571) ("**SFO**") sets out the relevant statutory requirements under AMLO and SFO and the standards which licensed corporations ("**LCs**") should meet by providing practical guidance to assist LCs and their senior management in designing/implementing their own policies, procedures and controls in the relevant operational areas. The SFC's PML/TF Guideline is intended for use by associated entities ("**AEs**") which are not authorized institutions and their officers. A failure by any person to comply with any provision of the SFC's PML/TF Guideline does not by itself render that person liable to any judicial proceedings, but the SFC's PML/TF Guideline is admissible as evidence in legal proceedings under SFO. Any failure by AEs to have regard to the provisions thereof may reflect adversely on its fitness and properness (and those of the intermediary of which the AEs are in a controlling entity relationship).

(iii) The Guideline on Prevention of Money Laundering ("**HKMA's PML Guideline**") issued by Hong Kong Monetary Authority ("**HKMA**") under section 7(3) of BO applies to all banking and deposit taking activities in Hong Kong carried out by authorized institutions.

Prevention of Bribery

Under the Prevention of Bribery Ordinance (Cap. 201) ("**PBO**"), it is an offense for any agent who, without lawful authority or reasonable excuse, solicits or accepts any advantage as inducement to or reward for or otherwise on account of his doing or forbearing to do, or having done or forborne to do, any act in relation to his principal's affairs or business; or showing or forbearing to show, or having shown or forborne to show, favor or disfavor to any person in relation to his principal's affairs or business. Upon conviction, the agent concerned can be subject to a maximum penalty of a fine of HK$500,000 and imprisonment for 7 years.

DATA COLLECTION

Personal Data Privacy

The collection and processing of personal data in Hong Kong are governed by the Personal Data (Privacy) Ordinance (Cap. 486) ("**PD(P)O**"). To constitute 'personal data', (a) the data must relate to an individual; (b) the individual must be reasonably identifiable from the data; and (c) the data must be reasonably retrievable.

The regulatory regime under the statute is applied through 6 data-protection principles regarding: (i) collection, (ii) accuracy and retention, (iii) use, (iv) security, (v) openness and (vi) the right of data subject to access and correct the personal data.

Code of Practice

A person carrying on the business of money lender in Hong Kong will or may also have to observe the Code of Practice on Consumer Credit Data ("**PCPD Code**") issued by the Office of the Privacy Commissioner for Personal Data ("**PCPD**") pursuant to the powers conferred under section 12 of PD(P)O.

PCPD Code is designed to provide practical guidance in handling the collection, accuracy, use, security, access and correction of consumer credit data. It covers credit reference agencies and credit providers in their dealing with credit reference agencies and debt collection agencies. A breach of, or failure to observe, the PCPD Code will give rise to a presumption against the data user in any legal proceedings under PD(P)O, and may also weigh unfavorably against the data user in any case brought before the PCPD.

USE OF ELECTRONIC MEDIA

Electronic Transactions

Under the Electronic Transactions Ordinance (Cap. 553) ("**ETO**"), electronic records and digital signatures used in electronic transactions are given the same legal status as their paper-based counterparts by the promotion of certification authorities. Hence, digital signatures can satisfy the legal requirements for signatures (if specified requirements are complied with), and information may be retained in the form of electronic records.

Further, it is a criminal offense under ETO for any person who has access to record or other material in the course of performing a function under or for the purpose of the ordinance to disclose information relating to another person as contained in such record or material to any other person.

Electronic Messages

The Unsolicited Electronic Messages Ordinance (Cap. 593) ("**UEMO**") regulates the sending of unsolicited commercial electronic messages with a 'Hong Kong link'. Under UEMO, 'do-not-call registers' were established for pre-recorded telephone messages, short messages and facsimile messages, and senders of commercial electronic messages should access the registers to update and purge their database of address and should not send messages to those numbers.

UEMO also prescribes the requirements on the contents of commercial electronic messages which the senders should observe, including: (a) accuracy, language, presentation of identity and contact information of senders; and (b) provision, language, and presentation of unsubscribe facility. Sender must keep a record of the un-subscription requests received for at least 3 years, and should not use misleading subject headings or conceal calling line identification information in the electronic messages.

SALE OF PRODUCTS

Supply of Services

Under the Supply of Services (Implied Terms) Ordinance (Cap. 457) ("**SS(IT)O**"), certain terms are statutorily implied in a contract for the supply of service, such as: (a) the supplier will carry out the service with reasonable care and skill; (b) the supplier will carry out the service within a reasonable time (where time is not fixed in contract or in a manner agreed or determined by course of dealing); and (c) the party contracting with the supplier will pay a reasonable charge (if the consideration is not determined by the contract or left to be determined in a manner agreed or by course of dealing between the parties). Implied terms under SS(IT)O cannot be ousted by reference to any contract term.

Unconscionable Contracts

Under the Unconscionable Contracts Ordinance (Cap. 458) ("**UCO**"), if the Court finds that a contract for sale of goods or supply of services (in which one of the parties deals as consumer) to have been unconscionable in the circumstances relating to the contract at the time it was made, the court may: (a) refuse to enforce the contract; (b) enforce the remainder of the contract without the unconscionable part; or (c) limited the application of, or revise or alter, any unconscionable part to avoid unconscionable result.

Use of Exemption Clauses

Under the Control of Exemption Clauses Ordinance (Cap. 71) ("**CECO**"), a person cannot by reference to any contract term or notice given exclude or restrict his liability for negligence except in so far as the term or notice satisfies the requirement of reasonableness under section 3 of CECO.

Further, in a contract when one deals as consumer or on the other's written standard terms of business, a party (as against that consumer) cannot by reference to any contract term exclude or restrict his liability (when himself in breach) or claim to be entitled to render a contractual performance substantially different from that which was reasonably expected of him or render no performance at all, except the contract term satisfies the requirement of reasonableness under section 3 of CECO.

A person dealing as consumer cannot by reference to any contract term be made to indemnify another person (whether a party to contract or not) in respect of liability that may be incurred by the other for negligence or breach of contract, except the contract term satisfies the test of reasonableness under section 3 of CECO.

Trade Descriptions

Under the Trade Descriptions Ordinance (Cap. 362) ("**TDO**"), the following acts are prohibited: (a) use of false trade descriptions; (b) false, misleading or incomplete information, (c) false marks and misstatements in respect of products, and (d) false trade descriptions in respect of services supplied. Further, trade practices such as: (a) misleading omission; (b) aggressive commercial practices; (c) bait advertising; (d) bait and switch; and (e) wrong acceptance of payment are criminal offenses under TDO. Upon conviction, the offender may be subject to a maximum penalty of a fine of HK$500,000 and imprisonment for 5 years.

INTELLECTUAL PROPERTY

Trade Marks

The Trade Marks Ordinance (Cap. 559) ("**TMO**") regulates the registration and proceedings relating to infringement of trade marks in Hong Kong. Under TMO, a trade mark is registrable unless it contravenes any of the grounds for refusal stated thereunder. A registered trade mark can be assigned or otherwise transmitted separately from the goodwill of a business.

CORPORATE

Document & Allotment of Shares

The Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) ("**C(WMP)O**") provides for, *inter alia*, regulatory regimes on the information disclosed in and other matters relating to the issuing of the document (Part II Division 1) and allotment of shares (Part II Division 2) for public companies. Misstatements in document can result in criminal liability with a maximum penalty of a fine of HK$700,000 and imprisonment for 3 years.

Other Corporate Matters

Under the Companies Ordinance (Cap. 622) ("**CO**"), a company, its directors and officers must observe regulations regarding, *inter alia*, membership, share capital, distribution of profits and assets, registration, management and administration, appointment and disqualification of officials. It is a criminal offense if the company and/or its directors/officers fail to observe the relevant regulations.

In order for the court to be able to try a summary offense under CO, (a) information or complaint relating to the offense must be laid before or made to a magistrate within 3 years after the commission of the offense; and (b) the said information or complaint must be laid or made within 12 months after the date on which the evidence in support comes to the knowledge of the Secretary for Justice.

EMPLOYMENT

Employment Protections

The Employment Ordinance (Cap. 57) ("**EO**") applies to every employee engaged under a contract of employment in Hong Kong to an employer of such employee, and to a contract of employment between such employer and employee. EO provides the following entitlements or protections to an employee: (a) year-end payments; (b) maternity and paternity protection; (c) rest days; (d) protection against anti-union discrimination; (e) severance payment; (f) long service payment; (g) employment protection; (h) sickness allowance; (i) holidays with pay; (j) annual leave with pay.

Apart from the protections, EO also provides standard duties and obligations to be implied in contracts between employers and employees, as well as the formalities to be observed for employment contracts.

Employees' Compensation

Under the Employees' Compensation Ordinance (Cap. 282) ("**ECO**"), no employer shall employ any employee in any employment unless there is in force in relation to such employee a policy of insurance issued by an insurer for an amount not less than the applicable amount specified in ECO in respect of the employer's liability. An employer who fails to comply with the above commits an offense and is liable to a maximum penalty of a fine at HK$100,000 and imprisonment for 2 years.

Mandatory Provident Fund Schemes

Under the scheme established by the Mandatory Provident Fund Schemes Ordinance (Cap. 485) ("**MPFSO**"), all employees (and those who are self-employed) aged between 18 and 65 years with monthly earning between HK$7,100 and HK$30,000 are obliged by law to contribute 5% of their income to the scheme; and those with monthly earning more than HK$30,000 are obliged to contribute HK$1,500 to the scheme. In the first instance, a contribution of 5% of the total monthly income must be made to the scheme by both the employee and employer, unless the income falls below the minimum threshold (in which case the employer alone is obliged to contribute). The employee and employer may, if they so prefer, make contribution in excess of the statutory minimum.

Further, an employer has a duty to duly pay the mandatory contribution for its own behalf and for the employees. An employer who, without reasonable excuse, fails to pay contribution (or failure to do so on time) commits a criminal offense, and is liable: (a) on first conviction, to a fine at HK$100,000 and imprisonment for 6 months; (b) on subsequent occasion, to a fine of HK$200,000 and imprisonment for 12 months.

Notices of Commencement & Termination of Employment

Under the Inland Revenue Ordinance (Cap. 112) ("**IRO**"), an employer who employ someone who is or is likely to be charged with salaries tax or any married person shall give notice in writing to commissioner of Inland Revenue Department ("**IRD**") not later than 3 months after the date of commencement of such employment, stating his/her full name and address, date of commencement and terms of employment. Further, where the employment ceases, the employer shall give notice thereof in writing to the commissioner not later than 1 month before the employee ceases to be employed in Hong Kong, stating the name and address and the expected date of cessation. Any person who without reasonable excuse fails to comply with the above requirements commits an offense and is liable to a fine of HK$10,000, and the court may order rectification within a specified time.

TAX

Profits Tax

Under IRO, profits tax shall be charged on every person carrying on a trade, profession or business in Hong Kong in respect of his assessable profits arising in or derived from Hong Kong that each year of assessment from such trade, profession or business (excluding profits arising from the sale of capital assets).

Property Tax

Under IRO, property tax shall be charged on every owner of any land or buildings or land and buildings wherever situate in Hong Kong for each year of assessment. The amount of profit tax charged is computed at the standard rate on the net assessable value of such land or buildings or land and buildings for each such year.

Stamp Duty

Under the Stamp Duty Ordinance (Cap. 117) ("**SDO**"), every instrument specified in the First Schedule to SDO, wherever executed, is chargeable with stamp duty. If any instrument chargeable with stamp duty is not duly stamped, the person specified in the First Schedule as being liable for stamping and any person who uses the instrument shall be liable civilly to the Collector of Stamp Duty for payment of the stamp duty and penalty. Under the First Schedule to SDO, instruments subject to stamp duty include conveyance, agreement for sale and lease of immovable properties in Hong Kong, contract note and transfer of Hong Kong stock, Hong Kong bearer instrument and their counterparts.

COMPETITION

Under the Competition Ordinance (Cap. 619) ("**CPTO**"), three main types of anti-competitive practices are prohibited, which are described under three rules detailed as follows:-

(i) '*First Conduct Rule*':- prohibiting undertaking from making or giving effect to an agreement (whether horizontal or vertical) if the agreement has the object or effect of harming competition in Hong Kong. The rule applies to concerted practices/decisions of associations of undertakings (whether participants are competitors or not). Examples of prohibited agreements are horizontal 'cartel' agreements, joint ventures, price fixing and group boycotts.

(ii) '*Second Conduct Rule*':- prohibiting business with substantial market power in a market from abusing that power by engaging in conduct which has the object or effect of harming competition in Hong Kong (i.e. to protect or increase position of power and profits). Examples include predatory pricing, anti-competitive tying and bundling; margin squeeze and refusals to deal, as well as exclusive dealing.

(iii) '*Merger Rule*':- prohibiting mergers with the effect of substantially lessening competition in Hong Kong. Currently the application of the rule is limited to mergers relating to undertakings directly or indirectly holding carrier licences issued under the Telecommunication Ordinance (Cap. 106).

Under CPTO, the Competition Tribunal is empowered to impose pecuniary penalties, award damages and order interim injunctions during investigations or proceedings for violation of competition rules. Parties to a contract may also invoke the rules to support their claim that a contractual clause is void or voidable.

LAND

Rules Affecting Land

Under the Conveyancing and Property Ordinance (Cap. 219) ("**CPO**"), no action shall be brought upon any contract for sale or other disposition of land, unless the agreement (or some memorandum or note thereof) is in writing and signed by the party to be charged or person authorized by him.

In respect of the legal estate and equitable interest in land, the following rules are created by CPO:-

(i) Legal estate in land can only be created, extinguished or disposed of by deed.

(ii) Equitable interest in land can only be created or disposed of by writing signed by the person creating or disposing of the same (or by his agent authorized in writing, or by will or operation of law).

All interest in land created orally (and not put in writing and signed by the persons creating them) have the force and effect of interests at will only, notwithstanding that any consideration has been given for the same.

Mortgage

CPO also provides that a mortgage of legal estate (including any second or subsequent mortgage of the legal estate) can only be effected by a charge by deed expressed to be a legal charge, under which the mortgagor and the mortgagee shall have the same protection, powers and remedies (including foreclosure and equity of redemption, but excluding power to enter into possession before default by mortgagor) as if the mortgage is effected by way of assignment of the legal estate.

Voidable Disposition

CPO stipulates that any disposition of property made with intent to defraud creditors shall be voidable at the instance of any person prejudiced. The rule however does not extend to any estate or interest in land disposed of for valuable consideration and in good faith or upon good consideration and in good faith to any person not having notice of the intent to defraud creditors at the time of the disposition.

Further, every voluntary disposition of land made with intent to defraud a subsequent purchaser is voidable at the instance of that purchaser.

Land Registration

Under the Land Registration Ordinance (Cap. 128) ("**LRO**"), all deeds, conveyances, other instruments in writing and judgments ("**Registrable Instruments**") which may affect land is registrable in the Land Registry. Registrable Instruments registered in the Land Registry shall have priority according to the priority of their respective dates of registration.

For Registrable Instruments which are not registered in the Land Registry, they shall be absolutely null and void as against any subsequent *bona fide* purchaser or mortgagee for valuable consideration.

OVERVIEW

Prior to the Reorganization, group companies of Konew Group were principally engaged in the money lending business of providing secured and unsecured loan financings to both individuals and corporations since 2001. In 2006, riding on the experience in providing secured loan financing and the Group's vision to make financing more accessible to HOS Property Owners, SMEs and individuals, the Group began to capture the market opportunities and grow and expand the unsecured loan financing business. The Group has therefrom been committed to provide quality unsecured loan financing to HOS Property Owners, SMEs and individuals by adopting financial technologies to its operations.

We are a licensed unsecured loan money lender in Hong Kong which seamlessly integrated various technologies in our business operations. According to Frost & Sullivan, in 2022, we ranked fourth in terms of revenue in respect of unsecured financing among all licensed money lenders in Hong Kong.

We are principally engaged in the money lending business of providing unsecured loan financing to both individuals and corporations. We mainly operate through K Cash and K Cash Express, both of which hold Money Lenders Licenses and are regulated under the Money Lenders Ordinance in Hong Kong. We position ourselves as an adaptive licensed money lender by adopting a wide spectrum of technologies in our operation to enrich the borrowing experience we offer and to strengthen our credit risk monitoring and management abilities. Since our establishment, we have been focusing on maintaining our brand's image in providing professional, prompt and flexible money lending services. In 2006, we began to provide unsecured loan financing to property owners. In 2010, we began to provide unsecured personal loans financing to individuals.

Our milestones

The following is a summary of our Group's key development milestones:

Date	Event
October 2006	We began to offer unsecured loan financing to property owners
January 2010	We began to provide unsecured personal loans financing to individuals
December 2015	We were the first licensed money lender in Hong Kong that introduced VTMs for providing money lending services
August 2016	We introduced online lending platform under our "K Cash" brand with the integration of the "Identity Manager" and credit check functions provided by a credit reference agency
September 2017	We formed our in-house IT department
January 2018	We started to implement cloud-based technology into our business operation
December 2018	We implemented facial recognition technology in our VTMs as a more secured method of identity verification

Date	Event
January 2019	We upgraded our VTMs to provide cardless drawdown service with multiple identity authentication technologies
	We upgraded our VTMs to incorporate finger vein authentication technology
April 2019	We engaged a global technology services provider to develop our Credit Modeling System with machine learning capabilities
May 2019	We launched our "7x24 AI loan" services as promotional offer to our new customers
August 2019	We commenced the initiative of building the K Cash GO Platform
September 2019	We connected the VTM system with our loan system to provide better integrated services and enhanced our VTMs to provide offline self-served loan repayment services
	We applied blockchain technology to our operations and introduced SME loans to SMEs in Hong Kong
December 2019	We introduced SME dashboard to view the transactional and financial information of the SME borrower by connecting to the SME borrowers Point-of-Sales (POS) and/or from the financial statements of SME borrowers
February 2020	We were the first licensed money lender to establish a branch in MTR station (East Tsim Sha Tsui station)
January 2021	We established our first unmanned branch in MTR station (Shatin station)
November 2022	We entered into an agreement to collaborate with a global credit card network provider to issue credit cards
	We entered into an agreement with a payment processing vendor to enable our BNPL services
	We introduced eKYC in the K Cash App
January 2023	We extended the use of business process automation technology to more business and compliance areas including AML, credit checking and valuation
February 2023	We entered into a platform collaboration agreement with River Square, a subsidiary wholly-owned by New World, a leading conglomerate in Hong Kong

OUR COMPANY

Our Company was incorporated on October 25, 2022 as an exempted company with limited liability under the laws of the Cayman Islands with an authorized share capital of HK$390,000 divided into 3,900,000,000 shares of a nominal value of HK$0.0001 each. It is the holding company of our subsidiaries, and its principal business activity is investment holding. As of the Latest Practicable Date, all the issued Shares of our Company were owned by Konew Fintech. See "— Reorganization — (1) Incorporation of our Company by Konew Fintech" for further details regarding the changes in the authorized and issued share capital of our Company.

As a result of the Reorganization, our Company has become the ultimate holding company of our Group. See "— Reorganization" for further details.

OUR INVESTMENT HOLDING SUBSIDIARIES

K Cash Express (BVI)

K Cash Express (BVI) was incorporated on October 28, 2022 under the laws of BVI with limited liability and is authorized to issue up to a maximum of 50,000 ordinary shares of a single class with a par value of US$1.00 each. One share was allotted and issued to our Company on the date of incorporation as fully paid. Upon the Reorganization, K Cash Express (BVI) is an investment holding company which directly holds all the issued shares in K Cash Express, which is one of our subsidiaries principally engaged in money lending business in Hong Kong with a focus on SME Loans and Unsecured Property Owner Loans. See "— Reorganization — (2) Incorporation of K Cash Express (BVI) by our Company" and "— Reorganization — (4) Transfer of the entire issued share capital of K Cash Express held by Konew Credit to K Cash Express (BVI)" for further details.

K Cash (BVI)

K Cash (BVI) was incorporated on December 9, 2019 under the laws of BVI with limited liability and is authorized to issue up to a maximum of 50,000 ordinary shares of a single class with a par value of US$1.00 each. One share was allotted and issued to Konew Fintech on the date of incorporation as fully paid. Upon the Reorganization, K Cash (BVI) is a wholly-owned subsidiary of our Company and an investment holding company which directly holds all the issued shares in K Cash, which is one of our subsidiaries principally engaged in money lending business in Hong Kong with a focus on Personal Loans. See "— Reorganization — (5) Transfer of the entire issued share capital of K Cash (BVI) held by Konew Fintech to our Company" for further details.

OUR MAJOR SUBSIDIARIES

K Cash Express

K Cash Express, formerly known as Konew Financial Express Limited, Konew Business Development Limited and Winston Credit Limited, was incorporated in Hong Kong on February 24, 1999 as a limited liability company. On the date of incorporation, one subscriber share was allotted and issued to each of Chairman Lee and Mrs. Lee, respectively.

Since January 1, 2020 and up to the date immediately prior to the Reorganization, K Cash Express was wholly-owned by Konew Credit.

As a result of the Reorganization, K Cash Express became an indirect wholly-owned subsidiary of our Company. See "— Reorganization" for further details.

K Cash Express is principally engaged in licensed money lending business in Hong Kong with a focus on Unsecured Property Owner Loans and SME Loans.

K Cash

K Cash, formerly known as Ever Concept Holdings Limited, Maxcolm Credit Limited, and mtree.money Limited, was incorporated in Hong Kong on March 4, 2008 as a limited liability company. On the date of incorporation, one subscriber share was allotted to Easytime Development Limited (an Independent Third Party).

Prior to June 29, 2020, K Cash was wholly-owned by Konew Credit. A transfer of shares of K Cash was properly and legally settled, and completed with the register of members of K Cash updated on June 29, 2020 pursuant to an instrument of transfer and bought and sold notes entered into between K Cash (BVI) and Konew Credit for the sale and purchase of 100,000 shares in, representing the entire issued share capital of, K Cash from Konew Credit, for a nominal consideration of HK$100,000.

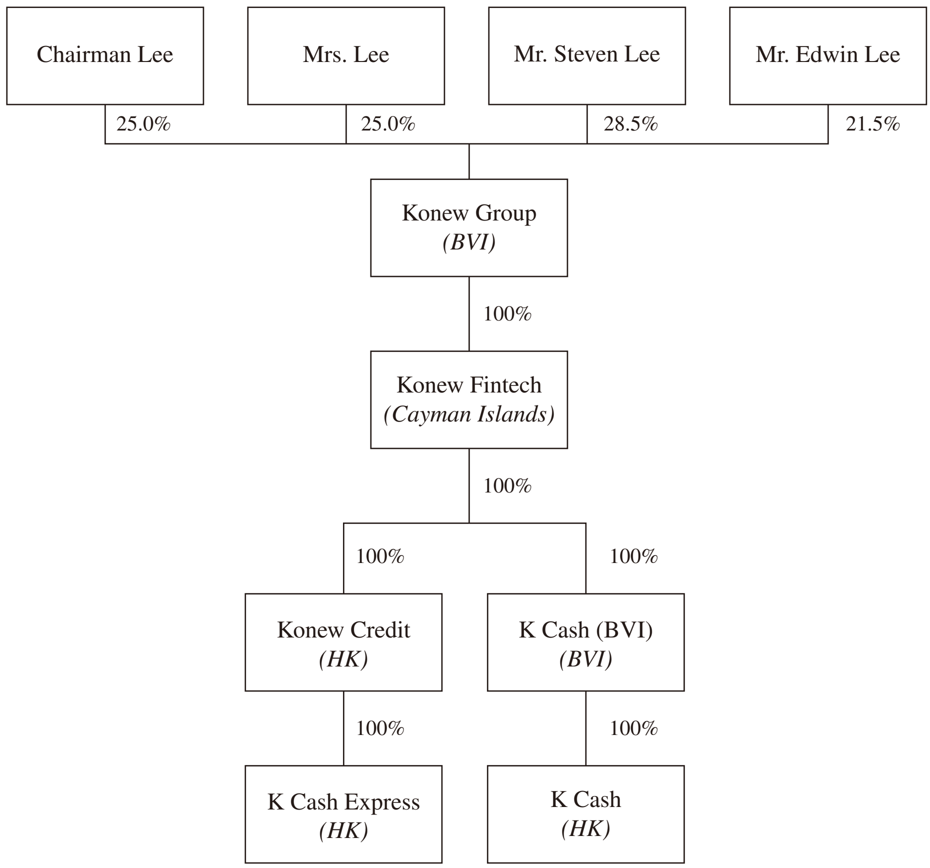
Since the aforesaid transfer which was completed on June 29, 2020 and up to the date immediately prior to the Reorganization, K Cash was wholly-owned by K Cash (BVI).

As a result of the Reorganization, K Cash became an indirect wholly-owned subsidiary of our Company. See "— Reorganization" for further details.

K Cash is principally engaged in licensed money lending business in Hong Kong with a focus on Personal Loans.

REORGANIZATION

The corporate structure of our Group immediately prior to the commencement of the Reorganization and establishment of the Lee Trust is set out below:



Note: Chairman Lee is the spouse of Mrs. Lee. Chairman Lee and Mrs. Lee are parents of Mr. Steven Lee and Mr. Edwin Lee. Immediately prior to the Reorganization, Konew Group was owned by Chairman Lee, Mrs. Lee, Mr. Steven Lee and Mr. Edwin Lee as to 25%, 25%, 28.5% and 21.5%, respectively. Chairman Lee, Mrs. Lee, Mr. Steven Lee and Mr. Edwin Lee together held, through Konew Group, the entire shareholding interests in K Cash Express and K Cash.

Upon completion of the Reorganization, Chairman Lee, Mrs. Lee, Mr. Steven Lee (through the Lee Trust) and Mr. Edwin Lee remained to be a group of Controlling Shareholders holding the entire shareholding interests of our Group through a common investment holding company, Konew Group.

In order to prepare for the [**REDACTED**], we underwent the Reorganization which involved the following steps:

(1) Incorporation of our Company by Konew Fintech

Our Company was incorporated as an exempted company under the laws of the Cayman Islands with limited liability on October 25, 2022 with an initial authorized share capital of HK$390,000 divided into 3,900,000,000 Shares of nominal or par value of HK$0.0001 each. On the date of incorporation, one nil-paid Share was allotted and issued to an initial subscriber who is an Independent Third Party and on the same day the initial subscriber transferred one Share to Konew Fintech and 9,999 Shares of HK$0.0001 were allotted and issued as fully paid to Konew Fintech. Accordingly, our Company was entirely held by Konew Group Limited.

(2) Incorporation of K Cash Express (BVI) by our Company

K Cash Express (BVI) was incorporated under the laws of the BVI with limited liability on October 28, 2022. K Cash Express (BVI) is authorized to issue up to a maximum of 50,000 ordinary shares of a single class with a par value of US$1.00 each. On October 28, 2022, 1 share of par value of US$1.00 was allotted and issued to our Company as fully paid.

(3) Establishment of the Lee Trust and transfer of Mr. Steven Lee's entire interests in Konew Group to SW Lee Limited, and transfer of the entire interests in SW Lee Limited to World Wealth Investment Development Limited

For estate planning purposes, a discretionary trust named the Lee Trust was established by Mr. Steven Lee (as the settlor) and East Asia International Trustees Limited (as the trustee), for the benefit of Mr. Steven Lee and his family members on March 3, 2023. Mr. Steven Lee transferred his entire interests in Konew Group to SW Lee Limited on February 21, 2022 and Mr. Steven Lee, together with Chairman Lee, Mrs. Lee, and Mr. Wallace Lee Chak Sum, transferred their entire interests in SW Lee Limited to World Wealth Investment Development Limited on March 3, 2023. World Wealth Investment Development Limited is wholly-owned by East Asia International Trustees Limited as the underlying company as the trustee for the Lee Trust.

(4) Transfer of the entire issued share capital of K Cash Express held by Konew Credit to K Cash Express (BVI)

On March 24, 2023, K Cash Express (BVI) entered into an instrument of transfer and bought and sold notes to acquire 20,000,000 shares in, representing the entire issued share capital of, K Cash Express from Konew Credit, for a consideration of HK$20,000,000. The consideration was determined based on arm's length negotiations between the parties taking into account the issued share capital of K Cash Express.

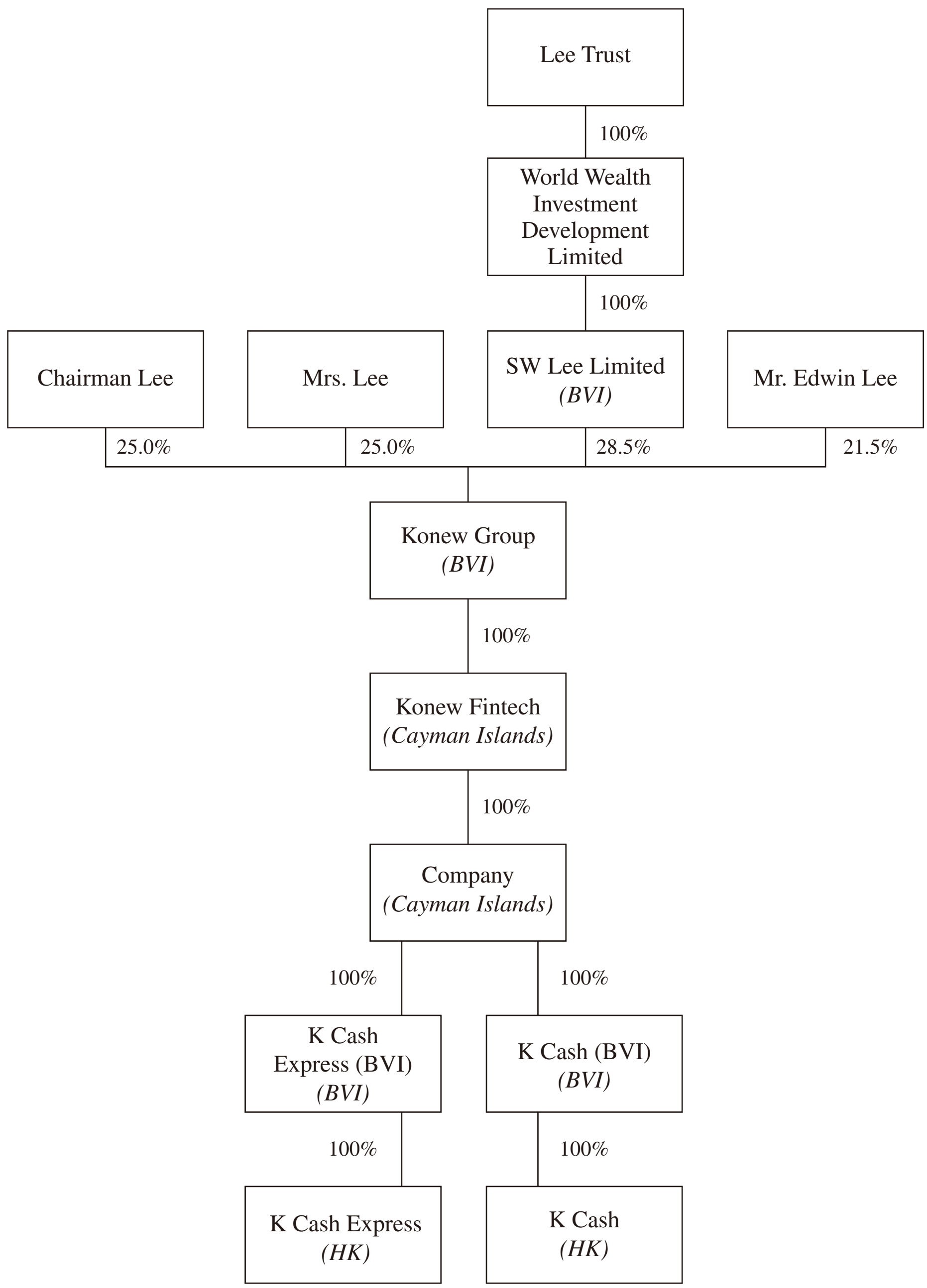
The transfer of the aforesaid shares of K Cash Express was properly and legally settled, and completed with the register of members of K Cash Express updated on March 24, 2023. Upon completion of the aforesaid transfer, K Cash Express became a wholly-owned subsidiary of K Cash Express (BVI).

(5) Transfer of the entire issued share capital of K Cash (BVI) held by Konew Fintech to our Company

On March 24, 2023, our Company entered into an instrument of transfer and bought and sold notes to acquire 1 share in, representing the entire issued share capital of, K Cash (BVI) from Konew Fintech, for a consideration of US$1. The consideration was determined based on arm's length negotiations between the parties taking into account the issued share capital of K Cash (BVI).

The transfer of the aforesaid share of K Cash (BVI) was properly and legally settled, and completed with the register of members of K Cash (BVI) updated on March 24, 2023. Upon completion of the aforesaid transfer, K Cash (BVI) became a wholly-owned subsidiary of our Company.

The following chart sets forth the corporate and shareholding structure of our Group immediately after completion of the Reorganization and the establishment of the Lee Trust:



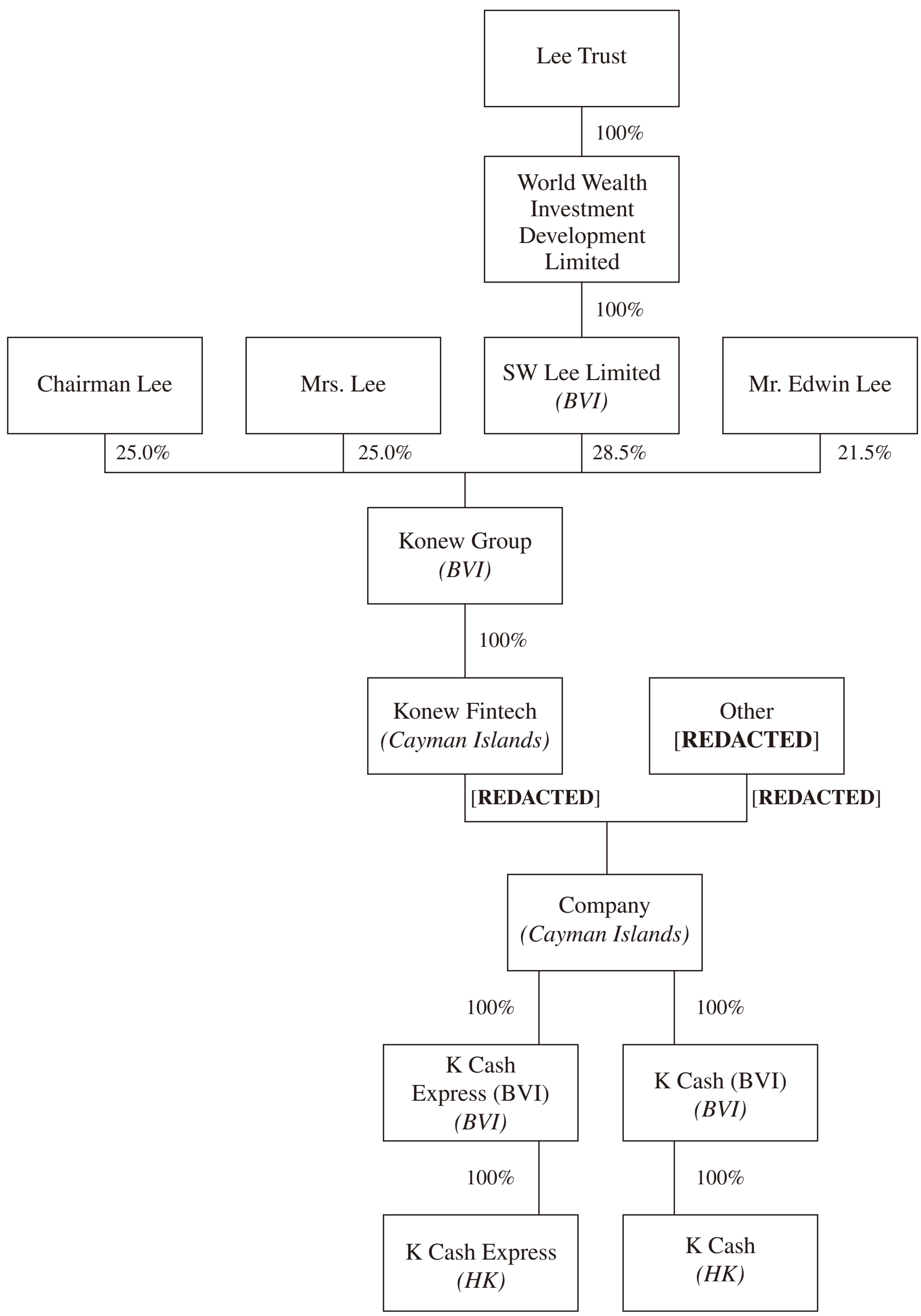
[REDACTED] AND [REDACTED]

Conditional upon the share premium account of our Company being credited as a result of the [**REDACTED**], our Company will capitalize all or a portion, as the case may be, of the balance of the share premium account and applying such sum in paying up in full at nominal value a total of

[**REDACTED**] Shares for allotment and issue to the existing shareholder of our Company, namely Konew Fintech, which will hold [**REDACTED**] of the issued share capital of our Company.

Immediately after the [**REDACTED**] and [**REDACTED**], Konew Fintech and the other public holders of Shares will hold approximately [**REDACTED**] and [**REDACTED**], respectively, of the enlarged issued share capital of our Company.

The following chart sets forth the corporate and shareholding structure of our Group immediately following completion of the [**REDACTED**] and [**REDACTED**] (without taking into account any [**REDACTED**] which may be issued upon exercise of the [**REDACTED**] or any options granted or to be granted under the Share Option Scheme):



OVERVIEW

We are a licensed money lender in Hong Kong focusing on providing unsecured loans through technologies to achieve digitalisation and automation across the lending process including loan application, credit review and approval, drawdown and post-drawdown.

We started our journey in 2006, and since then, we have fostered creativity and innovation in our entrepreneurial endeavors. In 2015, we introduced VTMs, which are digital teller machines that provide loan drawdown and repayment services. In the following years, we constantly upgraded the functions of our VTMs by adopting various technologies. We also launched our online lending portal, K Cash App, and are committed to maintaining high ethical standards and technologically advanced credit assessment models and risk management systems through technology application.

However, in today's connected world, where information exchange is seamless, we believe that traditional money lender businesses are struggling to keep pace with the speed of technological advancements in a digitalized world, resulting in the need for smart lending businesses supported by technology applications.

Our loan products are tailored to meet the needs of subprime borrowers who face financial hardships, emergencies or unexpected expenses. We offer unsecured credit access through technologies, including loan application, credit assessment, drawdown and loan repayment. Our products can be classified into three categories:

- ***Unsecured Property Owner Loans:*** unsecured loans offered to borrowers who are property owners in Hong Kong, mostly owners of HOS Properties, without the need to provide any collaterals;

- ***Personal Loans:*** unsecured loans offered to individuals, including "7x24 AI Loans"; and

- ***SME Loans:*** unsecured loans offered to SMEs, with a personal guarantee typically provided by a director or a shareholder of the SME borrower.

We pride ourselves on providing highly automated, transparent, efficient, and digital borrowing experiences to our borrowers. We strive to make credit accessible to all, and we are dedicated to ensuring that our borrowers receive the best experience when borrowing from us.

VALUE PROPOSITION

We believe by seamlessly adopting technology in our business process, we have successfully manifested our values and capabilities that allow us to stand out from our competitors:

- *Unmanned branches vs Labor-intensive branch model*. While most traditional money lenders adopt a labor-intensive branch model to serve customers only during the office hours, we can provide loan services to our customers through online lending portals and unmanned branches. Our VTMs offer real-time access to customer service officers located at our headquarters, who can address enquiries on a timely manner. Our VTMs are able to offer fully automated identity verification, drawdown and loan repayment services.

According to Frost & Sullivan, we were the first licensed money lender in Hong Kong to employ VTMs in operations and to adopt biometric vein scanning for identity verification at drawdown on VTMs. With the support of technologies, upon satisfying credit risk assessment, our 7x24 AI Loans can extend loan offers in a fully automated manner within 20 seconds after successful submission of the loan application through the K Cash App, and for most of our loan products, the process from loan application to drawdown can be completed within a day. During the Track Record Period, approximately 35.5%, 48.7% and 53.1% of our personal loan applications were verified and approved within 15 minutes. For details, see "— Our Technology Application on the Loan Process — Personal Loans — Application".

- *Credit model assessment (IDCM) vs Traditional credit assessment.* While traditional money lenders only conduct analysis on the individual borrowers' credit history, our IDCM combines data analytics and machine learning technologies to analyze a borrower's credit data and behavior patterns, including re-borrowing pattern, frequency of loan inquiries and payroll method. This allows us to make an immediate and comprehensive credit assessment decision based on a borrower's risk profiles, and to charge different interest rates accordingly. By assessing borrower behavior patterns, we can expand our market exposure to borrowers that suit our risk appetite. For details, see "— Our Technology Application on the Loan Process — Personal Loans — Credit review and approval".

- *Blockchain-based loan record vs Traditional record keeping*. Traditional record keeping rely on a single centralized database. With such approach, record is rather easy to be tampered with which goes undetected. To minimize the risk, blockchain-based loan record provides a more secure, transparent and fully traceable system where the loan record are decentralized when making loan applications. Any attempt to tamper with the record would not be successful or undetected because the original record cannot be easily modified. Our blockchain-based loan record also helps us verify the applicants' information and detect duplicate loan applications. This helps lower our credit risks, enhance operation efficiency and reduce our overhead expenses.

- *Day-to-day monitoring system vs Traditional data analysis*. For loans to SMEs, while traditional money lenders assess and manage risks by analyzing borrowers' audited financial statements, we operate a SME dashboard which connect to the POS system of our applicants or borrowers, which enables us to review their operational data in real-time and gain access to first hand data for loan recovery opportunities and manage risks more effectively.

- *Low cost vs high cost*. We strategically operate seven branches across Hong Kong island, Kowloon and the New Territories. As the borrowers could make enquiries, drawdown and repayment via our VTMs, we believe we enjoy a lower labor and operating cost comparing to our peers in Hong Kong. Our lower cost of operation allows us to offer loans at a more competitive interest rate while generating a reasonable profit.

With the adoption of technology into our business process, our borrowers can apply and receive loans round-the-clock and at a lower cost compared to many traditional money lenders in Hong Kong.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths contribute to our success and differentiate us from our competitors.

We are the fourth largest licensed money lender in Hong Kong in respect of the overall unsecured loan business with a proven operating track record

We are a licensed money lender in Hong Kong focused on offering unsecured loans with top-rated customer experience through technologies such as blockchain and business process automation technology. We value creativity and innovation in our entrepreneurial endeavors to empower digital finance and create a highly accessible business in Hong Kong for our customers. Our mission is to make unsecured money lending accessible to the general public in Hong Kong, especially those who lack access to traditional mainstream credit products through delivering efficient lending service with competitive interest rate through various technologies. According to Frost & Sullivan, we ranked fourth in terms of revenue in respect of the overall unsecured loan business among all licensed money lenders in Hong Kong in 2022.

We started our journey in 2006 with the idea that anyone who lack access to traditional mainstream credit products should be able to have access to unsecured money lending options so long as they are credit-worthy. We have a proven operating track record of over 15 years in Hong Kong's licensed money lending market, which helps establish and solidify our market position today. We introduced VTM in 2015. We also started the initiative of building our proprietary K Cash GO Platform in 2019 and further launched our K Cash App in the following years that enable online loan application.

We have developed our proprietary centralized operating system, K Cash GO Platform, to utilize and integrate our financial technologies throughout different stages of the loan cycle, from customer acquisition, loan application, to loan drawdown and to loan collection. K Cash GO Platform is adopted to roll, automate and streamline the entire lending process with our loan application system and loan management system. K Cash GO Platform is a high performing and secure platform which provides us the necessary centralized system with integration capability to optimize the artificial features adopted. K Cash GO Platform provides us versatile integration options and focuses on automation and seamless performance to integrate necessary modules to perform different business functions, such as loan management work and risk monitoring process.

We believe our success is attributable to our adaptive corporate mindset towards embracing evolving technologies since our early years, so that we are now supported by technology-backed risk controls and can provide timely financial solutions to our customers.

We provide cost-effective money lending services through adopting technologies

We aim to provide a well-rounded and convenient customer service experience by offering a wide range of automated lending and repayment services. With the support of various technology applications, processing time of our Personal Loans and Unsecured Property Owner Loans from submission of complete loan application to loan approval can be completed within 15 minutes. In 2020, 2021 and 2022 and five months ended May 31, 2023, approximately 35.5%, 48.7%, 53.1% and 58.1%, respectively, of our personal loan applications were verified and approved within 15 minutes. According to Frost & Sullivan, it typically takes, on average, one to five days for a licensed money lender in Hong Kong to process an unsecured personal loan application with loan amount of less than HK$200,000, whereas it typically takes, on average, one week for authorized institutions to process the same type of loan application.

Our Personal Loans and SME Loans application processes are entirely online as supported by our various technologies such as blockchain, eKYC and cloud computing. Also, with our VTMs, customers are able to make drawdown on a 7x24 basis using the identity verification through biometric vein scanning, facial recognition and/or Hong Kong identity card authentication. The VTMs we own also allow customers to have real-time access to our customer service officers during office hours. In 2019, we rolled out our 7x24 AI Loans, which is a Personal Loan product currently available to our new customers with a borrowing limit of HK$10,000. Empowered by AI technology, our 7x24 AI Loans can achieve automation in approval process and can generate loan offers in a fully automated manner within 20 seconds.

During our credit assessment process, our IDCM assesses applicants' behavioral data, which helps us make an AI-facilitated and comprehensive credit assessment in short time based on a borrower's risk profile and assist us to make the loan approval/rejection decision more efficiently. For new customers who have already taken out loans elsewhere but nonetheless fulfill our IDCM pricing policy, we generally offer a discount to the interest rates that such prospective borrowers are currently borrowing at other authorized institutions and/or licensed money lenders in order to attract them to consolidate their debts to us.

We have integrated various technology modules in our K Cash GO Platform to effectively and efficiently execute the lending process. On the front-end, we automate and digitalize the major credit cycle from loan application tools to loan repayment to improve user experience with the use of various technologies and automation technologies such as eKYC and VTMs. On the back-end, we continuously automate and streamline our credit assessment and risk management systems as well as the entire business process via the use of blockchain, IDCM and SME dashboard. We believe our technology capabilities differentiate us from traditional licensed money lenders, which help us achieve more comprehensive credit assessment, higher efficiency and more precise risk prevention and control, as well as lower overhead expenditures and operational costs.

We believe that by integrating technologies into our operation, we can improve operational efficiency as well as lower labor and operating costs, which enable us to compete for business in terms of pricing as well as speed.

We possess comprehensive credit risk management capability supported by technology and industry experience

We implement a comprehensive credit risk management methodology to control our credit risk exposure throughout the loan cycle for our loan products. In respect of our Personal Loan products, we utilize our IDCM model for credit review and approval, which comprises Credit Modeling System and AQM System. We engaged an overseas listed company specialising in IT service and consulting to develop our Credit Modeling System, which has machine learning capabilities, to analyze various attributes of our applicants such as payroll method, age range and employment industry, to evaluate the customers' risk profiles. We collaborate with a credit reference agency to perform credit check and obtain borrowers' credit report based on its database, which can also produce prediction on default probability for us. We then combine the application of big data and machine learning technologies in our Credit Modeling System which allow us to classify loan applicants into different credit ratings, enabling us to use risk-based pricing that reflects each borrower's unique risk profile.

For Unsecured Property Owner Loan, we collect and review information of the properties owned by borrowers as one of the factors for making loan approval decisions. For example, we use business risk engine to monitor the latest litigation record in local court and land registry encumbrance alert of the underlying assets. The business risk engine enables us to compare alert information with our internal loan information and apply pre-defined business logic to define risk scenarios and recommend appropriate follow-up actions against owners whose property has been identified by the alert. We also utilize the AVS Methodology to assess the value of the assets owned by borrowers of our Unsecured Property Owner Loans, which is one of the factors we consider when making an Unsecured Property Loan offer.

In respect of credit risk assessment and control of our SME Loans, we rely on financial performance and operational data of our SME borrowers, for ongoing risk monitoring. We also utilize our SME dashboard for both pre-loan credit assessment and post-loan monitoring. Our SME dashboard is capable of connecting to the POS system of our SME borrowers, thus enabling us to access real time and first hand data of the borrower that are less prone to manipulation, and respond to and follow up on business fluctuations and abnormalities in a timely manner.

Furthermore, we integrate blockchain technology with our daily operations by maintaining a blockchain-based loan record, which was designed specifically for our operations and helps us detect duplicate loan applications and prevent tampering of our loan records. Particularly, the applicant's personal or corporate verified identification information at the application stage is stored in the blockchain which is immutable. Furthermore, blockchain can ensure that there would be no duplication of loan application from the same borrower at the time of the credit assessment, which avoids the granting of multiple loans to the same borrower.

Our technology-backed operations allow us to respond to different stages of the economic cycle by quickly adjusting our credit assessment decisions and pricing parameters embedded in our systems. We also continuously validate and optimize our analysis parameters to capture expanding data, changing borrower behavior and market evolvement to optimize our credit modelling.

We deploy our online plus offline lending platform effectively and set up branches strategically, adopt diverse and effective marketing measures to more efficiently focus on our target customers

We operate our business under the brands of "K Cash" and "K Cash Supreme". We built up an efficient "Online plus Offline" lending platform that is open to all types of customers. Our "K Cash Supreme" is specifically designed to target borrowers with potentially better credit rating, such as civil servants and professionals. We are able to offer one-stop quality services through physical branches and our online lending portals, namely, our website and K Cash App. We currently have seven branches covering Hong Kong Island, Kowloon and the New Territories, alongside with our headquarters in Central. Our branches strategically cover the key and prime areas in Hong Kong for a wide reach of customers. Our branch network also serves as our brand-building and marketing tools.

We highly emphasize on our brand building. In 2022, we were the title sponsor for several major TV programs broadcasted on ViuTV, including FIFA World Cup Qatar 2022, Million Cohabitation Project (百萬同居計劃) and Love Staycation (戀愛Staycation). In addition to the traditional marketing through online and offline channels, we adopt precision marketing in which we conduct data analytics to extract useful market data in order to identify borrowing needs and trends and different target customer groups after which we allocate marketing resources strategically based on such analysis to achieve greater precision and continuously improve our service quality.

We have a dedicated and experienced management team and a team of IT specialists

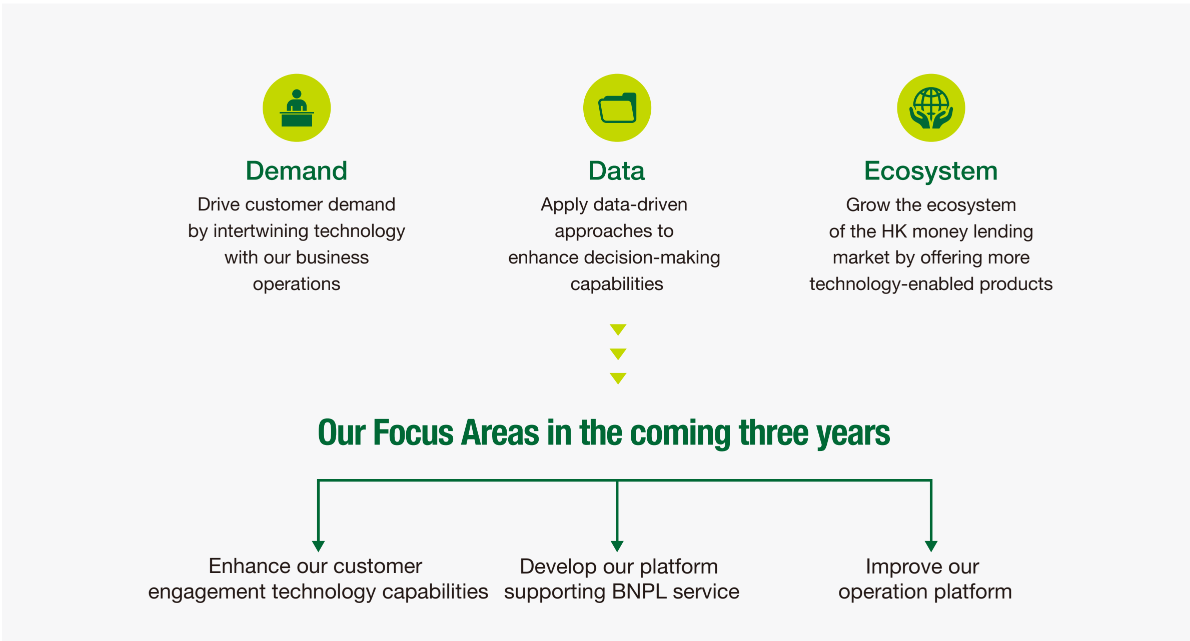
We have a senior management team with extensive experience and knowledge who aims to continue to strength our market position. In particular, Mr. Steven Lee, our executive Director and chief executive officer, has over 22 years of experience in the licensed money lending business, covering broad variety of loan products such as unsecured personal loans, corporate loans, mortgage loans and finance leasing. Mr. Steven Lee has also served as the director of Konew Fintech since December 2019. Ms. Wong, our executive Director and chief operating officer, also has over 20 years of experience in the licensed money lending business and has served various positions in our group where she gained experience in effectively managing our licensed money lending business. In addition, our non-executive Directors and senior management also have, on average, over 20 years of experience in money lending business and relevant operational experience.

We continually invested resources in developing our talent pool. We have established an in-house IT department comprising information technology professionals and experts to strengthen our technology capabilities and developed a sound organization structure and information management system to support the development and operations of all key stages of our money lending business, including risk management, data security and system development, while adding new features and functionalities to our existing technology-based lending solutions and we have attracted and fostered a team of IT specialists comprising of young talents with diverse technical expertise. Our IT specialists are able to provide efficient and reliable technological solutions to develop and maintain different technology functions and solutions performed by our operating system, leading to our evolution into a financial technology-based company that has achieved commercial success. Our IT department is led by a market professional who has more than 20 years of experience working as an IT professional in the investment banking, financial services and insurance sector. Riding on his proven experience for designing, managing, and delivering large scale enterprise-level digital platform, our IT department has gradually expanded and has a demonstrated the ability to assist us in achieving our vision of delivering practical, cost effective and high-quality technology solutions and module that optimize and streamline our business.

Through our operating history of over 15 years, we have cultivated a cohesive corporate culture that respects the credit cycle, understands credit risk, promotes sustainable and prudent growth, and encourages innovation. The majority of our senior management has been focusing on and specializing in the licensed money lending business, and they have provided, and will continue to provide, us with valuable strategic insights and helped us strengthen management capabilities, operational efficiency, technology capabilities, and corporate governance.

OUR BUSINESS STRATEGIES

We plan to execute the following strategies to further expand our business.



We plan to continuously enhance our customers' borrowing experience and streamline our workflow through technology

The core building block of our business is our technology capabilities. We intend to improve our technology solutions and strengthen our technology capabilities through upgrading and/or developing the following:

Enhanced K Cash GO Platform

Under the current market landscape of licensed money lending industry in Hong Kong, to stand out in the market, it is essential to constantly improve our efficiency in credit approval and provide latest and customized services and products to retain and attract customers. In order to make our K Cash GO Platform future-proof, we intend to upgrade it such that our centralized operating system will be able to meet all our functional requirements for our future business expansion and to integrate segregated systems into an unified platform. We also target to enhance its capabilities to make integration with business partners and third party service providers possible to strengthen our competitiveness in dynamic lending environment.

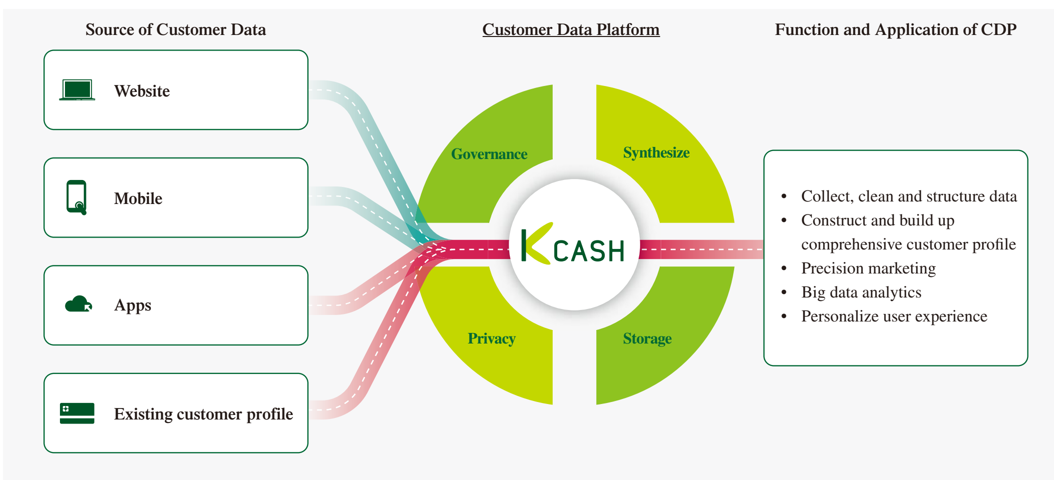
In terms of loan application and loan management, the ability to handle increasing demand for unsecured loans in the future with greater efficiency in credit approval is our first and foremost priority. We also seek to explore business collaborations and partnership with third parties through the enhanced K Cash GO Platform in order to diversify our customer base and to increase the competitiveness of our loan products.

As part of our continuous effort to upgrade our systems, we will also connect our enhanced K Cash GO Platform to the MCRA platform, which is expected to be completed in late 2023. As the MCRA platform will provide credit report service through API, our enhanced K Cash GO Platform will be able to significantly automate more manual operations through our business process automation technology.

We plan to enhance our K Cash GO Platform through upgrading our technology infrastructure to support our future business via (i) subscribing to the cloud computing infrastructures; (ii) engaging service providers to provide digital customer services solutions through omni-channel contract center solution and AI chatbot solution; (iii) attracting talents to enhance our K Cash GO Platform; and (iv) host our enhanced K Cash GO Platform on a subscription-based public cloud infrastructure and to engage different third party service or acquire software components and/or tools to facilitate various operation processes.

Our Customer Data Platform ("CDP")

We target to launch our CDP in late 2023, which is an integrated platform for managing processing and analyzing customer data, allowing us to deliver personalized customer experience by using the data to create targeted marketing campaigns, personalized product recommendations, and tailored content that matches the customers' interest and needs, which optimizes our customer acquisition effort. To build our CDP, we plan to (i) engage a market leading service provider to provide customer data platform solutions to help us collect, organize, and analyze customer data from multiple sources, such as our mobile app, website, social media pages and email campaigns; and (ii) attract and retain talents to customize our CDP.



We intend to further expand our existing loan portfolio and expand our business with our adoption of technologies

We intend to grow our existing loan portfolio by providing more loans to existing and new customers. The size of our loan business is mainly determined by the amount of deployable funds. By increasing the availability of funds through [**REDACTED**] from the [**REDACTED**] and access to capital markets after the [**REDACTED**], coupled with our technology development, we will be in a position to further expand our business. At the same time, we will be offering more technology empowered loan products such as the following:

Buy Now, Pay Later

We intend to expand our business scope to provide "Buy Now, Pay Later" services to retail customers as a response to the evolving market trend. We have no prior experience in providing "Buy Now, Pay Later" services. However, we believe our experiences in providing unsecured loans enable us to be in a better position to estimate the recoverability of loans from the potential customers who use our BNPL services. We will leverage, integrate and enhance existing technology components, such as enhancing our existing IDCM to perform credit review and approval for customers who apply for our

"Buy Now, Pay Later" services. Furthermore, we can leverage on existing PPS repayment system and existing mobile app development technology to support BNPL services. According to Frost & Sullivan, BNPL is in the initial stage of development in Hong Kong and is expected to grow rapidly with huge potential, where the online retail sales value of BNPL is expected to reach HK$9,097.0 million in 2027 from HK$2,549.8 million in 2023 with a CAGR of 37.4%.

We have entered into a collaboration agreement with a global credit card network provider to issue credit cards to our customers. Users of our credit cards will be able to enjoy the flexibility in payment options by splitting their bill into a series of smaller payments through using our BNPL service.

We also intend to partner up with designated merchants to offer customers interest-free BNPL option. When users of our credit card makes a purchase at our designated merchants and opt for BNPL at checkout, after paying a certain percentage of the overall purchase amount as the down payment, they can pay off the remaining amount in a series of interest-free instalments. Meanwhile, users of credit card spending at non-designated merchants will also be able to opt for the BNPL option, subject to the payment of interests on the outstanding balance. In both instances, late payments will be charged if instalments are not paid on time. From the merchant's perspective, designated merchants will be subject to a fee for every BNPL transaction. As at the Latest Practicable Date, we were still at a preliminary stage of identifying suitable merchants to form the collaboration and no partnership agreement has been signed.

Also, as with other credit cards, we will receive an interchange fee from the global credit card network provider for every purchase made using our credit card, and we will also offer card loans, which allows users of our credit card to borrow a fixed amount with interest. They will be subject to late payment fees if repayments are not made on time.

We plan to launch our BNPL services in 2024, and we are now preparing for the relevant infrastructure and technology such as credit card application and management, transaction management, payment transaction with BNPL features and customer service center setup. For details, see "Future Plans and [**REDACTED**]".

Collaboration of blockchain platform with New World

In February 2023, we entered into a platform collaboration agreement with River Square Company Limited ("**River Square**"), a subsidiary wholly owned by New World Development Company Limited ("**New World**"), a leading conglomerate in Hong Kong whereby we will join the Riverchain, a blockchain platform developed by River Square. We are the first licensed money lender invited to join this blockchain platform. The Riverchain is expected to be in operation by the end of 2023. As of the Latest Practicable Date, as the collaboration has not formally commenced, no revenue has been generated from our participation of the said blockchain platform.

The Riverchain is expected to be in operation in the first half of 2023. Through this platform, we would be able to review certain information and documents of the subcontractors necessary for our loan approval purpose, facilitating financial inclusion through supply chain financing. In addition, the Riverchain can decentralize certain subcontractors' data by use of blockchain technology and make the data storage more secure. The platform facilitates our access to subcontractors' information and documents, which provides the background information for us to conduct our own comprehensive credit analysis to evaluate the creditworthiness of these subcontractors and monitor their financial status.

Through Riverchain, subcontractors of New World's property development projects can obtain borrowings from us (apart from traditional authorized institutions) if they have financing needs. Given the size of the property development projects, it is believed that the loan principal requested by subcontractors would generally be larger to meet their cash flow needs. In addition, the default risk of these subcontractors are perceived to be lower as their participation in property development projects of New World can be seen through Riverchain, we believe that Riverchain will help us target more subcontractors for property development projects which are more capital intensive and grow our SME Loans portfolio in the long run.

OUR BUSINESS

Our business is built on the seamless adoption of technologies in our business process and deep industry expertise in Hong Kong's licensed money lending market and risk management. We provide a range of unsecured loans to borrowers whose financing needs were not satisfied by authorized institutions. Our loan products include (i) Personal Loans for individuals; (ii) Unsecured Property Owner Loans for property owners in Hong Kong; and (iii) SME Loans for SMEs.

We leverage our expertise in risk assessment empowered by technologies to offer these unsecured loans to our target borrowers. For further details on our use of technologies in our risk management measures, see "— Risk Management and Internal Control".

We implement a risk-based pricing strategy to provide loan products with varying interest rates based on each borrower's individual risk profile. As part of our risk-based approach, we consider the following major factors:

(i) age, occupation, income and expenses and property type (in the case of Unsecured Property Owner Loans) of the prospective borrower;

(ii) credit history of the prospective borrower;

(iii) the overall economic and business environment, as well as financial market conditions;

(iv) interest rates charged by our competitors; and

(v) our risk and interest rate appetite.

For further details, see "— Our Technology Application on the Loan Process — Personal Loans — Credit review and approval".

OUR LOAN PORTFOLIO

We strategically target borrowers whose financing needs were not satisfied by authorized institutions and during the Track Record Period, we offered three types of unsecured loans to our customers: Personal Loans, Unsecured Property Owner Loans and SME Loans. Each of these loan products was designed based on our credit analysis approach and risk-based pricing strategy, which is empowered by the application of technologies. For details about technology application on each of our loan products, see "— Our Technology Application on the Loan Process".

Unsecured Property Owner Loans

We offer unsecured loans to borrowers who own properties in Hong Kong. Subject to satisfactory due diligence on the property and its ownership, we are generally able to offer a lower interest rate to these borrowers compared to borrowers under the Personal Loan product. We recognize all types of property ownership, including HOS Property and private properties for residential, commercial, industrial purposes and car parking spaces.

As of May 31, 2023, our Unsecured Property Owner Loans portfolio had 2,538 loan accounts with an aggregate gross principal receivables of HK$637.7 million.

Our Unsecured Property Owner Loans are a popular choice among property owners who own Restricted HOS Properties. The HOS Properties are sold to eligible persons at a price lower than the prevailing market price to help low-to-medium income families become homeowners. According to our External Legal Counsel, according to the Housing Ordinance, the HOS Properties are subject to alienation restrictions. Owners of Restricted HOS Properties must pay a premium to the Housing Authority to remove the alienation restrictions before they can let, sell or assign their property. The Housing Ordinance also requires HOS Property Owners who wish to mortgage or re-mortgage their flats with the restriction period set by Housing Authority or after the said period without paying the premium must obtain prior approvals from the Director of Housing. Therefore, unless owners of HOS Properties pay a premium to remove the alienation restriction, they would not be eligible for applying mortgage loan. As a result, our Unsecured Property Owner Loan provides financing feasibility to owners of HOS Properties. Also, they would prefer our Unsecured Property Owner Loan to Personal Loan in order to enjoy a lower interest rate.

To assess credit risk, we use our proprietary business risk engine, which is a business engine to monitor the latest litigation record in local courts and land registry encumbrance alert of the underlying assets. The business risk engine enables us to compare alert information with our internal loan information and apply pre-defined business logic to define risk scenarios and recommend appropriate follow-up actions against owners whose property has been identified by the alert. We also utilize the AVS Methodology to assess the value of the assets owned by borrowers of our Unsecured Property Owner Loans, which is one of the factors we consider when making an Unsecured Property Loan offer.

Personal Loans

We offer unsecured Personal Loans to borrowers who meet our credit policy. Our data analytics capabilities allow us to classify Personal Loan applicants into different credit ratings using our IDCM and offer risk-based pricing that reflects each borrower's unique risk profile. This allows us to manage default risks effectively. For more information on our credit assessment and risk-based pricing capabilities supported by IDCM, see "— Our Technology Application on the Loan Process — Personal Loans — Credit review and approval".

As of May 31, 2023, we had 5,005 loan accounts with an aggregate gross principal receivables of approximately HK$247.0 million under Personal Loans.

In 2019, we launched our 7x24 AI Loans, a product under our Personal Loans, with a borrowing limit of HK$10,000 and empowered by our technology capabilities. This product has achieved automation for application, approval and drawdown processes, shortening loan processing time significantly. The entire process from submission of an application to approval or rejection of a loan offer by our system takes only within 20 seconds. For more details on the application and approval process of our 7x24 AI Loans, see " — Our Technology Application on the Loan Process — Personal Loans — Credit review and approval".

To attract prospective borrowers with stronger repayment capability, we launched the "K Cash Supreme" brand in 2019. This brand offers lending solutions specifically targeted at civil servants and professionals (such as accountants, engineers, lawyers, physicians, and surveyors) or individuals with a monthly salary of HK$40,000 or above, who typically have a stable source of income and stronger repayment capability. These borrowers typically have on-the-go lifestyles, appreciate convenient, customizable self-service user experiences and have growing consumption needs. We established one of the "K Cash Supreme" branches in East Tsim Sha Tsui Station to make it more accessible for our "K Cash Supreme" borrowers.

To attract new customers to consolidate their debts to us, we generally offer discounted interest rates to prospective borrowers who have already taken out loans elsewhere. However, such discounted interest rates must be consistent with our IDCM pricing and credit assessment policies as further elaborated below, and in general we will offer discount up to 20% off of the prevailing interest rate of their existing borrowing with other authorised institutions and/or licensed money lenders if the loan applicant passes our IDCM pricing and credit assessment policies.

SME Loans

We offer SME Loans to qualifying companies whose financing needs were not satisfied by authorised institutions due to their credit score or relatively short operating history. These loans are also suitable for companies adopting an asset-light model or with limited recurrent cash inflows, making it more difficult for them to have access to traditional banking facilities. We only accept SME applicants who are incorporated and operate in Hong Kong with a minimum establishment of one year and an operating history of six months, and whose owner(s) are resided in Hong Kong. Our SME Loans require a personal guarantee provided by a director or shareholder of the borrower who holds a Hong Kong identity card. The guarantor shall go through the credit profile check conducted by us through a credit reference agency and shall meet our credit assessment policy. For more details on the approval process of our SME Loans, see "— Our Technology Application on the Loan Process — SME Loans — Credit review and approval".

As of May 31, 2023, our SME Loan portfolio had 86 SME loan accounts with an aggregate gross principal receivables of HK$55.9 million.

By using the modern data visualization tool, our SME dashboard serves both pre-loan credit assessment and post-loan monitoring purposes. For details about the application of SME dashboards in our business, see "— Our Technology Application on the Loan Process — SME Loans — Credit review and approval" and "— Our Technology Application on the Loan Process — SME Loans — Post-drawdown".

Standard Terms of our Loan Products

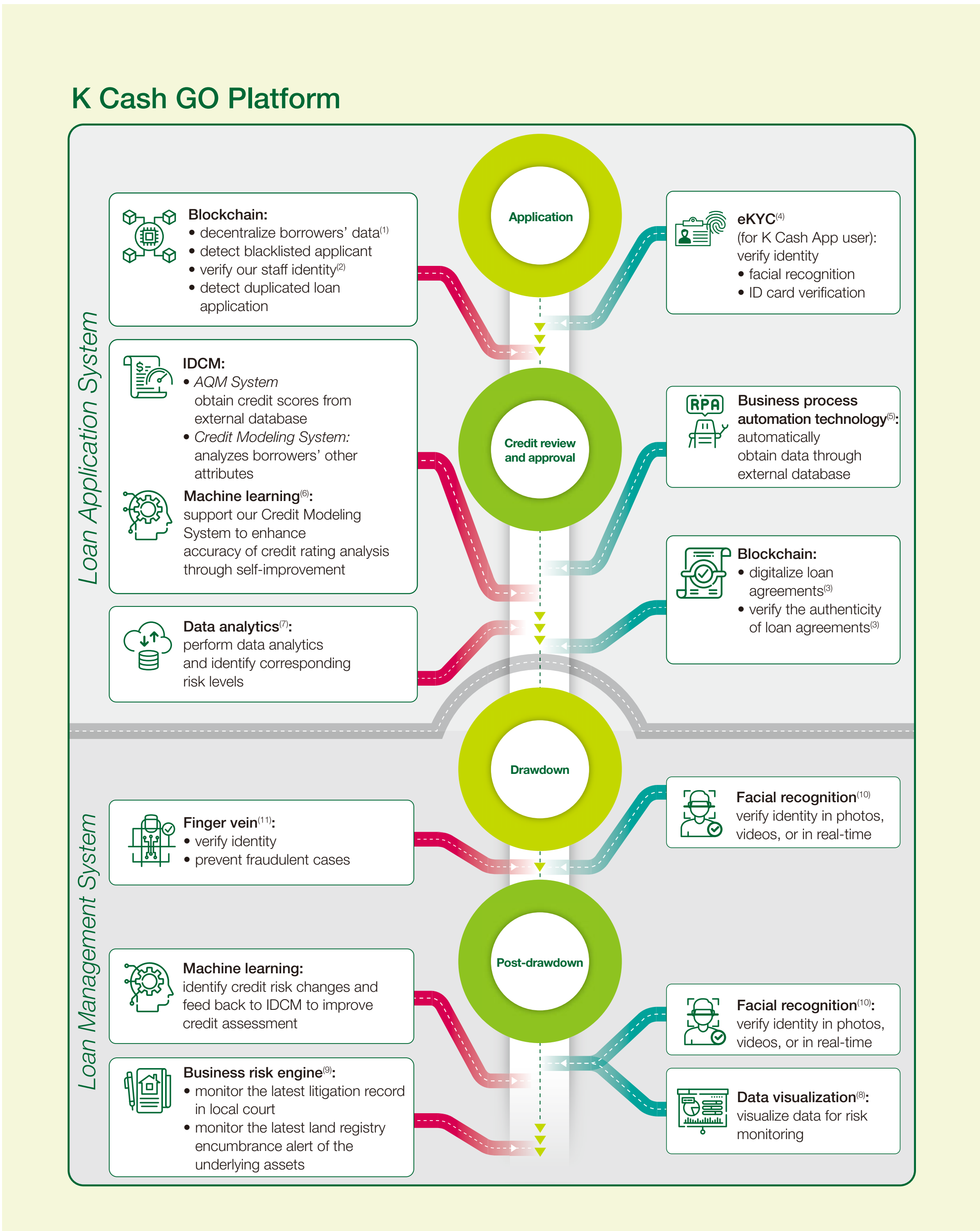
Standard terms of our loan products are set forth in the table below:

	Unsecured Property Owner Loans	Personal Loans	SME Loans
Interest rate:	fixed interest rate	fixed interest rate	fixed interest rate
Typical range of loan principal:	HK$50,000 – HK$820,000	HK$10,000 – HK$200,000	HK$150,000 – HK$5,000,000
Term:	12 to 120 months	12 to 60 months	6 to 48 months
Repayment:	• monthly repayment of principal and interest shall be made by the borrower according to the schedule stipulated in the loan agreement • when the borrower fails to repay the loan by the due date of the installment, the borrower shall pay interest on the outstanding amount at the interest rate stipulated in the loan agreement from the date of delinquency until the date when all outstanding amount is settled		
Others:	• we have the right to assign our rights, interests and/or titles under the loan agreement to anyone at any time without giving notice or obtaining the prior consent of the borrower • if there is any change in ownership in the properties owner by borrowers of the Unsecured Property Owner Loans, we have the right to request for early repayment of the loan • borrowers of SME Loans are subject to the customary undertakings and covenants, including but not limited to records of business to be kept complete, accurate and true; and to obtain, and promptly renew all authorizations, approvals, consents and licenses required under applicable law or regulation		

OUR TECHNOLOGY APPLICATION ON THE LOAN PROCESS

We have integrated various technologies into our business operation. On the front-end, we leverage various tools to automate and digitalize our credit cycle from loan application to loan repayment, which continuously enhance user experience. Meanwhile, on the back-end, we utilize applications to build on well-established technologies, including but not limited to AI, blockchain and business process automation technology, to automate and streamline our risk management systems and the entire business process. Our hybrid cloud K Cash GO Platform supports all these technologies, allowing us to achieve optimal operational efficiency.

We are able to position our business by embedding various technologies in our lending process. This approach enables us to achieve digitalization and automation across the lending process, including loan application, credit review and approval, drawdown and post-drawdown. We believe our technology advantages set us apart from traditional licensed money lenders and enable us to achieve more comprehensive credit assessment, higher efficiency, more precise risk management and controls, as well as lower overhead and operating expenses.



(1) Our blockchain technology safeguards the authenticity of a loan application record. Loan application records are stored in the blockchain platform, which allows our staff to check any duplicated loan application record. If a borrower already has an existing loan or loan application with us, K Cash staff can check in the blockchain whether this record exists to avoid double financing.

(2) Each of our frontline staff has a unique QR code printed on their name cards, which can be scanned by our customers to authenticate whether the person who they are dealing with is indeed our staff and not impersonated by someone else. Once the QR code is scanned, the system will retrieve the record from our blockchain with corresponding staff details and display on customer's mobile phone. This will help detect and prevent any further fraudulent matters.

(3) When a loan contract was executed online, a unique hash value (i.e. a cryptographic representation of the file) is written into the blockchain as the source of authentic verification, which will be kept in our database, and will be used for verification purpose.

(4) We employ eKYC solution to remotely validate HKID and verify the identity of the customer for anti-forgery checking.

(5) We employ varies automation technologies to convert time-consuming manual work into an automated process to increase internal productivity thus speeds up our credit assessment process.

(6) We upload various metrics of our loan portfolio into our Credit Modelling System to facilitate the machine learning process of credit assessment which is a continuous process as constant iteration is required to fine-tune our credit assessment model. The end goal is for the credit model to provide a predictable result and set the performance benchmark for our credit modeling system.

(7) The tool assists the projection of digitalised market and sales data from future loan portfolio perspective to facilitate the resource management for marketing and sales decision making.

(8) Adopted to assist us in monitoring the performance of our SME loans borrowers as the business and financial performance of such borrowers can be presented in a well-structured format for monitoring and analysis purpose.

(9) We have developed our own business rules alert engine that timely alerts us upon the occurrence of different potential risks events related to each our loans and allows us to promptly make decisions or take actions to mitigate our risk exposure.

(10) Allows us to verify the identity of a person in photos, videos, or in real-time. We have adopted this technology in our app and VTMs as part of our eKYC process.

(11) A biometric authentication technique that analyses the patterns of blood vessels and we have adopted this technology in our VTMs to ensure that the person withdrawing the loan principal through VTMs is the borrower himself.

Personal Loans

Application

Our Personal Loan's application process is entirely online and paperless. We incorporated various technologies such as blockchain, eKYC and cloud computing to ensure seamless borrowing experience during loan application.

To get started, prospective borrowers can submit a Personal Loan application through our K Cash App or our website at www.kcash.hk. The K Cash App allows borrowers to create an account using their mobile phone number and apply for loans anytime.

In addition, we also receive enquiries from prospective borrowers through various channels such as telephone or instant message. These borrowers may have seen our advertisements from different platforms (such as television and online media streaming platforms), referrals from partners, recommendations from our past or existing customers and via in-person visits to our branches or headquarters. Our experienced staff are always ready to provide guidance and support to assist borrowers to submit an online application and ensure a smooth application process.

As part of the online loan application process, applicants are required to complete identity verification and authentication processes under the "Identity Manager" operated by a credit reference agency. This allows us to perform a preliminary credit check at the database of a credit reference agency to determine a borrower's creditworthiness. In terms of verification and authentication via the K Cash App, to facilitate the eKYC (electronic Know Your Client), our K Cash App leverages Hong Kong identity card verification and facial recognition technology for digital on-boarding. We also use blockchain technology to prevent multiple loans from being granted to the same borrower in excess of the assessed credit limit assigned by us.

(verify Hong Kong identity card through eKYC)

Credit review and approval

Our credit review and approval process is supported by technology applications such as IDCM, "eAML" system, machine learning and blockchain technology. Together, these technology applications provide us with a credit score which assists our credit intelligence department as the AQM Score and MLC Score generated by our IDCM is a benchmark which has considered the objective attributes of each loan application and assists our credit intelligence department to assess the creditworthiness of prospective borrowers or the terms that we are able to offer when they review the loan applications received. Currently, IDCM is only applicable to our Personal Loans. We use the results generated by these technology applications as a key factor in our credit assessment process.

With the aids of such technology implementation, it allows us to generate a unique and objective credit scoring for different borrowers that allows our credit approvers to make a faster and objective credit decision on the loan applications in a more time-efficient manner, and is important for our risk-based pricing model as borrowers will be differentiated into tiers with different pricing charged based on the risk level determined by the IDCM.

Our IDCM is a dual scoring model that combines AQM Score and MLC Score. The corresponding credit models are derived from our experience in the money lending industry accumulated through our years of operation and the models has taken into account our insight on behavioral attributes, including but not limited to re-borrowing pattern and frequency of loan enquiries and applications.

AQM System: We use the AQM System for generation of the AQM Score based on external credit data. The AQM Score considers all existing loan repayment records stored in such external database to predict the borrower's default probability for us.

Credit Modeling System: We engaged a global technology services provider to build and develop the Credit Modeling System as a starting point for the adoption of machine learning technology, which has machine learning capabilities. Using our industry-specific knowledge and experience, we consider certain behavioral attributes under Credit Modeling System, such as the borrowing pattern of the borrowers and loan enquiries status. Based on this, our Credit Modeling System generates an MLC Score, which is a machine-learning based credit score, for our consideration in our loan approval process. In addition, the Credit Modeling System also analyzes other various attributes of our applicants such as payroll method, age range and employment industry to identify potentially higher risk customers. Based on the MLC Score, we classify our loan applicants into three tiers, thereby allowing us to differentiate interest rate charged on different groups of borrowers or we will deny their application. The Credit Modeling System can self-improve the accuracy of its credit rating analysis by adjusting the weighting allocation to different attributes as it processes more data. Human input in this self-improvement process is generally only involved when we decide to initiate manual review, which is conducted on a regular basis. The AQM Score and the MLC Score are complementary in nature and together constitute our IDCM.

In particular for 7x24 AI Loans, combining the AQM Score and MLC Score, our IDCM is capable of generating an automatic offer without any human interaction. The anti-fraud, credit assessment, and loan approval processes run automatically in the background to complete the credit assessment, saving us time in the credit review and approval process.

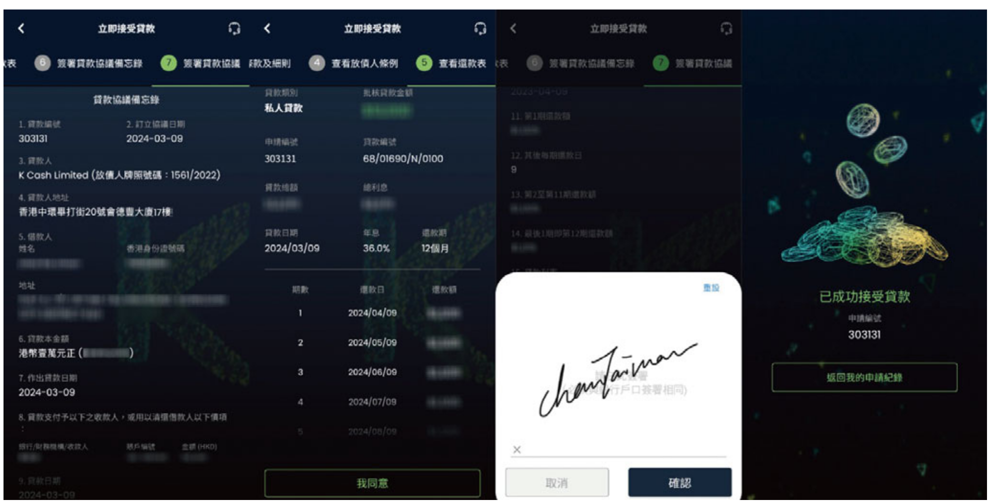
The credit report that we use for credit assessment shows the credit history and activity of borrowers. If the potential borrower has loan accounts at other authorized institution or licensed money lenders, the relevant reporting date recorded by those authorized institution or licensed money lenders will be indicated. We can identify borrowers with refinancing behavior if the loan accounts are opened and closed simultaneously at different authorized institution and licensed money lenders. The shared database we rely on also shows whether other lenders have assessed the borrower's credit rating. If we note multiple enquiries made by various sources within a short period of time, we may note that borrowers are urgently seeking financing from various sources, which signals a potential increase in their default risk. We will also study the borrower's spending behaviors through assessing transaction pattern in bank statements, for example, frequent bank transactions that indicate gambling habits, which reveal that the client may have a strong demand for capital.

Big data technology is generally applied during the credit assessment phase. Our data analytic application is refined by algorithmic rules and models trained with the large volume of data generated from our existing customer pool, for example, borrowing transactions and credit performance. Our Credit Modeling System analyzes the behavioral pattern of loan applicants and allows us to objectively find out the changes of magnitude on various attributes so as to identify the potential high risk customers. Whenever similar transaction patterns or credit performance occur, the application is able to identify the corresponding risk levels based on algorithmic rules and models, enhancing risk management capability and providing insights and visibility into credit assessment.

We are able to quickly assess the creditworthiness of borrowers once we have verified their identification through data analytics. Our loan application process includes various technology-based measures to confirm the borrower's identity, including uploading Hong Kong identity card and additional documents via our K Cash App for due diligence purposes.

Meanwhile, our risk control department uses business process automation technology to retrieve data from "eAML" system via their API to assess potential money laundering and terrorism financing risks in accordance with statutory requirements. For more details on these risk assessment process, see "— Risk Management and Internal Control".

Empowered by the blockchain technology we adopted during this process, the loan agreements executed online will be stored in our blockchain-based loan record system. It significantly reduces risks of duplicate loan applications as once they are recorded in the blockchain, they cannot be tampered with. Furthermore, we also implemented a blockchain-enabled digital contract verification system whereby Personal Loan agreements become decentralized and digitalized, in turn reducing the risk of unpermitted amendments to any of the relevant executed agreements. We use blockchain technology and cryptography to ensure that the loan application is tamper-proof and resistant to fraud, providing a secure and reliable system for us and the borrowers.



(Execution of E-contract via K Cash App)

Drawdown

To enhance security during the drawdown process, our VTMs adopt facial recognition technology. This technology is capable of matching a human face in a video in real time against the image of the person's Hong Kong identity card, making the drawdown process more secure than the Hong Kong identity card authentication method. Additionally, finger vein biometrics is another technology adopted by our VTMs for biometric authentication to ensure that the individual is physically present at the VTM to prevent fraudulent cases. This technology detects the vein patterns moving beneath the person's skin surface, which will be more accurate than fingerprint and has a lower false rejection rate and false acceptance rate. Furthermore, finger vein technology is contactless, so no latent prints will be left behind, providing additional security.

(Our VTM)

To further simplify the drawdown process, we have installed QR code scanners at our branches, allowing borrowers to enter our branch by presenting the QR code and use another QR code for drawdown purpose, enabling their drawdown request to be processed directly.

(QR code generated for drawdown purpose)

Our VTM is also equipped with a document scanner that allows borrowers to submit certain documents like address proof. In addition, our VTM has two separate screens for video conferencing and a touch screen for customer inputs. To minimize the maintenance costs, our VTM has a built-in cash recycler which allows the VTM to dispense the cash notes deposited through repayment to borrowers using the VTM for withdrawal.

To better support our customers, our VTM has video conferencing function. During office hours, our VTM provides borrowers with real-time access to our customer service officers stationed at our headquarters, who can answer enquiries raised by borrowers. Outside office hours, by virtue of our adoption of various technologies, our VTMs are able to perform fully automated identity verification and drawdown for our 7x24 AI Loans. Full automation of our 7x24 AI Loans means that human interaction is not required in the process of releasing funds, whether the loan applications are made within or outside our office hours. Our VTM has a drawdown limit of HK$100,000 per borrower.

For loans which have a principal amount of over HK$100,000, we will verify borrower's identity using the VTMs or facial recognition machines at our branches or headquarters before the drawdown process. These machines verify the Hong Kong identity card of the borrower and complete the facial recognition with its built-in dual camera. In each year or period during the Track Record Period, withdrawal of loan principal through the VTMs were approximately HK$55.1 million, HK$55.2 million, HK$20.2 million and HK$23.4 million, respectively, and the amounts repaid through the VTMs were approximately HK$33.0 million, HK$23.7 million, HK$10.9 million and HK$13.3 million, respectively.

Post-drawdown

After the loan has been disbursed, borrowers are required to make monthly repayments as per the repayment schedule outlined in the loan agreement. The repayment schedule can also be accessed through our K Cash App, providing borrowers with easy access to information about their loan obligations. Additionally, borrowers can make repayments using our VTMs located in our branches. By providing borrowers with a QR code, they can easily access our branches and make loan repayments through self-service channels, providing greater flexibility in repayment options. We maintain a record of all loan information and repayment schedules on our K Cash GO Platform, which is stored on cloud for ongoing risk monitoring purposes. Furthermore, we also implement business risk engine to monitor the creditability change of our borrowers based on monitoring their latest litigation record in local courts. For details relating to post-drawdown risk monitoring, see "— Risk Management and Internal Control — Credit risk management — Post-drawdown risk management".

Unsecured Property Owner Loans

Application

Applicants of our Unsecured Property Owner Loans can submit their application online or offline. Applicants are required to provide details about their owned properties, and verify ownership of the property, while we conduct land search with Land Registry. Once the applicant's title is confirmed, our credit department review the application based on our guidelines.

Credit review and approval

Our credit review and approval process for Unsecured Property Owner Loans is similar to that of our Personal Loans, with the exception of the integrated IDCM. To assess the loan application, we use business process automation technology to generate Land Registry searches on the borrower's property and seek valuation estimates provided by Hong Kong's major commercial banks. We also apply our AVS Methodology, which fetches the latest data from a publicly available property market trend index to provide our credit intelligence department with a reference point when conducting valuations of the assets owned by borrowers. By referencing the latest market data, we believe we are able to estimate the value of the property more accurately. Based on our AVS Methodology, we update the database quarterly to reflect fluctuations in the publicly available property market trend index. Our borrowers can choose to execute loan agreements online through our K Cash App or website.

Drawdown

The drawdown process involves the physical cheque drawn in the borrower's name. For loans over HK$100,000, borrowers are usually required to visit our branches or headquarters to verify their identity using the facial recognition technology before the drawdown process.

Post-drawdown

During the post-drawdown process, we continuously utilize our AVS Methodology to monitor risks. By doing so, our credit intelligence department can closely monitor changes in the valuation of the properties owned by our borrowers. In addition, we also implement business risk engine to monitor the creditability change of our borrowers based on monitoring their latest litigation record in local court and the latest instruments registered against the properties owned by our borrowers in local land registry during our post-drawdown process. For details relating to post-drawdown risk monitoring, see "— Risk Management and Internal Control — Credit risk management — Post-drawdown risk management".

SME Loans

Application

Similar to our Personal Loans, the application process for our SME Loans can be entirely online and paperless. Loan enquiries and applications are generally received by our frontline sales teams, who are responsible for obtaining basic information such as the applicant's name, contact details, background information, desired loan amount and the loan use. Applicants are required to complete an online consent form for credit history checking purposes at the database, of a credit reference agency, and provide supporting documents such as certificates of incorporation.

Credit review and approval

Upon receipt of all necessary supporting documents, our frontline sales teams will ensure that the prospective SME borrower (i) is incorporated for at least a year and operates in Hong Kong; (ii) has a relevant operating history of at least six months; and (iii) is owned by individuals who ordinarily reside in Hong Kong. If these criteria are satisfied, we will perform background searches, including company search and/or directorship search in respect of the SME applicant.

Our SME dashboard is able to connect to the POS system of our applicants or borrowers which enable us to collect and review the real-time transaction and operational data of such applicants. By doing so, we can assess their latest operating status and financial condition. For applicants who do not operate a compatible POS system, we will request documents such as audited financial statements, latest management accounts and the applicant's facility letter(s) (if any) granted by authorized institutions to verify the SMEs' financial performance. We will then prepare a credit assessment report based on the data collected and our analysis of the applicant's financial indicators. For further details about how we assess and manage the credit risk of our SME Loans, see "— Risk Management and Internal Control".

Using business process automation technology, our risk control department will perform a credit check at the database of the credit reference agency in respect of the applicant and the guarantor (typically a director or shareholder of the applicant) as well as a compliance risk assessment in relation to money laundering and terrorism financing risks following the same procedures as for Personal Loans.

We review SME Loans applications based on the credit assessment report, which is further endorsed by our executive Director(s). If the loan application is within acceptable risk, our risk control department prepares the necessary internal documentation for drawdown, and the applicant would be informed of its successful application and invited to our headquarters to execute the legal documentation.

We are in the process of applying our blockchain technology to SME Loans. We will use blockchain technology to ensure that the loan application is tamper-proof and resistant to fraud. The use of cryptographic techniques such as digital signatures ensures that the data cannot be altered.

When the representative of the borrower attends our headquarters or branches, they are required to present original identification documents and duly executed board minutes or written resolutions authorizing the signing of the loan agreements by the representative. The applicant's representative will be guided through the terms of the loan, upon his or her agreement we will arrange for execution of the relevant loan agreement, which contains a repayment schedule setting out the applicant's repayment obligations in detail. Similar to our Personal Loans, we also plan to adopt blockchain technology for the storage and management of SME Loans contracts, which will increase efficiency, reduce costs and provide a transparent and secure system.

Drawdown

During the drawdown process, we verify the borrower representative's identity using facial recognition machine installed at our headquarters, which match the human face in real-time against the image of his or her Hong Kong identity card.

Post-drawdown

After drawdown, we monitor the borrower's financial performance through the SME dashboard if that the SME borrowers operate a compatible POS system. This allows us to respond to business fluctuations and abnormalities in a more timely manner.

Our credit committee will discuss any borrower's business fluctuation or abnormality at their meeting, and decide on the next step to be taken. We may inform the borrower or have a site visit to discuss with them. The committee will also conduct projections and forecasts on the borrower's future business performance to analyze their risk profile. If we believe that the borrower's prospect remains promising, we may actively reach out to offer a top-up to support their expansion plans. Additionally, we also use business risk engine to monitor the creditability change of our customers based on monitoring their latest litigation record in local court.

Loan top-up and loan renewal

Occasionally, borrowers may wish to increase or top up the size of their loans after the initial drawdown. Application for a top-up is subject to the usual credit review and approval processes, which are similar to the procedures for new loan applications.

In addition to the usual considerations that are taken into account for a new loan application, we may also evaluate a borrower's repayment history and delinquency tendencies. Our IDCM credit model assessment on Personal Loans applications among existing borrowers predicts default probability as new borrowers, and we use business process automation technology for checking credit data on a credit reference agency. As for loan top-up, approval of loan top-up may be granted even if payment of existing loan or installments is late or outstanding, as the borrower can settle the late or outstanding installments by deducting that amount from the additional loan granted under the successful loan top-up application.

Apart from the tenor and interest rate of the loan, loans are usually renewed on the same terms as the existing loans. Amendments to key terms, such as the extension or reduction of the tenor or changes in interest rates, may be made upon the borrower's request, subject to the approval of our credit intelligence department, which will consider borrower's repayment record, prevailing market interest rates, market competition and any regulatory changes. However, it is our policy that the renewal will not be approved if the existing loan is overdue.

We adjust the terms of our loan offer to reflect changes against individual borrower subject to various factors, including but not limited to our risk appetite and interest rate tolerance among different loan products, and result of credit modelling, which affects the risk profile of the borrower. We may approve a loan application as long as we can meet the overall risk appetite among different loan products.

OUR TECHNOLOGY DEVELOPMENT AND SYSTEM MAINTENANCE

We have established a resilient, agile and secure information system infrastructure covering key functions of our technology-powered operations including loan application, credit risk assessment and loan management. We have invested and will continue to invest in the development, maintenance and upgrade of our IT system.

Our IT department

We have established an in-house IT department comprising information technology professionals and experts to strengthen our research and development capabilities and developed a sound organization structure and information management system to support the development and operations of all key stages of our money lending business, including risk management, data security and system development, while adding new features and functionalities to our existing lending solutions.

Development of our IT System

A well-established back-end IT system would allow us to perform upgrades and service enhancements. With that aim in mind, we engaged reputable third-party service providers to work closely with our in-house experts in developing and upgrading our systems to adopt machine learning technology and to integrate into our business. In May 2019, we have entered into a service agreement with the overseas listed company specialising in IT service and consulting to work with and assist our in-house IT department to build our own IT system which analyzes credit information of loan applicants. The IT system also facilitates us to make precise credit decisions for approval of Personal Loans. Our proprietary machine learning IT system makes credit assessment recommendations. Since the engagement with the overseas listed company specialising in IT service and consulting for the development of our proprietary IT system, we have leveraged their analytics solution to build and improve the reliability and efficiency of our system. By adopting machine learning in our operations and our credit decision model, we are able to scientifically and systematically evaluate creditworthiness of loan applicants and shorten loan handling time, visibly improving our efficiency. Due to the nature of our business, we are dependent on the risk and credit assessment of the unsecured loan application. Our machine learning credit assessment system for unsecured loan business is formulated and supported by two initial modules: (i) internal data sourcing and aggregation; and (ii) personal loan model development.

Through our operations, we have developed and accumulated our own data mart comprising a wealth of borrowers data, such as their personal attributes, repayment records, credit ratings and repayment behavior patterns, which serves as a centralized source of data for training our machine learning credit assessment system. With our data mart, our IT department is given a solid foundation to train up the machine learning model in generating credit scores of our Personal Loans applicants. The repayment and post-drawdown behavior of Personal Loan borrowers are subsequently fed back to the machine learning credit assessment system, which enables us to continuously recalibrate and enhance the accuracy of our machine learning credit assessment system.

Since the development of the machine learning based Credit Modeling System, our IT specialists has engaged and worked with different service providers and gradually established different modules and integrated them with our IT platforms. We have, subsequent to the successful development of our machine learning credit assessment model through the initial cooperation and support of a global technology services provider, adopted underpinning technologies such as blockchain, robotic process automation, cloud technology, data analytics and data visualization technologies. For further details of our deployment of the technology, see "— Our Technology Application on our Back-end Operation".

Maintenance and Gradual Enhancement of our IT System

With a vision to establish a comprehensive risk management system and to pioneer the real-life application of blockchain technology into our money lending business, we developed a blockchain-based platform to record, share and synchronize loan information in our respective electronic records and ledgers. By using blockchain technology instead of relying on a localized and centralized data record, we are able to vastly reduce the risk of fraud and manipulation. We utilize the blockchain-based platform where our loan records are stored and only authorised users can access it. Previously we have engaged service providers to work closely with our in-house IT specialists to maintain the blockchain-based platform and provide necessary support on system maintenance, such as network management services and desktop support services. We have subsequently devoted more resources to grow our in-house IT department for maintaining and operating the IT system, including the blockchain system, without external support from third parties. With the expansion of our in-house IT department, we are able to maintain and embrace rapid technological advancements with our proprietary algorithms, infrastructure and platform.

OUR TECHNOLOGY APPLICATION ON OUR BACK-END OPERATION

Blockchain Technology

We believe that preventing fraud is vital for our future development and success. Blockchain technology can help us achieve web-based record entry, enabling us to maintain reliable records of loan applications and transactions. Adopting blockchain technology in our operation also allows us to leave a footprint on borrowing cases that we previously placed into a blacklist due to identification of fake documents and information. Blockchain technology is able to assist us to identify the duplicated loan application by the same applicant.

Our proprietary blockchain-based loan record database is designed specifically for our operational needs and is maintained by a group of authorised users only to ensure that our data remains secure and confidential. We initially made use of the blockchain platform provided and maintained by MoneySQ, and after the expansion of our internal technology capabilities, and in or around July 2022, our in-house IT department maintained the blockchain platform ourselves. In particular, applicant's personal or corporate identification information initially verified at the loan application stage is stored in the blockchain and becomes immutable which serves as the source of truth that enables us to conveniently identify duplicate or multiple loan applications subsequently.

Information stored in our blockchain-based system encompasses Personal Loan and Unsecured Property Owner Loan agreements, which become decentralized and digitalized, thus reducing the risk of tampering. The blockchain-based platform, with its cryptographic techniques such as digital signatures, process each block in chronological order only. As such, transactions are recorded in a perpetual and immutable ledger which is irrevocable and can be updated in real time, ensuring any attempt to tamper with loan application can be traced.

The information of our frontline staff is digitalized and registered into our blockchain-based platform so that prospective and existing borrowers can validate the identity of our staff by scanning the QR code on the e-business card/physical business card via a standard QR Code scanner in their smartphone. This function enables our borrowers to verify the authenticity of our staff's identity to avoid any fraudulent lending possibility, enhancing borrowers' experience to enjoy a more secure and transparent lending process.

(QR code to validate staff's identity on their e-business card)

Cloud Computing

Our systems are built on cloud infrastructure provided by external third parties. This allows us to process large volumes of data in real-time while also ensuring high-speed and stable loan processing procedures. With the deployment of cloud-based technology, we are able to promptly retrieve loan application data from our cloud the income, account information and credit score of applicants.

We are also able to drive the development of our credit model system with the support of AI, accentuating the predictive accuracy of credit assessment. The cloud-based technologies also maintain flexibility and safety of our systems and loan application data, rendering the loan processing systems to become more manageable and fault-tolerant. With the support of cloud-based technologies, we can analyze data in real-time to detect fraudulent loan applications and other anomalous activities. This culminates into better product offerings and overall improvement to loan applicant experience through increasing lending efficiency without disrupting our day-to-day operations.

Big Data Analytics

We improve our credit risk management and make better assessment of the creditworthiness of borrowers by using data analytics and machine learning algorithms to analyze a wide range of data points, including the history of our lending transactions and the borrower's credit performance. We engaged an external third party to design modeling data mart and develop credit scoring model. The Credit Modeling System is then subsequently enhanced and maintained by our in-house IT specialists. The Credit Modelling System analyzes the behavioral pattern of loan applicants and allows us to objectively and systematically ascertain the changes to certain attributes and the magnitude of such change so as to identify potentially high risk customers. We have deployed various engineering techniques to the machine learning process of our credit modelling system. Supported by our big data analytics, we are able to utilize "extract, transform and load" system to process the borrower and repayment data to our credit modelling system and convert the raw data into desired loan behavioral features. The big data analytics also promote the foundation to deploy the machine learning technologies to optimize the credit assessment capability. This ultimately allows us to enhance our credit modelling system to identify more risk activity and behavior. Whenever similar transaction patterns or credit performance occurs, our credit scoring model is able to identify the corresponding risk levels based on algorithmic rules and models.

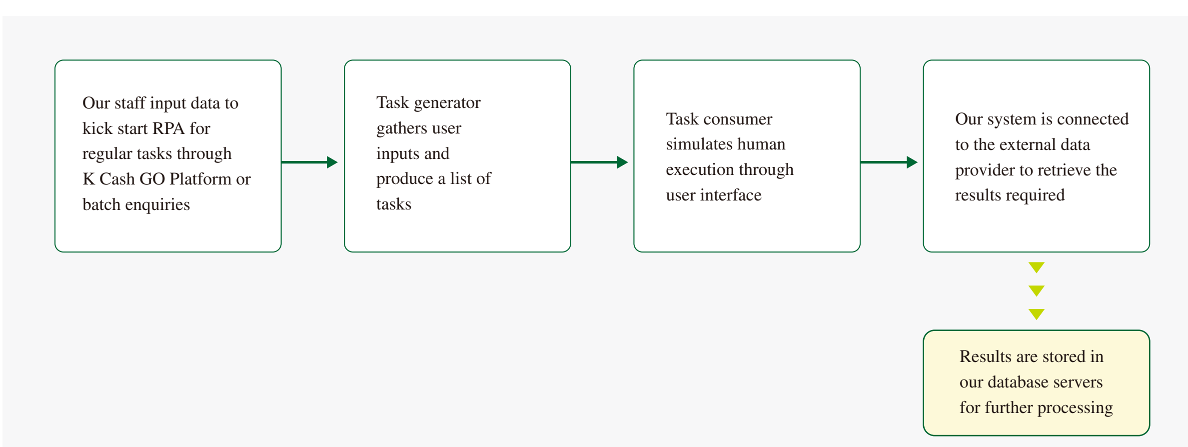
Machine Learning Technology

We adopt machine learning technologies which were firstly developed by an external third party in 2019 and further enhanced by our in-house IT specialists to enhance our credit assessment process. For example, we apply machine learning technologies in our Credit Modeling System to analyze borrower's credit data and behavioral patterns. By feeding more borrower data to our model, it can indicate the significance of each feature towards our credit model. Our staff from our credit intelligence department utilize their expertise to select the features for the model. Our Credit Modelling System will generate a credit score for each Personal Loan borrower based on his/her respective risk profile.

Business Process Automation Technology

We adopt a form of business process automation technology based on software robots which were developed by our in-house IT specialists. This streamlines the manpower required to perform routine or repetitive tasks, which in turn reduces processing time. Currently, we use business process automation technology to (i) perform searches at the database of the credit reference agency for Personal Loans; (ii) perform online property search at the Land Registry for Unsecured Property Owner Loans; and (iii) obtain valuation estimates provided by major commercial banks.

The below chart sets out how our searches are performed through business process automation technology:



Facial Recognition and Finger Vein Technologies

We have implemented facial recognition technology developed by GRG in our VTMs, enabling real-time matching of an individual's facial features with the image on their Hong Kong identity card. In addition to using Hong Kong identity card verification, the facial recognition technology can additionally offer a more secure method of identity authentication. We have also adopted finger vein biometrics to confirm the physical presence of an individual at the VTM. This reduces the chance of fraudulent cases as the finger vein biometrics technology detects the unique vein patterns beneath an individual's skin surface, providing more accurate results than fingerprint with lower false rejection and false acceptance rate.

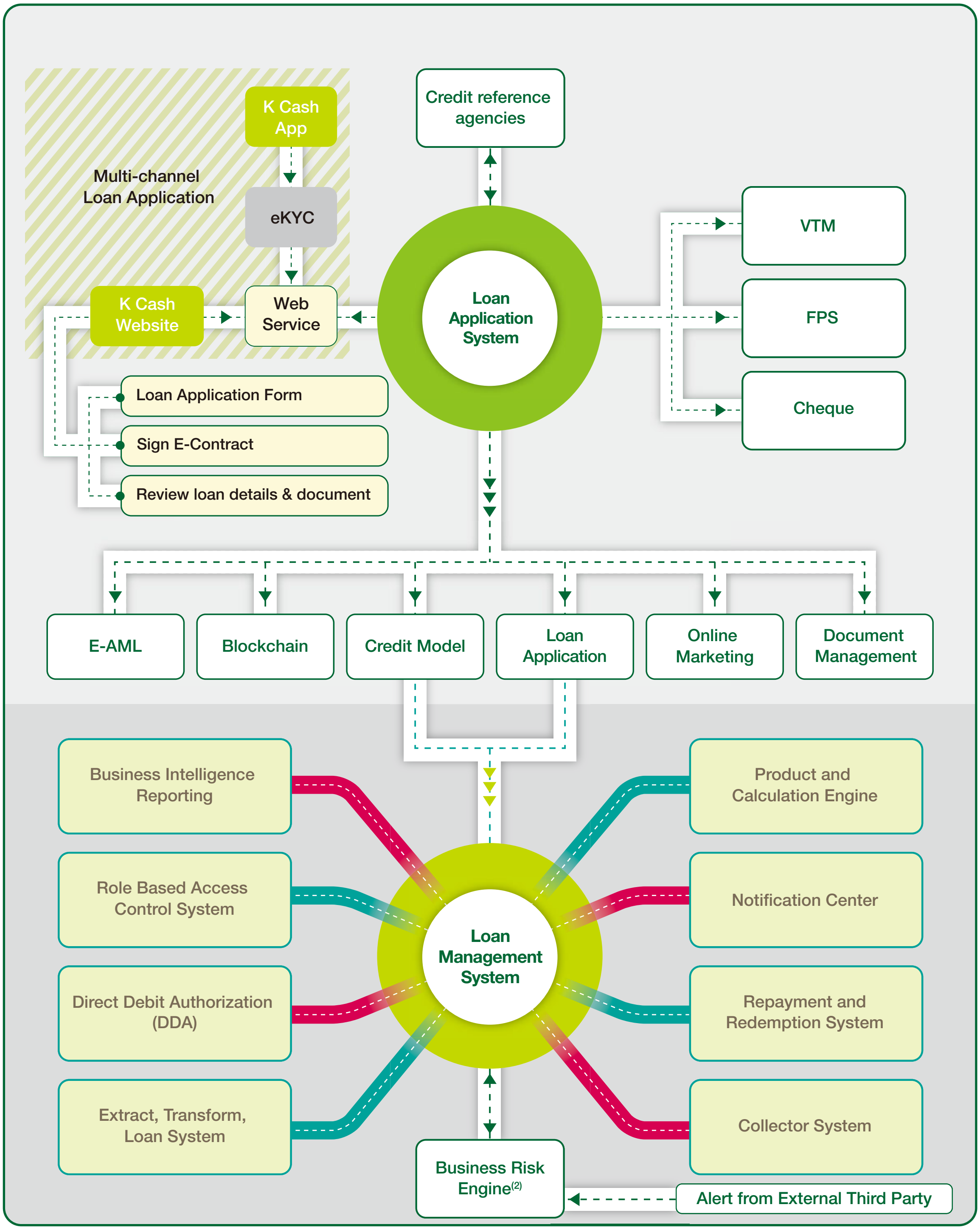
Business Risk Engine

The business risk engine developed by our in-house IT specialists is designed to monitor and manage risks associated with our different loan products, and to suggest actions that can minimize those risks based on pre-set risk thresholds. The engine assigns a risk level and suggests relevant follow-up actions based on a pre-set risk matrix and actions will be taken if there is a high-risk change that could affect the recoverability of our loans.We have utilized our business risk engine, which assists us in monitoring the creditability of our customers. This is achieved through (i) litigation alerts from a third party service provider, the engine suggests actions based on the risk associated with the specific case where there is a possible match between our borrower and the individual mentioned in the latest records in local courts. For instance, if there is a monetary claim against a customer, it may lead to a change in their ability to repay; and (ii) property alerts for the latest encumbrances (such as mortgages or liens) being registered at the Land Registry against certain assets. The engine identifies the nature of the encumbrance and defines its potential impact on the recoverability of the loan.

OUR OPERATING SYSTEM — K CASH GO PLATFORM

We have developed our proprietary operating system, K Cash GO Platform to utilize and integrate our financial technologies throughout different stages of the loan cycle — from customer acquisition, loan application, to loan drawdown and to loan collection. Before the adoption of K Cash GO Platform, we had multiple standalone systems to deal with different stages of the loan cycle. The K Cash GO Platform has integrated these systems into one centralized system to streamline our work flow and our entire lending business cycle.

K Cash GO Platform is adopted to roll, automate and streamline the entire lending process with our loan application system and loan management system. Our loan officers who are responsible for handling and managing different components of the loan cycle can review, handle and process the necessary information by logging into and operating the centralized K Cash GO Platform to perform the business function.



(1): A host-to-host selection established between us and the credit reference agency allows automated transfer of the applicants' information we require for checking between both parties after applicants submitted their application for Personal Loans

(2): We use Business Risk Engine to process alerts received from external service provider and loan information from Loan Management System to conduct risk monitoring.

In order to deploy and utilize technologies developed by us and to effectively integrate and manage our systems and business modules, we have developed our cloud-based operating system which is specifically tailored, customized and configured to meet loan operation needs and to integrate the entire loan process including the loan application system and loan management system. Therefore, K Cash GO Platform handles the major aspects of our critical loan business functions throughout the business cycle.

K Cash GO Platform, as the proprietary operating system, was developed and operated for streamlining and optimizing the internal and back-end loan processing procedures. This also allows our staff to access all necessary and relevant loan application record to facilitate our loan application cycle and loan management cycle. For example, K Cash GO Platform allows us to effectively integrate and manage different loan modules, our risk assessment capability and optimize core business process of our loan application process which has integrated to our K Cash GO Platform. The function performed by K Cash GO Platform cannot be achieved by other off-the-shelf platform as it requires high degree of customization to suit our business needs.

K Cash GO Platform provides one single interface to control and manage the loan application process, which include loan approval and loan out procedures. With the K Cash GO Platform, our Loan Application System is synchronized with our Credit Modelling System loan out process systems, and external eKYC and AQM Systems. Our Loan Management System is integrated to and synchronized with our internal loan collection system, loan record system and external system maintained by banks such as the DDA system to process autopay instruction. Below are examples for the seamless integration of our different loan process modules operated under different stage of the loan business cycle:

Loan Application Stage

- **Customer Acquisition and Loan Application**: Our online lending portals, K Cash App and K Cash website, are supported by our K Cash GO Platform to connect and collect loan applications by providing electronic capability to collect electronic application forms and execute electronic contracts. E-contracts, benefiting from our cloud-computing technology and blockchain technology, will be automatically transmitted to the relevant departments required to review contracts.

- **Credit Review and Approval**: Our K Cash GO Platform is able to retrieve and review loan details and generate the necessary loan documentation for our staff and allow us to cover a full spectrum of credit review functions and processes through the entire credit assessment lifecycle, including blockchain, AQM System and the Credit Modelling System.

Loan Management Stage

- **Connecting Internal and External System**: Our Loan Management System which embeds different modules is integrated into our centralized K Cash GO Platform which allow us to maintain and manage our loan out record. With our K Cash GO Platform, the Loan Management System is able to integrate with the internal loan collection system and connect with external repayment channels which will allow our officers to utilize the centralized K Cash GO Platform to manage the repayment process, redemption process and collector process. For example, by connecting the different systems, the operation of K Cash GO Platform would reduce the time gap for processing the loan management which would reduce the delay to the processing time of different procedures.

- **Feature Engineering**: The internal loan application and processing data (for example, repayment history and collection record) we obtained from the loan management system will be analyzed and used in credit approval via the Credit Modelling System. K Cash GO Platform offers us the compatibility to embrace feature engineering techniques in our business cycle. In order to utilize feature engineering, we obtain scalable and representative source data from the Loan Management System and construct meaningful features for machine learning and predictive modelling in the Loan Application System. Based on our pre-determined schedule, the K Cash GO Platform is able to prepare, analyze and portray the business features for Credit Modelling System to assist the credit review and risk assessment. The K Cash GO Platform is able to compile our data and provide foundations to our feature engineering enables us to identify features and make better and data-driven decisions.

- **Business Intelligence Report**: K Cash GO Platform is able to provide data visualization to our staff as a way to observe and understand the trends, outlier and patterns of our loan applications based on the business intelligence tools provided by an external third party. With the business intelligence report module, we are able to create visually-driven insight from both the loan application stage from an intake perspective and the loan management stage from a post drawdown risk monitoring by generating a succinct report. The business intelligence reporting module provides direct data insights for the users based on their roles, which is necessary for performing their function. The business intelligence reporting module is able to generate credit risk reports to illustrate relevant trends and internalize the pattern of credit and risk-related information. With the support of business intelligence report empowered by the K Cash GO Platform, it helps our staff to observe, interact with and better understand the loan application data.

Compatible Platform for Versatile Integration

K Cash GO Platform is a secure platform with integration capability to optimize the artificial features adopted in the Loan Management System. The K Cash GO Platform provides versatile integration options and focuses on automation and seamless performance to integrate necessary modules to perform different business functions, such as loan management work and risk monitoring process. We believe our loan application and loan management are supported by the K Cash GO Platform as a fully integrated cycle instead of stand-alone function model.

From the information flow perspective, by utilizing the K Cash Go Platform, data collected from the repayment history and the collection record of our customers would be processed and analyzed in the machine learning system and help us identify common attributes of borrowers with high default risk, and thus, assist and enhance our credit risk assessment in the loan application stage.

From the loan application perspective, as our online lending portals are connected to the K Cash GO Platform, it facilitates the automation of the loan application process. The loan applicant's information would also be fed into the IDCM model to conduct credit assessment process. The full automation from loan application to credit assessment enables a higher efficiency in the loan out process, thereby improving the satisfaction and lending experience of our loan applicants.

From loan management perspective, our staff, through the centralized interface of the K Cash GO Platform, will be able to utilize the K Cash GO Platform to support various loan out methods and to accept various flexible payment method with reference to our loan out system.

Therefore our K Cash GO Platform will be able to facilitate and streamline the loan application process, digitalize various key loan processing functions, reduce operating cost, gain data and credit risk insight from our business operations, formulate a solid foundation by which business decisions can be made, and improve the scalability of our business by creating opportunities for further advancement.

Future Enhancement of K Cash GO Platform

In order to make our K Cash GO Platform future-proof, we intend to upgrade it such that it will be able to meet all our functional requirements and to integrate segregated systems into an unified platform. We also target to enhance its capabilities to integrate with business partners and third party service providers in future to strengthen our competitiveness in dynamic lending environment. For details, see "Future Plans and [**REDACTED**] — Enrichment of our technology capabilities — Improvement of our operating system — K Cash GO Platform".

As part of our continuous effort to upgrade our systems, we will also connect our K Cash GO Platform to the MCRA platform, which is expected to be completed in late 2023. As the MCRA platform will provide credit report service through API, our K Cash GO Platform will be able to significantly automate more manual operations through API. Currently, the portal used to download customer credit report provided by existing credit report agency requires manual input of customer information. By connecting to the MCRA, our K Cash GO Platform can reduce human capital required to perform repetitive tasks, shorten customer's application time and reduce the chance of human error during the data entry process since customer credit report will be downloaded through the API and information in the report will be directly extracted and imported into our platform. By removing the need for manual processing, we expect significant enhancement to the efficiency and accuracy of our back-end work.

KEY FINANCIAL AND OPERATING METRICS

Interest Income

Our principal source of revenue is interest income generated from the loans provided to our borrowers.

Interest rates for each borrower are charged on a risk basis and assessed individually. We mainly consider the AQM Score and MLC Score of the applicant under our IDCM in respect of our Personal Loans, and the applicant's operating history and financial condition in respect of our SME Loans, as well as a range of factors including interest rates offered by competitors. For details on other factors that would affect our decision on applicable interest rates, see "Financial Information — Major Factors Affecting our Results of Operations".

The following table sets out the breakdown of the interest income from our loan products and its percentage of our relevant interest income during the Track Record Period:

Loan Product[1]	Year ended December 31,						Five months ended May 31,			
	2020		2021		2022		2022		2023	
	HK$'million	*%*	*HK$'million*	*%*	*HK$'million*	*%*	*HK$'million*	*%*	*HK$'million*	*%*
							(Unaudited)			
Unsecured Property Owner Loans[2]	186.6	61.3	169.6	62.8	146.8	62.7	62.5	62.9	69.6	66.5
– HOS Property	176.7	58.1	161.3	59.7	140.1	59.9	59.5	60.0	65.4	62.5
– Private Property	9.9	3.2	8.3	3.1	6.7	2.8	3.0	2.9	4.2	4.0
Personal Loans	106.4	35.0	87.1	32.2	74.6	31.9	32.0	32.2	30.0	28.7
SME Loans	10.5	3.4	12.9	4.8	12.1	5.2	4.7	4.7	5.1	4.9
Total	**304.3**	**100.0**	**270.1**	**100.0**	**234.0**	**100.0**	**99.5**	**100.0**	**104.7**	**100.0**

(1) Our interest income also comprises income from subordinated mortgage loans, which were insignificant and such loan portfolio were transferred to the Excluded Group as of December 31, 2022 and excluded from this table. We have already ceased to provide any new loans under subordinated mortgage loans and will only focus on providing unsecured loans. For details, see "Financial Information — Principal Components of Our Consolidated Statement of Comprehensive Income — Interest income".

(2) Among the receivables of loan principal of HK$912.6 million as of December 31, 2022, on December 31, 2022, we acquired a loan portfolio from the Excluded Group at carrying amount of approximately HK$150.1 million. For details, see "— Key Financial and Operating Metrics — Receivables of Loan Principal and Loan Accounts — Loans Assignment and Transfer".

Loan receivables

Our loan receivables arise mainly from our money lending business. They are interest bearing and repayable on fixed terms agreed with our customers. During the Track Record Period, our loan receivables mainly comprised unsecured loan receivables.

The following table sets forth a breakdown of our loan receivables by loan type as of the dates indicated.

	As of December 31,			As of May 31,
	2020	2021	2022	2023
	(HK$'million)			
Loan receivables				
Unsecured Property Owner Loans	713.4	634.9	730.0	737.8
– HOS Property	682.4	609.3	693.9	684.2
– Private Property	31.0	25.6	36.1	53.6
Personal Loans	320.1	259.7	234.5	261.5
SME Loans	58.7	49.6	54.3	57.0
Others[(1)]	2.4	1.9	–	–
	1,094.6	946.1	1,018.8	1,056.3
Less: Provision for impairment	(108.6)	(101.6)	(105.0)	(108.1)
	986.0	**844.5**	**913.8**	**948.2**
Expected loss rates	9.9%	10.8%	10.3%	10.2%

(1) Others comprise of subordinated mortgage loan business prior to the [**REDACTED**]. We have already ceased to provide any new loans under subordinated mortgage business and will only focus on providing unsecured loans.

Receivables of Loan Principal and Loan Accounts

The following table sets out the breakdown of our receivables of loan principal of our loan products as of the respective dates as indicated:

	As of December 31,									As of May 31,		
Loan Product[(1)]	**2020**			**2021**			**2022**			**2023**		
	Number of loan accounts[(2)]	*HK$'000*	*%*	*Number of loan accounts[(2)]*	*HK$'000*	*%*	*Number of loan accounts[(2)]*	*HK$'000*	*%*	*Number of loan accounts*	*HK$'000*	*%*
Unsecured Property Owner Loans	2,767	663,966	64.5	2,424	575,664	66.1	2,502	638,498	70.0	2,538	637,675	67.8
– HOS Property	2,472	635,121	61.7	2,179	552,082	63.4	2,196	606,533	66.5	2,151	589,328	62.7
– Private Property	295	28,846	2.8	245	23,582	2.7	306	31,965	3.5	387	48,347	5.1
Personal Loans	5,279	305,813	29.8	4,802	246,747	28.3	4,786	220,891	24.2	5,005	246,982	26.3
SME Loans	59	58,125	5.7	82	48,554	5.6	90	53,167	5.8	86	55,916	5.9
Total[(3)]	**8,105**	**1,027,904**	**100.0**	**7,308**	**870,965**	**100.0**	**7,378**	**912,556**	**100.0**	**7,629**	**940,573**	**100.0**

(1) Our loan portfolio also comprises subordinated mortgage loans, which were transferred to the Excluded Group as of December 31, 2022 and excluded from this table. We have already ceased to provide any new loans under subordinated mortgage loans and will only focus on providing unsecured loans.

(2) Customers may have more than one loan account with us. Therefore, the number of loan accounts as of December 31, 2020, 2021 and 2022, respectively, may be greater than the number of actual customers as of the same date.

(3) Among the receivables of loan principal of HK$912.6 million as of December 31, 2022, on December 31, 2022, we acquired the Transferred Loans from the Excluded Group at a consideration of HK$150.1 million. For details, see "— Key Financial and Operating Metrics — Receivables of Loan Principal and Loan Accounts — Loans Assignment and Transfer".

Our receivables of loan principal before provision for impairment as of December 31, 2020, 2021 and 2022 and May 31, 2023 were HK$1,030.2 million, HK$872.8 million, HK$912.6 million and HK$940.6 million, respectively.

Loans Assignment and Transfer

As part of restructuring in connection with our [**REDACTED**], on December 31, 2022, we (i) acquired a unsecured loan portfolio from the Excluded Group at its carrying amount as of December 31, 2022; and (ii) transferred a secured loan portfolio to the Excluded Group at its carrying amount as of December 31, 2022. The unsecured loan portfolio acquired involved 458 loan accounts and had an aggregate carrying amount of approximately HK$150.1 million as of the date of transfer (the "**Transferred Loans**"), among which 454 loan accounts with a carrying amount of HK$146.8 million were Unsecured Property Owner Loans and four loan accounts with a carrying amount of HK$3.3 million were Personal Loans. For details of the ageing analysis of the Transferred Loans, please see "Financial Information — Discussion of Certain Line Items on the Consolidated Balance Sheets — Loan receivables — Loans Assigned". The loan portfolio transferred to the Excluded Group involved eight loan accounts with an aggregate carrying amount of approximately HK$1.4 million, which are all subordinated mortgage loans.

The consideration paid by us and the Excluded Group represents the fair values of such loans, and as the loan portfolio we acquired mainly comprises of Unsecured Property Owner Loans, the impact of expected credit loss is considered minimal. As advised by our External Legal Counsel, transfer of the abovementioned loan accounts was evidenced by loan assignment agreements entered into between us and the Excluded Group, and such transfer was in full compliance with the applicable laws and regulations, including the Personal Data (Privacy) Ordinance (Cap. 486), as all of our loan agreements and those of the Excluded Group stipulate that each of us are allowed to assign our rights, interests and/or titles under the loan agreement to anyone at any time without giving notice or obtaining the prior consent of the borrower. Upon entering into the loan assignment agreements, we shall have the right to demand, sue for, recover, receive and give receipt for all or any sums of the assigned loans and all payments of interest and all other sums from the borrowers. The Excluded Group also undertakes that in the event that it has received any sum from the borrowers in connection with the payment of any interest and/or principal on the Transferred Loans, it shall forthwith return all such sum to us after such receipt. After the Transferred Loans were assigned to us, notices were sent to the borrowers informing them about such arrangement and repayments shall be made to us going forward, and the Excluded Group and us monitors the repayment status of the Transferred Loans regularly such that any repayment of the Transferred Loans to the Excluded Group, or any repayment of loans that we have transferred to the Excluded Group but were wrongly repaid to us will be transferred back to the relevant lender at once.

Save for the loans mentioned above, no loans were transferred between us and the Excluded Group or associates of our Controlling Shareholders during the Track Record Period and up to the Latest Practicable Date. To the best knowledge of our Directors, the Transferred Loans are insignificant to the Excluded Group in terms of interest income and loan principal.

Number of Loan Agreements

The following tables provide an overview of our loan agreements by loan size range for each of our loan products as of the respective dates as indicated:

As of December 31, 2020

Amount of receivables of loan principal	Loan Product[1] Unsecured Property Owner Loans – HOS Property	Unsecured Property Owner Loans – Private Property	Personal Loans	SME Loans	Aggregate value
					HK$'000
Under HK$10,000	61	18	1,691	–	10,671
HK$10,000 – HK$100,000	819	175	2,866	4	146,668
HK$100,001 – HK$200,000	487	78	430	6	150,455
HK$200,001 – HK$400,000	516	20	201	10	214,212
HK$400,001 – HK$700,000	402	3	53	19	251,698
Over HK$700,000	187	1	38	20	254,200
Total	**2,472**	**295**	**5,279**	**59**	**1,027,904**

As of December 31, 2021

Amount of receivables of loan principal	Loan Product[1] Unsecured Property Owner Loans – HOS Property	Unsecured Property Owner Loans – Private Property	Personal Loans	SME Loans	Aggregate value
					HK$'000
Under HK$10,000	42	14	1,295	1	8,430
HK$10,000 – HK$100,000	762	152	2,962	9	138,822
HK$100,001 – HK$200,000	413	57	347	22	123,435
HK$200,001 – HK$400,000	468	16	131	21	184,863
HK$400,001 – HK$700,000	331	6	43	15	207,850
Over HK$700,000	163	–	24	14	207,565
Total	**2,179**	**245**	**4,802**	**82**	**870,965**

As of December 31, 2022

Amount of receivables of loan principal	Loan Product[1]				Aggregate value
	Unsecured Property Owner Loans		Personal Loans	SME Loans	
	HOS Property	Private Property			
					HK$'000
Under HK$10,000	46	20	1,332	–	8,320
HK$10,000 – HK$100,000	641	178	3,014	8	141,047
HK$100,001 – HK$200,000	423	77	289	22	120,408
HK$200,001 – HK$400,000	549	23	104	24	202,095
HK$400,001 – HK$700,000	355	5	31	21	218,530
Over HK$700,000	182	3	16	15	222,156
Total	**2,196**	**306**	**4,786**	**90**	**912,556**

(1) Our loan portfolio also comprises subordinated mortgage loans, which were transferred to the Excluded Group as of December 31, 2022 and excluded from this table. We have already ceased to provide any new loans under subordinated mortgage loans and will only focus on providing unsecured loans.

Among the receivables of loan principal as of December 31, 2022, on December 31, 2022, we acquired the Transferred Loans from the Excluded Group at a consideration of HK$150.1 million. For details, see "— Key Financial and Operating Metrics — Receivables of Loan Principal and Loan Accounts — Loans Assignment and Transfer".

As of May 31, 2023

Amount of receivables of loan principal	Loan Product				Aggregate value
	Unsecured Property Owner Loans		Personal Loans	SME Loans	
	HOS Property	Private Property			
					HK$' 000
Under or equal to HK$10,000	186	29	1,337	1	9,888
HK$10,001-HK$100,000	514	194	3,202	10	147,804
HK$100,001-HK$200,000	397	99	292	17	120,332
HK$200,001-400,000	540	59	113	26	215,326
HK$400,001-HK$700,000	337	4	32	17	204,108
Over HK$700,000	177	2	29	15	243,115
Total	**2,151**	**387**	**5,005**	**86**	**940,573**

Average Loan Size

The tables below sets out the average loan size[2] of our loan products during the Track Record Period:

	For the year ended December 31,			For the five months ended May 31,
	2020	2021	2022	2023
		(HK$'000)		
Loan product[1]				
Unsecured Property Owner Loans	287.1	304.0	321.7	321.0
– HOS Property	310.7	327.5	343.2	351.2
– Private Property	118.0	125.4	138.6	148.1
Personal Loans	66.6	67.6	65.0	66.5
SME Loans	1,707.1	1,116.6	899.4	976.7
Overall	**144.2**	**147.7**	**141.1**	**151.1**

(1) Please refer to the note under "Number of loan agreements".

(2) Average loan size represents the arithmetic average of loan principal originally granted by us for loans which generated interest income during each year or period of the Track Record Period.

Loan Tenor

The tables below sets out the average loan tenor of our loan products as of the dates indicated:

As of December 31, 2020

	Number of loans by product type[1]					
	Unsecured Property Owner Loans					
Months	HOS Property	Private Property	Personal Loans	SME Loans	Total	Receivables of loan principal
						HK$'000
1 – 12	134	32	1,798	7	1,971	48,808
13 – 24	366	113	1,538	25	2,042	128,942
25 – 60	1,233	142	1,891	27	3,293	492,649
61 – 120	731	8	52	–	791	353,151
121 – 180	8	–	–	–	8	4,354
Total	**2,472**	**295**	**5,279**	**59**	**8,105**	**1,027,904**

As of December 31, 2021

	Number of loans by product type[1]					
	Unsecured Property Owner Loans					
Months	**HOS Property**	**Private Property**	**Personal Loans**	**SME Loans**	**Total**	**Receivables of loan principal**
						HK$'000
1 – 12	125	27	1,791	10	1,953	50,255
13 – 24	288	90	1,459	32	1,869	97,875
25 – 60	1,087	117	1,516	40	2,760	404,971
61 – 120	673	11	36	–	720	313,532
121 – 180	6	–	–	–	6	4,332
Total	**2,179**	**245**	**4,802**	**82**	**7,308**	**870,965**

As of December 31, 2022

	Number of loans by product type[1]					
	Unsecured Property Owner Loans					
Months	**HOS Property**	**Private Property**	**Personal Loans**	**SME Loans**	**Total**	**Receivables of loan principal**
						HK$'000
1 – 12	118	42	2,062	20	2,242	75,428
13 – 24	262	95	1,515	29	1,901	98,971
25 – 60	1,061	150	1,175	41	2,427	381,867
61 – 120	748	19	34	–	801	351,334
121 – 180	7	–	–	–	7	4,956
Total	**2,196**	**306**	**4,786**	**90**	**7,378**	**912,556**

As of May 31, 2023

	Number of loans by product type[1]					
	Unsecured Property Owner Loans					
Months	**HOS Property**	**Private Property**	**Personal Loans**	**SME Loans**	**Total**	**Receivables of loan principal**
						HK$'000
1 – 12	109	45	2,087	16	2,257	70,572
13 – 24	255	118	1,664	32	2,069	112,653
25 – 60	1,033	205	1,216	38	2,492	394,594
61 – 120	749	19	38	–	806	358,475
121 – 180	5	–	–	–	5	4,279
Total	**2,151**	**387**	**5,005**	**86**	**7,629**	**940,573**

(1) Please refer to the note under "Number of loan agreements".

Average Loan Tenor

The following tables provide an overview of our loan products by average loan tenor as of the respective dates as indicated:

Loan Product[1]	As of December 31, 2020	As of December 31, 2021	As of December 31, 2022	As of May 31, 2023
	(months)			
Unsecured Property Owner Loans	56.0	57.1	59.2	58.7
– HOS Property	58.5	59.5	62.2	62.6
– Private Property	34.7	35.9	37.5	37.5
Personal Loans	27.8	25.9	23.3	23.2
SME Loans	29.1	29.0	27.5	28.0
Overall	**37.5**	**36.4**	**35.5**	**35.1**

(1) Please refer to the note under "Number of loan agreements".

Loan applications

The table below sets out the loan applications received and turned down for high value loans and non-high value loans during the Track Record Period:

Loan applications received

	Year ended December 31,						Five months ended May 31,			
	2020		2021		2022		2022		2023	
	Number	Loan principal requested	Number	Loan principal requested	Number	Loan principal requested	Number	Loan principal requested	Number	Loan principal requested
		(HK$ million)		*(HK$ million)*		*(HK$ million)*		*(HK$ million)*		*(HK$ million)*
Non-high value loans	15,882	1,554.1	14,875	1,379.1	14,103	1,319.5	5,554	501.2	8,163	818.4
High value loans	706	938.4	668	994.6	644	1,232.4	268	419.9	345	444.8
Total	**16,588**	**2,492.5**	**15,543**	**2,373.7**	**14,747**	**2,551.9**	**5,822**	**921.1**	**8,508**	**1,263.2**

Loan applications turned down

The table below sets out details of the turned down loan applications during the Track Record Period:

	Year ended December 31,									Five months ended May 31,					
	2020			2021			2022			2022			2023		
	Number	Loan principal requested	% turned down based on loan principal requested(1)	Number	Loan principal requested	% turned down based on loan principal requested(1)	Number	Loan principal requested	% turned down based on loan principal requested(1)	Number	Loan principal requested	% turned down based on loan principal requested(1)	Number	Loan principal requested	% turned down based on loan principal requested(1)
		(HK$ million)			*(HK$ million)*			*(HK$ million)*			*(HK$ million)*			*(HK$ million)*	
Non-high value loans	9,795	855.7	55.1%	9,721	807.9	58.6%	9,190	795.0	60.3%	3,427	275.4	54.9%	5,691	447.7	54.7%
High value loans	405	576.9	61.5%	441	735.5	74.0%	440	974.4	79.1%	171	291.1	69.3%	229	281.7	63.3%
Total/Overall	**10,200**	**1,432.6**	**57.5%**	**10,162**	**1,543.4**	**65.0%**	**9,630**	**1,769.4**	**69.3%**	**3,598**	**566.5**	**61.5%**	**5,920**	**729.4**	**57.7%**

(1) Calculated by dividing loan principal requested but became turned down loan applications over the total principal requested for the non-high value loans, or as the case may be, high value loans.

From 2020 to 2022, there has been a continuous increase in the loan principal requested by potential borrowers for high value loans. We believe that during economic downturn, borrowers may require larger loans to satisfy their cash flow needs. However, we have tightened our credit approval policy through the implementation of the Restrictive Aggregate Loan Out Policy and the Tightened Credit Assessment Policy since the COVID-19 outbreak, which was evidenced by the increased percentage of loan applications turned down for all loan types, especially in relation to high value loans whereby the turn down rate increased from 49.4% in 2019 to 61.5% in 2020 and further increased to 79.1% in 2022. As we became more selective in providing high value loans, the growth of our loan portfolio, and our interest income was restricted.

As economic activities picked up in 2023, loan applications we received experienced a significant increase, especially for non-high value loans. As we intend to gradually grow our loan portfolio and to remain in line with our credit assessment policy, we carefully assessed the background of each borrower and approved loan applications prudently even though we no longer implemented the Restrictive Aggregate Loan Out Policy and the Tightened Credit Assessment Policy, hence proportion of turned down loan applications remained stable, and is similar to the proportion of loans we turned down in 2020 prior the implementation of policies in response to the COVID-19 pandemic.

Early redemption

The table below sets out the loans that were early repaid by our borrowers for each of our loan products during the Track Record Period:

	Year ended December 31,									Five months ended May 31,					
	2020			2021			2022			2022			2023		
Loan product	Number	Loan principal	% of early redemption based on loan principal[(1)]	Number	Loan principal	% of early redemption based on loan principal[(1)]	Number	Loan principal	% of early redemption based on loan principal[(2)]	Number	Loan principal	% of early redemption based on loan principal[(1)]	Number	Loan principal	% of early redemption based on loan principal[(1)]
		(HK$ million)			*(HK$ million)*			*(HK$ million)*			*(HK$ million)*			*(HK$ million)*	
Unsecured Property Owner Loans	716	180.5	13.8%	568	164.8	14.6%	461	149.7	14.9%	186	56.6	6.0%	199	61.9	6.0%
– HOS Property	561	162.6	12.4%	457	151.2	13.4%	392	139.0	13.8%	157	52.1	5.5%	163	58.2	5.6%
– Private Property	155	17.9	1.4%	111	13.6	1.2%	69	10.7	1.1%	29	4.4	0.5%	36	3.7	0.4%
Personal Loans	1,316	91.2	7.0%	1,089	81.9	7.2%	978	71.9	7.1%	389	31.9	3.4%	435	26.9	2.6%
SME Loans	6	4.1	0.3%	10	11.4	1.0%	9	8.0	0.8%	1	4.0	0.4%	3	0.9	0.1%
Total/Overall	**2,038**	**275.8**	**21.2%**	**1,667**	**258.1**	**22.8%**	**1,448**	**229.6**	**22.8%**	**576**	**92.5**	**9.8%**	**637**	**89.7**	**8.7%**

(1): Calculated by dividing loan principal of the early redeemed loan over the sum of the outstanding loan balance as at the end of the relevant year or period and the loan principal of the early redeemed loans.

(2): Calculated by dividing the loan principal of the early redeemed loan over the sum of the outstanding loan balance before we acquired the Transferred Loans from the Excluded Group as at the end of 2022 and the loan principal of the early redeemed loans. For details, see "— Key Financial and Operating Metrics — Receivables of Loan Principal — Loans Assignment and Transfer".

The number of loans and loan principal repaid in advance was relatively high in 2020, and the percentage of early redeemed loan principal throughout the Track Record Period was higher than that of 2019, being 17.2%. The early redemption percentage increased from 13.8% in 2020 to 14.9% in 2022 for Unsecured Property Owner Loans and increased from 7.0% in 2020 to 7.1% in 2022 for Personal Loans. The redemption ratio remained at a relatively high level due to the cautious approach we adopted during the Track Record Period as we were less eager to adjust the terms of loans of borrowers who we perceived as high risk. This resulted in an increase in borrowers repaying their loans in advance, which in turn led to a decrease in the size of our loan portfolio.

As we no longer implemented the Restrictive Aggregate Loan Out Policy and the Tightened Credit Assessment Policy during our credit assessment process in 2023, we would be more eager to negotiate with borrowers to retain them when they consider to redeem their loans with us, hence the total loan principal or the proportion of loan receivables redeemed by our borrowers has decreased as compared to the corresponding period in 2022.

Interest Rates

The following table summarizes the range of interest rates that we typically charged in respect of our loan products during the Track Record Period:

	Year ended December 31,			Five months ended May 31,
	2020	2021	2022	2023
Loan Product[1]	Typical interest rate range (per annum)			
	(%)			
Unsecured Property Owner Loans	21.6 to 46.8	20.4 to 44.3	20.4 to 42.8	20.4 to 42.0
– HOS Property	21.4 to 42.0	20.4 to 42.0	20.4 to 42.0	20.4 to 42.0
– Private Property	24.0 to 48.0	21.3 to 48.0	21.6 to 48.0	20.4 to 46.8
Personal Loans	24.0 to 48.0	24.0 to 48.0	24.0 to 48.0	24.0 to 48.0
SME Loans	19.5 to 30.0	21.6 to 28.7	21.8 to 24.0	22.8 to 24.0
Overall	**19.5 to 48.0**	**20.4 to 48.0**	**20.4 to 48.0**	**20.4 to 48.0**

(1) Our loan portfolio also comprises subordinated mortgage loans, which were transferred to the Excluded Group as of December 31, 2022 and excluded from this table. We have already ceased to provide any new loans under subordinated mortgage loans and will only focus on providing unsecured loans.

Among the receivables of loan principal as of December 31, 2022, on December 31, 2022, we acquired the Transferred Loans from the Excluded Group at a consideration of HK$150.1 million. For details, see "— Key Financial and Operating Metrics — Receivables of Loan Principal — Loans Assignment and Transfer".

Average Effective Interest Rate

The table below sets out the average effective interest rate of our loan products during the Track Record Period:

	Year ended December 31,			Five months ended May 31,
	2020	2021	2022	2023
Unsecured Property Owner Loans	31.3%	30.6%	29.9%	29.2%
– HOS property	30.6%	30.1%	29.4%	28.7%
– Private property	36.1%	35.0%	34.6%	32.0%
Personal Loans	42.0%	41.8%	41.9%	40.0%
SME Loans	24.1%	24.1%	23.9%	24.0%
Overall[1]	**38.5%**	**38.2%**	**38.5%**	**36.6%**

Note: Average effective interest rate represents the average of effective interest rates in respect of the existing loan agreements during the year.

Recent changes in the Presumed Extortionate Rate

Since December 30, 2022, the effective rate of interest exceeding which a loan transaction would be presumed extortionate (the "**Presumed Extortionate Rate**") was lowered from 48% per annum to 36% per annum, and the statutory limit for effective interest rate (the "**Statutory Limit**") was lowered from 60% per annum to 48% per annum. Therefore, under the MLO any person who lends or offers to lend money at an effective rate of interest exceeding 48% per annum after December 30, 2022 commits an offence, and any loan in respect of which the effective interest rate exceeds 36% per annum after December 30, 2022 is, having regard to that fact alone, presumed to be extortionate. The current Presumed Extortionate Rate does not apply to loan agreements entered into before December 30, 2022, hence we will not be considered to have committed an offence under the MLO for existing loans granted with an interest rate over 36% per annum but lower than 48% per annum, and the transaction shall not become illegal or unenforceable solely due to the lowering of the Presumed Extortionate Rate. For details of the regulatory framework for the Presumed Extortionate Rate, see "Regulatory Overview — Money Lending — Enforceability of loan agreement".

We have been charging interest rates not exceeding 48% per annum during the Track Record Period and up to the Latest Practicable Date. We entered into loan agreements exceeding the current Presumed Extortionate Rate (i.e. 36% per annum) after December 31, 2022.

The change in the Presumed Extortionate Rate may (i) cause us to lose interest income and reduce our profitability if the court reopens the existing loans with effective interest rate above the Presumed Extortionate Rate and adjusts the interest rate; (ii) intensify market competition as our competitors who used to offer loans with interest rate higher than 36% may change their risk appetite and offer more loans with interest rate below 36% and our target customers may be more likely to be able to obtain loans from our competitors who charge lower interest rates than us.

Any loan with effective interest rate exceeding 36% per annum after December 30, 2022 is, having regard to that fact alone, presumed to be extortionate. Nonetheless, the presumption that loans with an interest rate exceeding the Presumed Extortionate Rate are extortionate is rebuttable, and the court will declare that the loan transaction is not extortionate if, having regard to all the circumstances, it is satisfied that such rate is not unreasonable or unfair. During the Track Record Period and up to the Latest Practicable Date, no legal proceedings were commenced against us with claims that the interest rate charged was extortionate, and we were never required by court to lower the interest rate stipulated in our loan agreements or return interest income received to our borrowers. Where the court considers that a loan is extortionate by virtue of it being grossly exorbitant and otherwise grossly contravenes ordinary principles of fair-dealings, albeit the loan contract is not illegal and unenforceable, the court may make orders or directions in respect of the terms of the loan or rights of parties as the court thinks fit which may affect the money lender's civil remedy in recovering the loan.

Based on case laws, our External Legal Counsel is of the view and the External Legal Counsel to the Joint Sponsors concurs, that unusual feature in the transaction (e.g. duress, oppression, etc.) is required in order for the court to consider loans with interest rate above the Presumed Extortionate Rate as extortionate. Even if the court considers a transaction to be extortionate, at most occasions it would only lower the interest rate chargeable and would not declare the transaction void. In those circumstances, the net results are that the lenders were still able to recover the loan principal and a substantial part of the interest. Nonetheless, the most serious order that the court could make would be a direction for the borrower to repay the principal sum to the lender without any interest. However, such direction is rare unless the transaction is highly unfair to the borrower and the lender's conduct is the most unbecoming since in commercial world a lender is always allowed to charge reasonable interest for a loan made. For details of risk of enforcement for the recovery of loan, see "Risk Factors — Risks relating to our business and industry — Our business may be affected by changes in laws and rules applicable to the money lending industry, in particular the Money Lenders Ordinance".

As advised by our External Legal Counsel, extension of relief for extortionate rate does not become activated merely because the interest rate exceeds the Presumed Extortionate Rate, instead, the lender must show that no unconscionable pressure was exerted on the loan applicant to enter into the loan transaction and there would be less likelihood of unconscionable pressure where the borrower is a businessman or a commercial entity taking a business decision in borrowing the money. With (a) stringent protocol on due diligence of our borrowers to ensure that they entered into the loan agreements on their own volition and under no apparent unconscionable pressure to eliminate undue influence being exerted on the borrower by third party or circumstances which may render the transaction unfair, (b) stringent protocol and constant review on staff training to ensure that no oppression will be, or is likely to be so apprehended by the customers, exerted on the customers in borrowing the loans, and (c) maintaining sufficient record of the circumstances leading to the borrowing of the loan to show that the transaction is not unconscionable, it will be unlikely for the court to consider such agreement as extortionate even if the effective interest rate exceeds the Presumed Extortionate Rate. The External Legal Counsel to the Joint Sponsors concurs with the view of the External Legal Counsel in this regard.

We have (i) updated our compliance assurance framework and provided internal training for our employees, where they are reminded that when they are handling loans with an interest rate that exceeds the Presumed Extortionate Rate, extra attention shall be paid to ensure that our borrowers are sophisticated enough to understand the terms and conditions of the loan, and they are in a proper mental condition when the loan agreements were executed; (ii) kept complete audio and/or video records showing that our employees explained the terms and conditions of the loans to borrowers, while ensuring that they are fully aware that we would do so by obtaining their consent prior to recording; and for borrowers applying through our online portals, they will be required to listen to the terms and conditions of the loan in a prerecorded audio online before signing the loan agreement; and (iii) before signing the loan agreement, our borrowers are additionally required to declare that they understand that they were charged an interest rate exceeding the Presumed Extortionate Rate based on our assessment of their risk profile and they have entered into such transaction out of their own volition after understanding the terms and conditions ("**Additional Measures for High-Interest Loans**") to prevent our loans from being considered extortionate by the court. As advised by our External Legal Counsel and our External Legal Counsel to the Joint Sponsors concurs, implementing the Additional Measures for High-Interest Loans can help mitigate our exposure to the risk that our loans may be considered extortionate by the court because borrowers are well informed of the fact that they will have to pay an interest rate above the Presumed Extortionate Rate for the loan incurred with reference to the credit profile; and it would be easier for us to discharge our evidential burden by providing the unequivocal acknowledgment and record from borrowers when dispute ensues, and accordingly borrowers could not assert challenge that they have not been properly informed of the terms.

According to Frost & Sullivan, our Additional Measures for High-Interest Loans are in line with the industry practice of reducing the possibility that loan agreements with interest rates higher than the Presumed Extortionate Rate from considered extortionate by the court, and our Directors are of the view, and after taking into consideration of the advice of our External Legal Counsel and the External Legal Counsel to the Joint Sponsors, the Joint Sponsors concur, that the Additional Measures for High-Interest Loans are effective measures in achieving such purpose. Selected areas of the Group's internal controls over financial reporting that were reviewed by the IC Consultant included business process level controls of including interest income, receivable and collection cycle, which includes the Additional Measures for High-Interest Loans. The IC Consultant did not have any further recommendation on such cycle while the internal controls review of the IC Consultant was conducted based on information provided by the Group and no assurance or opinion on internal controls was expressed by the IC Consultant.

The following table sets forth our interest income from loans with an effective interest rate higher than 36% per annum during the Track Record Period:

	Year ended December 31,		From January 1 to December 30,	From December 31, 2022 to
	2020	**2021**	**2022** *(Note)*	**May 31, 2023**
			(Unaudited)	
		(HK$ million)		
Unsecured Property Owner Loans	21.4	18.8	15.4	6.0
– HOS property	18.1	16.4	13.7	5.3
– Private property	3.3	2.4	1.7	0.7
Personal Loans	49.1	42.3	37.8	12.7
SME Loans	–	–	–	–
Total	**70.5**	**61.2**	**53.2**	**18.7**

The following table sets forth loan principal amount from loans with an effective interest rate higher than 36% per annum as of the dates indicated:

	As of December 31,		As of December 30,	As of
	2020	**2021**	**2022** *(Note)*	**May 31, 2023**
			(Unaudited)	
		(HK$ million)		
Unsecured Property Owner Loans	53.4	45.2	44.5	38.2
– HOS property	45.9	40.7	39.6	33.9
– Private property	7.5	4.4	5.0	4.3
Personal Loans	110.8	93.2	90.0	63.3
SME Loans	–	–	–	–
Total	**164.3**	**138.3**	**134.5**	**101.4**

Note: The Presumed Extortionate Rate before December 30, 2022 and on or after December 30, 2022 was 48% per annum and 36% per annum, respectively.

We temporarily suspended granting new loans with interest rate above 36% per annum due to lack of clarity of the regulatory change, and we subsequently engaged the External Legal Counsel to review the impact of such regulatory change on our operations. After perusing the External Legal Counsel's advice, we were of the view that such regulatory change does not have impact on the enforceability of future loan agreements with interest rate above 36% per annum, and the impact (if any) on our business operations if the interest rate such loan agreements becomes the subject matter of any dispute is minimal, hence we resumed approving and granting loans with interest rate above 36% per annum since March 2023.

We continued to grant new loans or renew loans granted before December 30, 2022 with effective interest rate over 36% per annum going forward, and have not set any monetary cap on the loan principal to be granted where we charge an interest rate which is above the Presumed Extortionate Rate. During the five months ended May 31, 2023, the amount of loan principal granted after December 30, 2022 by us (including the new loan and new top-up loan) which exceeded the current Presumed Extortionate Rate amounted to HK$14.3 million. For the five months ended May 31, 2023, we derived interest income of HK$0.6 million from loans with an effective interest rate higher than 36% per annum which were granted after December 30, 2022. Since the loan receivables from loans granted after December 30, 2022 charging the Presumed Extortionate Rate or above accounted for only approximately 1.4% of our overall loan portfolio as at May 31, 2023, we consider the decrease in our interest income attributable to such loans, in the unlikely event of them being considered as extortionate by the court, shall not have material impact on our operations and financial performance.

Further and as advised by our External Legal Counsel, loan agreements with interest rate higher than 36% per annum (but below 48% per annum) that we enter after December 30, 2022 will not be regarded as unenforceable or non-compliance with the MLO solely because we charge an interest rate higher than the Presumed Extortionate Rate and hence, such loan agreements entered into by our Group before and after the changes to the Presumed Extortionate Rate under the MLO are in compliance with the relevant laws and regulations. After taking into consideration of the advice of our External Legal Counsel on the legal position of Presumed Extortionate Rate and corresponding factors which are relevant when considering whether the rate charged by a loan agreement above the Presumed Extortionate Rate is extortionate, and the Additional Measures for High-Interest Loans, our Directors are of the view and the Joint Sponsors concur that the change in the Presumed Extortionate Rate have not had and will not have a material impact on our operations and financial positions.

Interest Spread

The table below sets out the interest spread of our loan products during the Track Record Period:

	Year ended December 31,			Five months ended May 31,
Loan Product[1]	**2020**	**2021**	**2022**	**2023**
		(%)		
Unsecured Property Owner Loans	25.3	24.7	23.0	20.4
– HOS property	24.6	24.1	22.5	19.9
– Private property	30.1	29.1	27.7	23.2
Personal Loans	36.0	35.8	35.0	31.2
SME Loans	18.0	18.2	17.1	15.3
Overall	**32.5**	**32.3**	**31.7**	**27.9**

Note: Calculated based on average effective interest rate less weighted average cost of borrowings.

Our interest spread remained stable in 2020 and 2021, and our interest spread decreased from 32.3% in 2021 to 31.7% in 2022 due to increase in proportion of Unsecured Property Owner Loans within our loan portfolio our increased cost of funding and while the average effective interest rate for the segment decreased from 30.6% in 2021 to 29.9% in 2022, which was attributable to the granting of loans to borrowers with better quality who are more sensitive to the interest rate offered by us. Our interest spread decreased from 31.7% in 2022 to 27.9% for the five months ended May 31, 2023 as the average interest rate of our loan portfolio decreased and cost of borrowings increased due to interest rate hikes.

Net Interest Margin

Our profitability is affected by the net interest margins of our loan products.

The table below sets forth the net interest margin of our loan products during the Track Record Period:

Loan Product[1]	Year ended December 31, 2020	2021	2022	Five months ended May 31, 2022[3]	2023[3]
				(Unaudited)	
Unsecured Property Owner Loans[2]	22.8%	21.6%	21.6%	8.9%	8.6%
– HOS Property	22.7%	21.5%	21.5%	8.8%	8.6%
– Private Property	24.5%	25.8%	24.1%	10.4%	8.3%
Personal Loans	26.6%	26.5%	27.9%	11.7%	11.2%
SME Loans	18.2%	20.3%	20.7%	8.1%	8.2%
Overall	**23.8%**	**22.9%**	**23.2%**	**9.6%**	**9.2%**

(1) Our loan portfolio also comprises subordinated mortgage loans, which were transferred to the Excluded Group as of December 31, 2022 and excluded from this table. We have already ceased to provide any new loans under subordinated mortgage loans and will only focus on providing unsecured loans.

(2) On December 31, 2022, we acquired the Transferred Loans from the Excluded Group at its carrying amount of approximately HK$150.1 million. The net interest margin in the table did not take into account the Transferred Loans. For details, see "— Key Financial and Operating Metrics — Receivables of Loan Principal and Loan Accounts — Loans Assignment and Transfer".

(3) The figures for the five months ended May 31, 2022 and 2023 were not annualized.

The decrease in net interest margin from 23.2% in 2022 to 22.0% (annualized) for the five months ended May 31, 2023 was due to the decrease in the average effective interest rate of loans we granted and the increase in effective interest rate of our borrowings as a result of interest rate hikes. For a further discussion on the fluctuation of our net interest margin during the Track Record Period, see "Financial Information — Results of Operations".

Overdue Cases

During the Track Record Period, we initiated 537 legal proceedings for overdue Unsecured Property Owner Loans and among these, we obtained 321 favorable judgments, and have not obtained any unfavorable judgments. Among these overdue loans, we have procured registration of 217 charging orders. In addition, we enforced ten orders for sale of the overdue Unsecured Property Owner Loans during the Track Record Period.

During the Track Record Period, we initiated four and 15 legal proceedings for overdue Personal Loans and SME Loans, respectively, and among these, we obtained two and 12 favorable judgments. We did not receive any unfavorable judgments during the Track Record Period.

For the remaining legal proceedings which we have initiated, they are still being handled by relevant court, and our Directors are not aware of any circumstances which would lead to an unfavorable judgment being handed down by the court against us.

For details about how we dealt with the overdue loans, see "— Risk Management and Internal Control — Loan Collection — Overdue Loans".

Credit Performance of Our Loans

Expected Loss Rates

The expected loss rate for each loan product is calculated by provision for impairment divided by the outstanding loan receivables balance of the corresponding loan type as of each respective year-end or period-end date.

As of December 31, 2020, 2021 and 2022 and May 31, 2023, our overall expected loss rates were approximately 9.9%, 10.8%, 10.3%, 10.2% respectively. Our expected loss rates increased across our loan portfolio from 2020 to 2021. In particular, the increase in our expected loss rates from 9.9% in 2020 to 10.8% in 2021 was primarily due to an increased amount of delayed repayments from our customers, resulting in additional provision being made for our loan receivables under our expected credit loss model during 2020.

The following table sets forth the breakdown of delayed repayments and their subsequent settlement by loan types as of the dates indicated.

	As of December 31,									As of May 31,		
	2020			2021			2022			2023		
	Number of loan accounts with overdue instalments	Loan receivables of overdue instalments	Subsequent settlement up to August 31, 2023	Number of loan accounts with overdue instalments	Loan receivables of overdue instalments	Subsequent settlement up to August 31, 2023	Number of loan accounts with overdue instalments	Loan receivables of overdue instalments	Subsequent settlement up to August 31, 2023	Number of loan accounts with overdue instalments	Loan receivables of overdue instalments	Subsequent settlement up to August 31, 2023
		(HK$'000)	*(HK$'000)*		*(HK$'000)*	*(HK$'000)*		*(HK$'000)*	*(HK$'000)*		*(HK$'000)*	*(HK$'000)*
Unsecured Property Owner Loans	686	87,553	35,504	674	106,107	33,253	990	161,592	24,500	926	171,731	11,005
Personal Loans	1,072	19,984	7,448	789	17,165	3,764	1,063	22,433	1,827	1,027	27,430	4,364
SME Loans	12	756	517	24	4,132	1,713	45	5,628	2,887	29	4,186	460
Total	**1,770**	**108,293**	**43,469**	**1,487**	**127,404**	**38,730**	**2,098**	**189,653**	**29,213**	**1,982**	**203,347**	**15,829**

During the COVID-19 pandemic, the number of loan accounts with delayed repayment decreased from 1,770 in 2020 to 1,487 in 2021 and increased to 2,098 in 2022. The decrease of number of loan accounts with delayed repayment in 2021 was mainly due to the decrease in the total number of loans we granted in 2021, and the increase in 2022 was a result of our acquisition of the Transferred Loans which comprised 197 loan accounts with overdue instalments. The amount of delayed repayment from our borrowers has been increasing from HK$108.3 million as of December 31, 2020 to HK$127.4 million as of December 31, 2021, HK$189.7 million as of December 31, 2022 (amongst which HK$29.9 million were overdue receivables of the Transferred Loans) was due to the economic fallout caused by COVID-19 as evidenced by the contraction of local economy and the increase in unemployment rate, which caused hardship for borrowers to repay their outstanding loans on time. The further increase of overdue loan receivables to HK$203.3 million as of May 31, 2023 was primarily due to the roll-over effect of loan accounts which were already overdue as of December 31, 2022, whereby approximately HK$202 million were overdue receivables of those loans, and the market is still recovering from the impact of the COVID-19 pandemic, and the repayment ability of our borrowers which were delinquent since December 31, 2022 has not substantially improved.

Amongst the increase in overdue loan receivables of HK$13.7 million as of May 31, 2023 (as compared to that on December 31, 2022), approximately 90% of such overdue loan receivables (i.e. HK$12.3 million) were granted to loan applicants prior to January 1, 2023 (i.e. before or during the COVID-19 period). Therefore, compared to the total amount of overdue loan receivables, the proportion of overdue loan receivables granted post-COVID-19 pandemic, taking into account the relaxation of the Restrictive Aggregate Loan Out Policy and Tightened Credited Assessment Policy we adopted, is less than approximately 10% of our overall overdue loan receivables. We believe that as compared to the overall growth of our loan portfolio, the increment in the overdue loan receivable resulted from the new loan granted post COVID-19 Pandemic, namely those granted in January to May 2023, is immaterial to our overall performance. As a result, we believe that the negative impact of the COVID-19 pandemic on the increase in delayed repayments from customers would not be propagative and will gradually minimize and phase out due to the general loan tenor period as loans granted during the COVID-19 pandemic will expire based on the average loan tenor of loans granted by it.

According to Frost & Sullivan, our expected loss rate diverged from [**REDACTED**] industry peers, which was attributable to our increasingly conservative provisioning methodologies and assumptions adopted, reflecting prudent modelling of potential future losses, and constant review and increase in loss reserves by management as a cautionary buffer amid rising macro-economic uncertainty. Besides, our sole focus on unsecured loans which inherently carries a higher credit risk than our peers who also provide secured loans, resulted in higher probability of delayed repayment and increasing overdue loan size and therefore a comparatively higher uncertainty and volatility of expected credit loss against industry peers. Our strategical focus on unsecured loans with a view to securing greater returns is to offset the additional ECL expenses while maintaining sound capital levels, and explains the Group's divergent ECL level and trends versus the industry.

Bad Debt Ratio

We classify certain loan receivables as bad debt after we have determined that such receivables have become irrecoverable. For details of how we determine receivables as irrecoverable, please see criteria below.

For Unsecured Property Owner Loans, our loan recovery assessment mainly focuses on the property owned by our borrowers as we may initiate legal proceedings to claim our debt as the last resort of loan recovery and will be likely to recover our debt even when there is no more repayment from the borrower as the value of property owned by the borrower is usually in excess of all debts owed by him (including the loan he took out with us). We recognize an Unsecured Property Owner Loan as bad debt when we consider that there is no reasonable expectation of substantially recovering the amounts owed to us by our borrowers through repossession and forced sale of property. For Personal Loans, our loan recovery assessment mainly focuses on the availability of repayment from the borrower. We will define a Personal Loan as bad debt when we confirm the chance of repayment from the borrower is very low when the borrower is unlikely to pay as a result of significant financial difficulties. We will also take into account objective factors such as whether the borrower has passed away or a bankruptcy order was obtained against him. For SME Loans, our loan recovery assessment mainly focuses on the availability of repayment from the borrower and its guarantor. We classify a SME Loan as bad debt when we confirm the chance of repayment from the borrower and guarantor is very low. For example, a bankruptcy order was obtained against the guarantor or the borrower has been wound up.

Our bad debt ratio is calculated by dividing the amount of bad debt by the aggregate amount of loan receivables and such bad debt as of the relevant year-end or period-end dates. The table below sets forth the bad debt ratio of for each of our loan products during the Track Record Period:

	Year ended December 31,			Five months ended May 31,	
Loan Product(1)	**2020**	**2021**	**2022**	**2022**	**2023**
				(Unaudited)	
Unsecured Property Owner Loans(2)	0.6%	0.5%	0.3%	0.0%	0.1%
– HOS property	0.6%	0.4%	0.3%	0.0%	0.1%
– Private property	1.4%	1.1%	0.1%	0.0%	0.0%
Personal Loans	12.8%	15.4%	12.7%	5.3%	5.8%
SME Loans	–	1.7%	7.3%	5.3%	4.0%
Overall	**4.5%**	**5.1%**	**3.8%**	**1.8%**	**1.8%**

(1) Our loan products also comprise a subordinated mortgage loan business prior to the [**REDACTED**], which were transferred to the Excluded Group as of December 31, 2022 and excluded from this table. We have already ceased to provide any new loans under subordinated mortgage loan business and will only focus on providing unsecured loans.

(2) On December 31, 2022, we acquired a loan portfolio from the Excluded Group at its carrying amount of approximately HK$150.1 million. For details, see "— Key Financial and Operating Metrics — Receivables of Loan Principal and Loan Accounts — Loans Assignment and Transfer".

Our bad debt policy has remained unchanged throughout the Track Record Period. During the Track Record Period, the fluctuations in our bad debt ratios for each of our product lines were determined by the fluctuations in (i) the amount of bad debt recorded by us and (ii) the amount of our loan receivables. In particular, the bad debt ratio of our Personal Loans demonstrated an increasing trend from 2020 to 2021. The increase from 12.8% as of December 31, 2020 to 15.4% as of December 31, 2021 was primarily due to an increased amount of bad debt recorded by us for this product line amidst the COVID-19 outbreak. The bad debt ratio in 2022 dropped back to a level similar to that in 2020 primarily since we took a more prudent approach to manage our credit risk. Our bad debt ratio for SME Loans increased from 1.7% as of December 31, 2021 to 7.3% as of December 31, 2022, which was primarily due to the write-off of a loan which had a loan principal of over HK$1.5 million, and contributed to more than 25% of the bad debt recorded by us as of December 31, 2022. The increase in bad debt ratio from 3.8% in 2022 to 4.2% (annualized) for the five months ended May 31, 2023 was due to the increase in proportion of Personal Loans in our loan portfolio, which had a higher chance to be written off as compared to our other loan products. According to Frost & Sullivan, the trend of our bad debt ratio from 2020 to 2022 is in line with industry norm.

Delinquency ratio

The delinquency ratio for each loan product is calculated by dividing the outstanding loan receivables that were overdue over 30 days, 60 days or 90 days (as applicable) based on instalment by due date by our total outstanding loan receivables as of the respective year or period end date. The following table sets forth the delinquency ratio of our loans as of the dates indicated:

	As of December 31,			As of May 31,
	2020	2021	2022	2023
30+ delinquency ratio				
Unsecured Property Owner Loans	11.4%	15.8%	20.9%	22.2%
Personal Loans	5.2%	5.7%	8.3%	8.2%
SME Loans	0.3%	7.0%	7.2%	5.7%
Overall	**9.0%**	**12.5%**	**17.3%**	**17.8%**
60+ delinquency ratio				
Unsecured Property Owner Loans	10.8%	15.1%	20.1%	21.4%
Personal Loans	4.5%	5.1%	7.3%	7.4%
SME Loans	0.2%	5.9%	5.8%	4.9%
Overall	**8.4%**	**11.9%**	**16.4%**	**17.0%**
90+ delinquency ratio				
Unsecured Property Owner Loans	10.3%	14.6%	19.4%	20.6%
Personal Loans	3.9%	4.6%	6.5%	6.6%
SME Loans	0.1%	5.0%	4.3%	4.1%
Overall	**7.9%**	**11.3%**	**15.6%**	**16.3%**

For the reason for the increase in the delinquency ratio as of the dates indicated above, see "Financial Information — Discussion of Certain Line Items on the Consolidated Balance Sheets — loan receivables". As a result of the increase in amount of delayed repayments, we have adopted additional measures to manage our credit risk. For details, please see "— Loan collection — Enhanced collection measures". According to Frost & Sullivan, as we focused on unsecured loans the trend of our delinquency ratio in 2020 to 2022 diverged from our industry peers. For details of such deviance, please refer to "— Credit performance of our loans — Expected loss rates" above.

The bad debt ratio for Personal Loans did not fluctuate in line with the expected credit loss rate and 90+ delinquency ratio for such loan product between 2021 and 2022. The expected credit loss rate for Personal Loans increased from 2021 to 2022 as we increased the provision for impairment in light of the increase in the overdue loan size in Personal Loans. On the other hand, the total loan receivables of overdue loans which were granted in the same year increased from 2021 to 2022. As write-off is a last resort, these newly granted loans would unlikely be written off in the same year. As such, the bad debt ratio for Personal Loans decreased in 2022, which did not reflect the trend shown in our expected credit loss rate. In addition, our expected credit loss rates and bad debt ratios may not be necessarily reconciled because the former is a reflection of our provision for impairment (i.e. estimated loss) made under our expected credit loss model which is determined by projecting the probability of default, exposure at default, and loss given default of each individual borrower whereas the latter is a reflection of actual bad debt written off by us (i.e. actual loss that we recognize if a borrower defaults on the loan when we consider such outstanding amount has become uncollectible) due to irregular events such as bankruptcy of borrowers. Our 90+ delinquency ratio and bad debt ratios may not be necessarily reconciled either as loans overdue 90 days are not the same as bad debt, and the former simply considers loan instalments which have been past due for a certain number of days without considering the risk profile of each borrower and the possibility of them defaulting on their loans, hence our Directors are of the view that it is a less meaningful indicator when assessing the quality of our loans.

Bad debt is the result from actual loan recovery assessment including assessment on repayment ability as well as available asset, while expected credit loss and 90+ delinquency ratio are calculated based on absolute thresholds of 90 days overdue scenario where we still expect to recover such amounts despite our borrowers failed to repay on time. Under our write-off policy, we will write off a loan receivable when all practical recovery efforts have been exhausted and has concluded there is no reasonable expectation of recovery. After closely scrutinizing and implementing follow-up measures, the Company has determined that the days of overdue payments by borrowers during the COVID-19 pandemic should not be simply extrapolated. Based on the experience of our Directors in the licensed money lending industry, borrowers who are delinquent in repayment may still be capable of repaying loans based on practical recovery efforts. Therefore, solely factoring in the number of days of delayed repayment to automate the default event may not be a representative indicator to determine whether borrowers are willing and able to make further repayments. In fact, in the past there have been occasions where we were able to recover outstanding installments once the financial situation and physical condition of borrowers have improved. Accordingly, we believe that, considering the unprecedented COVID-19 pandemic, the numerical references of outstanding days should not be solely relied upon for writing off outstanding receivables. Therefore the bad debt ratio and delinquency ratios shall not be construed as synchronized. Hence they may not fluctuate in line due to differences in assessment methodology.

For example, certain borrowers repay part of their overdue instalments intermittently which demonstrate their repayment tendency and the prospect of collection, or we can still recover outstanding amounts through enforcement action even if Unsecured Property Owner Loans were overdue for over 90 days, and our borrowers for Unsecured Property Owner Loans are more creditworthy as they generally have a better credit score. Hence, we generally set aside a longer observation period for Unsecured Property Owner Loans to evaluate their recoverability, and such outstanding amounts will not be immediately recognized as bad debt even though they had been overdue for over 90 days. Our borrowers may also make use of debt restructuring plan that allows them to propose a repayment plan to their creditors including us, and if creditors accept the proposal, the borrower is required to make regular payments as agreed, we may therefore ultimately still be able to collect a substantial part of the outstanding receivables. However, if borrower fails to make repayments, the arrangement may be terminated and we may take further actions such as initiating bankruptcy proceedings.

Technology Related Expenses

We continually invested resources in enhancing our technology capabilities to provide cost-effective lending services. Our technology related expenses during the Track Record Period mainly comprise of IT staff costs and IT service fees. Our expenses in relation to IT services consist of IT related fees paid to associates of the Lee's Family and Independent Third Parties. Historically, we received IT support from MoneySQ and trustME to facilitate our business operations. We also required the tools and infrastructure provided by Independent Third Parties in our ordinary course of business.

We started to internalize IT support that was provided by external parties, including MoneySQ and trustME in 2020 with an aim to develop our own IT department to provide in-house support to our operation and to cease to rely on IT support provided by external parties ultimately. We hired seven IT staff members from MoneySQ who worked with MoneySQ and trustME to bolster our technological capabilities. In order to attain a smooth transition and internalisation, we did not cease the IT service from MoneySQ and trustME immediately after the hiring of the said previous MoneySQ IT staff. Instead, at the initial stage of internalisation, we continued to receive IT support from MoneySQ and trustME, thereby allowing our newly-formed IT department to accumulate the necessary fintech knowledge and seamlessly adapting to our business operation. Simultaneously working with MoneySQ and trustME team to enhance and maintain our IT infrastructure, our IT specialists further accelerated and excelled our IT and fintech initiatives, including the development and enhancement of our K Cash GO platform. In or around June 2022, we believed that our IT specialists has gained sufficient expertise and practical experience to run our operating system and to master the operation of the corresponding softwares and applications without relying on MoneySQ and trustME. Therefore, we have completed the internalization and terminated the relevant IT support service agreement with MoneySQ and trustME on June 30, 2022. Since July 2022, our in-house IT department was principally in charge of rolling out various fintech initiatives thereby enhancing our operational and cost efficiency. Save as mentioned above, during the Track Record Period and up to the Latest Practicable Date, no other employees for the technology support function were transferred from associates of the Lee's Family to us.

The following table sets forth a breakdown of our technology related expenses during the Track Record Period:

	Year ended December 31,			Five months ended May 31,	
	2020	**2021**	**2022**	**2022**	**2023**
			(HK$' million)		
				(Unaudited)	
IT staff costs	4.6	4.2	5.3	2.2	2.7
IT service fees for the support provided by MoneySQ and trustME	1.5	1.6	0.8	0.7	–
IT service fees for services provided by Independent third parties	1.7	1.0	1.0	0.3	0.7
Total	**7.8**	**6.8**	**7.1**	**3.2**	**3.4**

IT service fees paid for services provided by Independent Third Parties increased for the five months ended May 31, 2023 as compared to the corresponding period is 2022 as we subscribed for additional services provided by a public cloud platform as we required additional resources for our ongoing fintech initiatives.

As at December 31, 2020, our IT department comprised 12 members. As at December 31, 2021 and 2022, the number of staff decreased to 10 and 8, respectively, following the departure of our team members, who ventured into other opportunities. Despite the downsizing and our continuous effort to hire other technicians, our Directors are of the view that the turnover rate within our IT department is in line with the industry norm and did not affect our technology capabilities as a whole. As at May 31, 2023, our IT department comprised nine IT specialists who are all seasoned IT professionals which are able to cater for our business needs, in particular, our chief fintech officer, payment platform delivery lead and backend development lead have an average working experience of over 15 years in IT-related jobs. Our IT team is led by our chief fintech officer who has more than 20 years of experience working as an IT professional in the investment banking, financial services and insurance sector, and assisted clients or employers to design, manage, and deliver large scale enterprise-level digital platform, and to support, maintain, repair or protect data or computer systems. In addition, our chief fintech officer has extensive experience in handling projects such as website revamp project, lead management system enhancement project and application modernization/transformation project for a multinational insurance and finance corporation. We believe our chief fintech officer has the qualities and proficiency to handle complex IT solution design, software application development and software application support and is able to analyze business requirements and transforming them into technical solutions.

We did not directly enter into IT service agreements with MoneySQ or trustME during the Track Record Period, nor had any collaboration arrangements with trustME during the Track Record Period save as disclosed in the section headed "— IT Support from MoneySQ and trustME" in this section. Instead, in December 2019, Konew Credit engaged MoneySQ and trustME to provide IT service to our Group and the Excluded Group and the cost were equally shared between our two operating subsidiaries and three operating subsidiaries of the Excluded Group.

IT Support from MoneySQ and trustME

Set out below are salient terms regarding the service provided by MoneySQ and trustME for the provision of IT support services.

Scope:

- Blockchain platform support provided by MoneySQ
  - o To maintain and setup a dedicated blockchain platform and to provide ancillary services in relation to such platform.
- Data integration and SME dashboard support provided by MoneySQ
  - o Onboarding the SME borrowers to connect to our SME dashboard, tasks include:
    - o To collect financial data supplied by the prospective SME borrowers for credit assessment purposes and for post-drawdown credit monitoring;
    - o Data modeling for assessing creditworthiness and business performance of SME clients; and
    - o Data analysis through visualized dashboards with analysis and financial information of each client.
- IT support provided by trustME
  - o To provide IT infrastructure, network managed services and desktop support services, covering technical and operation support.

Term: For a term of three years from December 16, 2019, and was mutually terminated on June 30, 2022

Service fee: Blockchain platform and data integration and SME dashboard: approximately HK$46,000 per month in 2020, and approximately HK$50,000 per month in 2021 and 2022 *(Note 1)*

IT services: HK$80,000 per month from 2020 to 2022 *(Note 2)*

Notes:

(1) The relevant service fee was fully allocated to us during the Track Record Period because the blockchain platform and data integration and SME dashboard was entirely used by our Group only during the relevant years. The amount we paid to Konew Credit in this connection amounted to approximately HK$550,000, HK$600,000 and HK$300,000 in 2020, 2021 and 2022, respectively.

(2) The relevant service was used by five operating subsidiaries of Konew Credit before the Reorganization, which included K Cash and K Cash Express. 40% of the IT services fee paid by Konew Credit was apportioned to us on a monthly basis. The relevant service fee we paid to Konew Credit in this connection amounted to HK$960,000 in 2020 and 2021, and HK$480,000 in 2022.

The aggregate amount of service fees allocated to our Group by Konew Credit in relation to the IT services from MoneySQ and trustME during the Track Record Period are set out as follows:

	For the year ended December 31,			For the five months ended May 31,
	2020	2021	2022	2023
		(HK$'000)		
Blockchain platform and data integration and financial information dashboards	550	600	300	–
IT services	960	960	480	–

The intellectual property rights of the blockchain platform, though developed solely by MoneySQ, belonged exclusively to us after the end of the IT services arrangement and the External Legal Counsel is of the view that we own the intellectual property rights of the blockchain platform.

SALES AND MARKETING

The strategic adoption of technology in our business has differentiated the operation of our unsecured loan business from our competitors and reinforced our unique brand image and positioning of our business.

We believe that engaging in various marketing and promotional activities is an effective strategy for increasing public awareness of our business and brand in Hong Kong. Our marketing team formulates the corporate business development plans, which covers our marketing initiatives, including advertising budgets and strategies.

In 2020, 2021 and 2022 and the five months ended May 31, 2023, our advertising and marketing expenses amounted to approximately HK$20.8 million, HK$19.2 million, HK$18.8 million and HK$6.1 million, respectively, representing approximately 7.8%, 8.2%, 8.9% and 6.4% of our net interest income, respectively.

As part of our business development plans and as a result of increased competition, we need to differentiate ourselves from our competitors. We expect to continue with our marketing efforts through various forms of advertising, including precision marketing via the digital media. The following are our major sales and marketing strategies and efforts:

Intelligent Precision Marketing

Relying on the transaction and customer satisfaction data that we have accumulated over our years of operation, we are able to conduct big data analytics to extract useful market data in order to identify the borrowing needs and trends of different target groups, thereby allowing us to conduct intelligent marketing with greater precision and continuously improve the quality of our services.

In addition to traditional marketing means, we adopt precision marketing through a considered and strategic approach to data management aimed at identifying and using the right data to extract useful insights and market intelligence. This allows us to reach our target audience with greater precision compared to traditional sales and marketing methods such as television commercials. We also engage the services of a marketing agency, AQ Communications, which is a connected person, to deliver tailored advertising messages to specific groups of customers.

Furthermore, we plan to build our CDP, which is able to identify new customer segments, create targeted acquisition campaigns, and optimize customer acquisition efforts. It aims to create unified profiles of customers across every interaction and consistently segment their audience for more tailored marketing efforts.

Our "K Cash Supreme" Branch

In 2019, we established the "K Cash Supreme" brand, which has since opened a branch in the East Tsim Shat Tsui MTR station. According to Frost & Sullivan, we are the first licensed money lender to set up a branch in an MTR station.

Branding

We adopt various measures to build the unique brand identity for our loan business. We made efforts to enhance the brand visibility of K Cash efficiently through advertising on electronic media. We source some of our customers through marketing and advertising efforts and referrals from our referral network. Our internal marketing guidelines to ensure that our marketing messages are fair and reasonable and do not contain any misleading information.

Mobile App

In 2022, we launched a new version of K Cash App, which adopted a new design that intends to attract younger generations to use our K Cash App. In addition, our new version of K Cash App is embedded with a user-friendly loan calculation function for potential customers to estimate the loan amount, tenor and approximate repayment amount for their consideration. Furthermore, existing customers can also check their loan information through the K Cash App at anytime.

loan calculation function on the K Cash App

Traditional Advertising Channels

During the Track Record Period, our major advertising and marketing activities included, among others:

- Title sponsorships for the broadcast of major sports events on ViuTV, such as the Premier League and Laliga from 2020 to 2022, European Soccer from 2021 to 2022, the 2020 Tokyo Olympics Games and the Qatar FIFA World Cup in 2022;

- Title sponsorships for programs broadcasted on ViuTV, such as Sometimes When We Touch (超感應學園), Battle Feel (水著考有Feel), Lucky Seven (七福星), Million Cohabitation Project (百萬同居計劃) and Love Staycation (戀愛Staycation); and

- Outdoor advertisements on public transportation, such as minibuses, trams and the MTR, as well as physical billboards and digital billboards at bus stops.

Loan Referral

The referral fees payable to our referrers, such as real estate agents and mortgage brokerage service providers are conditional upon us having entered into a duly executed loan agreement with the borrower referred by them, and the amount of fees is determined based on the prevailing market rate, which is 0.5% to 2.5% of the loan principal.

The following table sets forth figures related to loans referred to us by Independent Third Parties during the Track Record Period:

	Year ended December 31,			Five months ended May 31,
	2020	2021	2022	2023
Referral fees incurred	HK$39,700	HK$34,395	HK$3,900	HK$113,875
Number of loan agreements successfully referred	5	5	2	22
Loan principal granted through successful referral cases	HK$7.1 million	HK$4.2 million	HK$0.6 million	HK$11.2 million
Interest income from successful referral cases	HK$1.2 million	HK$0.8 million	HK$0.1 million	HK$0.6 million
Referral rate range as a percentage of loan principal (%)	0.3-1.0	0.5-1.0	0.5-0.7	0.4-1.5
Number of partners receiving referral fees	3	4	2	15

Partners who successfully referred loans to us were primarily real estate agents and mortgage brokerage service providers. Save as MoneySQ who referred one SME Loan to us in 2020, all partners who referred loan to us are Independent Third Parties.

Referral Service provided by MoneySQ

Konew Credit engaged MoneySQ to provide SME finance referral services to its group companies, including K Cash Express. Since K Cash Express is the only company amongst the group companies of Konew Credit which provides SME Loans, all referrals were directed to us and we shall fully bear the services fees payable to MoneySQ.

The SME finance referral services include the collection of financial information and to be the primary source of contact between the prospective borrower and ourselves. MoneySQ would also provide preliminary screening on the legitimacy of the loan applications.

The amount of service fees allocated to us by Konew Credit in relation to the referral services provided by MoneySQ during the Track Record Period are set out as follows:

	Year ended December 31,			Five months ended May 31,
	2020	2021	2022	2023
	(HK$'000)			
SME finance referral services	39	–	–	–

We have successfully built a strong reputation and established a robust network, fostering a positive brand image among SMEs. Our concerted efforts in promotional and marketing activities have made our services easily accessible to SMEs. Throughout the Track Record Period, given our reputation and marketing efforts, we did not rely on our partners for referrals of SME Loans, and the number of successful referrals is minimal. In view that MoneySQ was not an effective referral channel, we decided to terminate the engagement of MoneySQ for the provision of SME finance referral services in June 2022.

Marketing Partners

We work with various marketing partners with whom we have formed an alliance. As of the Latest Practicable Date, we had agreements with over 25 marketing partners, for example, interior design companies, solar panel suppliers and home renovation contractors. The agreements typically provide that our marketing partners and us shall conduct mutually beneficial sales and marketing activities in pursuit of our respective business opportunities. We distribute marketing material, such as leaflet & tent card at their physical branches and collaborate with them to create marketing posts on their social media platforms and websites.

Our marketing partners include a number of real estate agents and mortgage brokerage service providers such as Centaline Mortgage Brokers Limited and mReferral Corporation (HK) Limited, who introduce potential borrowers to us.

We have no obligation to grant any loans to the prospective borrower referred to us by such partners and retain absolute discretion in assessing the applications and deciding whether any loan shall be granted. The referral fees payable to our referrers, such as real estate agents and mortgage brokerage service providers are conditional upon us having entered into a duly executed loan agreement with the borrower referred by them, and the amount of fees is determined based on the prevailing market rate, which is 0.5% to 2.5% of the loan principal.

We treasure every single partner as an additional touch point to enhance brand awareness and a precise marketing channel to reach our targeted customers. We believe that it is mutually beneficial for our marketing partners and us to have such referral relationships, as our borrowers might be taking out loans for purposes such as renovation and we can recommend our partners to our borrowers if they need recommendations on vendors. In turn, people approaching our marketing partners can also have direct access to us should they need additional funding to meet their personal needs.

To the best knowledge, information and belief of our Directors, our marketing partners are all Independent Third Parties.

OUR CUSTOMERS

We generate income from interest received from loans provided to our borrowers. During the Track Record Period, some of our individual and corporate borrowers held multiple loan agreements with us. In addition, some of our corporate borrowers, each being a separate legal entity were owned by the same beneficial owner(s). As of December 31, 2020, 2021 and 2022 and May 31, 2023, we had 59, 82, 90 and 87 loan agreements, respectively, with corporate borrowers. As such, our top five customers have been determined, where applicable, by the aggregate interest payments received from the same ultimate or common beneficial owner(s) or same individual borrower, having considered the number of loan agreements beneficially held by them.

The following table sets forth the breakdown of the interest income from our Unsecured Property Owner Loans and Personal loans by the age of our borrowers during the Track Record Period.

Unsecured Property Owner Loans:

	For the year ended December 31,			For the five months ended May 31,	
	2020	**2021**	**2022**	**2022**	**2023**
			(HK$' million)		
				(Unaudited)	
18-30	3.1	3.1	2.1	1.1	1.2
31-40	17.2	15.3	14.6	6.1	7.2
41-50	50.0	42.5	34.8	15.6	16.4
51-60	68.9	62.4	52.5	22.7	23.5
Over 60	47.3	46.4	42.8	17.0	21.2
Total	**186.5**	**169.6**	**146.8**	**62.5**	**69.6**

Personal Loans:

	For the year ended December 31,			For the five months ended May 31,	
	2020	**2021**	**2022**	**2022**	**2023**
			(HK$' million)		
				(Unaudited)	
18-30	14.0	12.2	10.9	4.9	4.8
31-40	31.6	23.1	20.7	8.9	8.4
41-50	40.4	33.4	27.1	12.0	10.5
51-60	17.6	15.8	13.6	5.4	5.3
Over 60	2.7	2.5	2.3	0.9	1.0
Total	**106.4**	**87.1**	**74.6**	**32.0**	**30.0**

The following table sets forth the breakdown of our interest income for our Unsecured Property Owner Loans and Personal Loans by monthly income of our borrowers (as at the date of their loan application) during the Track Record Period.

Unsecured Property Owner Loans:

	For the year ended December 31,			Five months ended May 31,	
	2020	**2021**	**2022**	**2022**	**2023**
			(HK$' million)		
				(Unaudited)	
Under HK$10,000	32.6	23.9	17.6	7.7	6.6
HK$10,000-HK$30,000	101.5	92.4	79.7	33.9	37.3
HK$30,001-HK$60,000	38.6	39.1	36.6	15.4	19.3
HK$60,001-HK$100,000	10.8	10.4	9.5	3.9	4.9
Over HK$100,000	3.0	3.7	3.4	1.5	1.5
Total	**186.5**	**169.6**	**146.8**	**62.5**	**69.6**

Note: For borrowers with guarantor, the monthly income disclosed will be the aggregate of the monthly income of the borrower and the monthly income of the guarantor.

Personal Loans:

	For the year ended December 31,			Five months ended May 31,	
	2020	**2021**	**2022**	**2022**	**2023**
			(HK$' million)		
				(Unaudited)	
Under HK$10,000	2.2	0.4	0.2	0.1	0.1
HK$10,000-HK$30,000	48.2	39.5	33.4	14.3	13.1
HK$30,001-HK$60,000	39.3	32.6	28.2	12.2	11.1
HK$60,001-HK$100,000	11.3	10.4	9.0	3.8	3.6
Over HK$100,000	5.5	4.2	3.8	1.6	2.1
Total	**106.4**	**87.1**	**74.6**	**32.0**	**30.0**

Note: For borrowers with guarantor, the monthly income disclosed will be the aggregate of the monthly income of the borrower and the monthly income of the guarantor.

The following tables sets forth the breakdown of our interest income for our Unsecured Property Owner Loans and Personal Loans by the employment status of borrowers (as at the date of their loan application) during the Track Record Period:

Unsecured Property Owner Loans:

	Year ended December 31,			Five months ended May 31,	
	2020	**2021**	**2022**	**2022**	**2023**
			(HK$' million)		
				(Unaudited)	
Full-time employment	131.2	119.9	105.1	44.4	51.2
Part-time employment or freelance	1.5	1.0	0.7	0.4	0.4
Self-employed	22.5	22.6	20.6	9.0	9.1
Retired, housewives, students or unemployed	31.3	26.1	20.3	8.8	8.9
Total	**186.5**	**169.6**	**146.8**	**62.5**	**69.6**

Personal Loans:

	Year ended December 31,			Five months ended May 31,	
	2020	**2021**	**2022**	**2022**	**2023**
			(HK$' million)		
				(Unaudited)	
Full-time employment	97.7	80.4	68.5	29.4	27.3
Part-time employment or freelance	1.5	1.6	1.6	0.7	0.7
Self-employed	6.7	4.9	4.5	1.9	1.9
Retired, housewives, students or unemployed	0.5	0.2	0.1	0.1	0.1
Total	**106.4**	**87.1**	**74.6**	**32.0**	**30.0**

The following table sets forth the breakdown of the interest income from our SME loan borrowers by customers' industry during the Track Record Period.

	Year ended December 31,			Five months ended May 31,	
	2020	2021	2022	2022	2023
			(HK$' million)		
				(Unaudited)	
Catering	0.8	1.6	1.8	0.6	0.7
Construction	0.8	1.6	1.1	0.4	1.1
Manufacturing	0.5	0.8	0.6	0.2	0.3
Retail	0.8	1.5	1.5	0.6	0.6
Technology	4.6	3.6	2.9	1.2	1.0
Others	3.0	3.7	4.2	1.6	1.5
Total	**10.5**	**12.8**	**12.1**	**4.6**	**5.2**

The aggregate interest income generated from our top five customers (in the case of corporate borrowers, having aggregated all income attributable to those accounts held under common beneficial ownership) in each year or period during the Track Record Period amounted to approximately HK$6.9 million, HK$5.8 million, HK$4.8 million and HK$2.6 million, respectively, representing approximately 2.3%, 2.2%, 2.1% and 2.4% of our total revenue for the respective years or period. The aggregate value of outstanding loan receivables of our top five customers as of December 31, 2020, 2021 and 2022 and May 31, 2023 was approximately HK$20.3 million, HK$23.7 million, HK$20.9 million and HK$13.1 million, respectively, representing approximately 1.9%, 2.5%, 2.0% and 1.2% of our total loan receivables balance as of the same dates, respectively.

To the best knowledge, information and belief of our Directors, none of our Group, our Directors and their respective close associates and Shareholders who own more than 5% of our issued share capital, had any interest in any of our top five customers during the Track Record Period and up to the Latest Practicable Date. Since all of our customers, including the top five customers, took out loans with us on the basis of their own financial needs and preferences, and some of our top five customers were not the same throughout the Track Record Period, we are of the view that we do not have undue reliance on any major or single customer.

Owners of HOS Properties

A majority of our income from Unsecured Property Owner Loans granted to HOS Property Owner. The HOS flats are opened for application by (i) Green Form applicants, who are primarily Public rental housing tenants and eligible public rental house applicants; and (ii) White Form applicants, who are private housing tenants and family members of public housing tenants who have passed the asset assessment. Buyers of HOS Housing are subject to eligibility requirement in buying Home Ownership through Green Form, subject to detailed eligibility criteria, among others, on age, family composition, property ownership restriction to be announced by the HA prior to the launch of each sale exercise. For details of the eligibility and further details of the HOS Properties market, see "Industry overview — Overview of the HOS Properties".

OUR SOURCE OF FUNDS

During the Track Record Period, our primary funding channels mainly include: (i) funding from loans or facilities from local banks and other authorized institution; (ii) Connected Advances; and (iii) cash flows from our operating activities.

The following table sets out details of the average daily balance[3] and percentage of our funding channels (tax loans excluded) by type of source during the Track Record Period:

	Year ended December 31,						Five months ended May 31, 2023	
	2020		2021		2022			
	Average daily balance of funds advanced	Approximate % of average daily balance of funds advanced	Average daily balance of funds advanced	Approximate % of average daily balance of funds advanced	Average daily balance of funds advanced	Approximate % of average daily balance of funds advanced	Average daily balance of funds advanced	Approximate % of average daily balance of funds advanced
	(HK$'000)	*%*	*(HK$'000)*	*%*	*(HK$'000)*	*%*	*(HK$'000)*	*%*
Bank and other authorized institution	297,571	59.2	279,140	47.9	294,526	89.2	280,212	89.9
Interest bearing Connected Advances[1]	201,541	40.1	304,057	52.1	35,538	10.8	30,268	9.7
Non-interest bearing Connected Advances[2]	3,165	0.6	0	0.0	0	0.0	1,248	0.4
Total	**502,276**	**100.0**	**583,197**	**100.0**	**330,065**	**100.0**	**311,727**	**100.0**

Notes:

(1) These represented fundings passed on to us by our connected persons and related parties ("**CP/RP**"), whereby the transferor shall also bear interest in obtaining such funding, and the interest expenses borne by us was determined with reference to the cost of funding borne by the CP/RP.

(2) We may have non-interest bearing Connected Advances with certain CP/RP, as well as non-interest bearing fundings or advances provided by us to other CP/RP. The amount of Connected Advances includes (a) records which involved inflow and outflow of cash and cash equivalents between us and our CP/RP, ("**Cash Fund Flow**"), and (b) transactions between us and our CP/RP that affected our assets or liabilities but did not result in actual cash receipts or disbursement ("**Non-cash Entries**") as they together comprehensive information on our dealings with CP/RP, and it would only be representative if all dealings with our CP/RP which had an impact on our balance sheet had been taken into account.

Konew Credit performed a treasury function of our Group and the Excluded Group, and monitored the cash flow needs of each major operating subsidiary. Konew Credit then allocates surplus funds amongst major operating subsidiaries to satisfy each of their business needs. There was no pre-determined rationale or explicit criteria for transactions leading to Non-cash Entries, as they were due to transactions carried out based on business activities of the Enlarged Group, and transactions will be reconciled or eliminated as required.

The daily balance of our non-interest bearing Connected Advances has been net off with the daily balance of the non-interest bearing funding we provided to our CP/RP on the same day ("**Net Daily Balance of Connected Advances**"). A positive Net Daily Balance of Connected Advances indicates a net non-interest bearing amount due from us to CP/RP on that day, while a negative Net Daily Balance of Connected Advances indicates a net non-interest bearing amount due to us from CP/RP on that day. The average daily balance of non-interest bearing Connected Advances stated ("**Average Positive Net Daily Balance of Connected Advances**") is the sum of the Net Daily Balance of Connected Advances of all days on which a positive Net Daily Balance of Connected Advances is recorded divided by the number of days in the corresponding year/period, while the days with a negative Net Daily Balance of Connected Advances were excluded.

Likewise, our connected persons and related parties may owe us certain amounts. In 2020, 2021, 2022 and 5M2023, the average net amount due to us from CP/RP were HK$122.8 million, HK$249.3 million, HK$178.2 million and HK$68.7 million, respectively, calculated on the same basis (i.e. the sum of all days with a negative Net Daily Balance of Connected Advances divided by the number of days in the corresponding year/period). Hence, the abovementioned amount was greater than the Average Positive Net Daily Balance of Connected Advances, indicating that on average the balance due to us by our CP/RP outweigh the balance due to them from us.

(3) An average daily balance helps to analyze the amount we owe our fund provider during each year/period given that advances or transactions between us and our fund provider occurred frequently and in both ways as we flexibly make drawdown and repayments to meet our business needs, and such amount has considered the outstanding amount on each day during the year/period.

Our bank borrowings (tax loans excluded) and interest bearing Connected Advances for our working capital as of December 31, 2020, December 31, 2021, December 31, 2022 and May 31, 2023 amounted to approximately HK$592.4 million HK$586.9 million, HK$309.4 million and HK$278.5 million, respectively. The effective interest rates of such borrowings during the Track Record Period ranged from 5.5% to 8.76% per annum. In each year or period during the Track Record Period, interest payable to our largest fund provider (by interest expense and tax loans excluded) accounted for approximately 53.4%, 51.0%, 85.5% and 90.1% of our total interest expense for the respective year or period. All our banking facilities give the banks an unconditional right to call the loan at any time. As of May 31, 2023, we utilized HK$252.0 million of HK$322.0 million banking facilities that give the banks unconditional rights to call the loan at any time.

The average daily balance of funds provided by banks and authorised institutions to us has remained stable during the Track Record Period as the revolving bank facility provided to us remains to be the primary funding channel which we used to grow our loan portfolio. The average daily balance of interest bearing Connected Advances increased from approximately HK$202 million in 2020 to HK$304 million in 2021, however as the amount due to us from our connected persons and related parties has also increased during the same period, the overall impact on us is insignificant. The average daily balance of interest bearing Connected Advances substantially decreased in 2022 as less additional funds was required while we upheld the Restrictive Loan Out Policy and the fixed facility line provided by Konew Fintech was fully repaid, and further decreased for the five months ended May 31, 2023 as we made additional repayments to demonstrate that our Group can be financially independent from our Controlling Shareholders in contemplation of our [**REDACTED**]. The average daily balance of non-interest bearing Connected Balance for the five months ended May 31, 2023 mainly comprised dividend which was settled through current account with our shareholder.

Our non-interest bearing Connected Advances only represented an insignificant portion of our source of fund during the Track Record Period, which included inflow and outflow of cash between us and our connected persons and related parties due to the allocation of available funds balance based on cashflow monitoring by the management of the Enlarged Group, as well as transactions between such parties which resulted in journal entries in our books but did not necessarily result in actual cash settlement, receipts or disbursement. There was no pre-determined rationale or explicit criteria for transactions leading to the latter, as they were due to transactions carried out based on the necessity and frequency of business activities of the Enlarged Group, with reconciliation or elimination of transactions occurring as needed. Nonetheless, these advances as a whole were immaterial to our business operations and did not have material impact to our financial performance even if we replaced such funding channels with other interest-bearing funding channels.

According to Frost & Sullivan, the Net Daily Balance of Connected Advance is a commonly adopted metric for financial institutions. By calculating the net daily balance of connected accounts, companies are able to provide transparency into the real-time net position of non-interest-bearing connected advances, showing whether the company is in a net lending or net borrowing position with related parties on a given day, after offsetting advances made and received. The average net daily balance further allows analysis of the typical connected lending exposure over a period of time. Excluding days with a negative net balance avoids understating the true extent of net connected advance reliance.

The non-interest bearing Connected Advances only attributed insignificant portion of our source of fund during the Track Record Period, thus the Directors consider that non-interest bearing Connected Advances are immaterial to the Group's operation and has no significance on the Group's financial performance and business position.

Our Major Fund Providers

The following table sets out details of our major fund providers (by aggregate interest expense) during the Track Record Period:

2020

	Loan amounts as at December 31, 2020	Approximate % of our total source of funding (excluding cash flow from operations) as at December 31, 2020	Effective interest rate (per annum)	Interest expense	Approximate % of our interest expenses	Commencement of business relationship
	(HK$'000)	%		*(HK$'000)*		
DBS Bank (Hong Kong) Limited	306,000	48.6	6.25%	19,544	53.4	2007
Konew Fintech	250,759	39.8	5.69%	7,172	19.6	2020
Konew Credit(2)	–	–	7.30%	7,094	19.4	2007
Big Development	35,627	5.7	6.25%	2,237	6.1	2007
Total	**592,377**	**94.1**		**36,047**	**98.5**(1)	

2021

	Loan amounts as at December 31, 2021	Approximate % of our total source of funding (excluding cash flow from operations) as at December 31, 2021	Effective interest rate (per annum)	Interest expense	Approximate % of our interest expenses	Commencement of business relationship
	(HK$'000)	%		*(HK$'000)*		
DBS Bank (Hong Kong) Limited	291,000	48.8	6.25%	18,350	51.0	2007
Konew Fintech	262,948	44.1	5.50%	14,475	40.2	2020
Big Development	32,931	5.5	6.25%	2,087	5.8	2007
Total	**586,879**	**98.4**		**34,912**	**97.0**(1)	

2022

	Loan amounts as at December 31, 2022	Approximate % of our total source of funding (excluding cash flow from operations) as at December 31, 2022	Effective interest rate (per annum)	Interest expense	Approximate % of our interest expenses	Commencement of business relationship
	(HK$'000)	%		*(HK$'000)*		
DBS Bank (Hong Kong) Limited	282,000	88.1	6.88%	19,623	85.5	2007
Big Development	27,416	3.3	6.88%	2,224	9.7	2007
Konew Fintech	10,500	8.6	5.50%	73	0.3	2020
Total	**319,916**	**100.0**		**21,920**	**95.5**(1)	

Five months ended May 31, 2023

	Loan amounts as at May 31, 2023	Approximate % of our total source of funding (excluding cash flow from operations) as at May 31, 2023	Effective interest rate (per annum)	Interest Expense	Approximate % of our interest expenses	Commencement of business relationship
	(HK$' 000)	%		*(HK$' 000)*		
DBS Bank (Hong Kong) Limited	252,000	90.5%	8.76%	8,336	86.3%	2007
Big Development	26,452	9.5%	8.76%	919	9.5%	2007
Total	**278,452**	**100.0%**		**9,255**	**95.8%**(1)	

(1) The total number is not added up to 100% because we also took out tax loans, which was not considered as our funding channel, and the interest expenses for such loans amounted to approximately HK$0.5 million, HK$1.1 million and HK$1.0 million in 2020, 2021 and 2022, respectively.

(2) As at December 31, 2020, all funding provided by Konew Credit was fully repaid.

(3) As the non-interest bearing Connected Advances owed to our connected persons or related parties were not outstanding due to fundings provided by them for our principal business activities, such amounts were not accounted for in the above tables.

Save for Konew Credit, Konew Fintech and Big Development, to the best knowledge, information and belief of our Directors, none of our Group, our Directors and their respective close associates and Shareholders who own more than 5% of our issued share capital, had any interest in any of our major fund providers (by aggregate interest expense) during the Track Record Period and up to the Latest Practicable Date.

Connected Advances

Our Connected Advances had no maturity date and are repayable on demand. Amount due to a related party of HK$35.6 million, HK$32.9 million, HK$27.4 million and HK$26.5 million as at December 31, 2020, 2021 and 2022 and May 31, 2023, had an effective interest rates which are charged at prevailing market interest rate at 6.25%, 6.25%, 6.88% and 8.76% for 2020, 2021 and 2022 and five months ended May 31, 2023, respectively (for details, please refer to the section headed "— Our Source of Fund — Our Major Fund Providers"), and other amounts due to/from related party are all interest-free. As of May 31, 2023, our net amount due to Controlling Shareholders and their close associates was HK$102.9 million. All Connected Advances will be settled by cash received from our business operations prior to the [**REDACTED**], and we will ensure that Connected Advances that occur after our [**REDACTED**] shall comply with relevant requirements under the Listing Rules (especially the requirements under chapters 14 and 14A of the Listing Rules). During the Track Record Period, no financing arrangement similar to crowdfunding or peer-to-peer lending was entered into between us and our connected persons. For details, see "Financial Information — Indebtedness" and "Appendix I — Accountant's Report — II. Notes to the Historical Financial Information — Note 21 and Note 25".

For details of the average daily balance we and our related parties or connected persons owe each other during the Track Record Period, please refer to the section headed "— Our Source of Fund".

The tables below illustrates the impact on our results of operation and selected financial ratios if the non-interest bearing Connected Advances charged an interest rate at 6.5%, 4.45%, 9.29% and 9.59% per annum respectively, being 4.25 percentage points above the highest HIBOR in each year or period of the Track Record Period which is also the highest interest rate we paid for bank borrowings during the respective year or period (the "**Imputed Interest Rate**"). Assuming the non-interest bearing Connected Advances bore the Imputed Interest Rate and by applying it to the Average Net Daily Balance of Connected Advances (on days where such amount is positive), our interest expense for such advances during the Track Record Period would be HK$0.2 million, nil, nil and HK$0.1 million, respectively (the "**Imputed Interest Expense**"). No Imputed Interest Expense shall be borne by us during 2021 and 2022 as the amount of funds advanced by us to our related parties or connected persons is greater than the non-interest bearing advances provided by them to us during 2021 and 2022.

	Interest expense			
				Five months ended May 31,
	2020	**2021**	**2022**	**2023**
On the historical basis that no Imputed Interest Expense was charged	HK$36.6 million	HK$36.0 million	HK$23.0 million	HK$23.2 million
Assuming that Imputed Interest Expense was charged	HK$36.8 million	HK$36.0 million	HK$23.0 million	HK$23.5 million

	Net profit			
	2020	2021	2022	Five months ended May 31, 2023
On the historical basis that no Imputed Interest Expense was charged	HK$91.0 million	HK$77.1 million	HK$67.9 million	HK$54.9 million
Assuming that Imputed Interest Expense was charged	HK$90.8 million	HK$77.1 million	HK$67.9 million	HK$54.6 million
Impact of the Imputed Interest Expense	HK$(0.2) million	nil	nil	HK$(0.3) million

	Overall net interest margin			
	2020	2021	2022	Five months ended May 31, 2023[3]
On the historical basis that no Imputed Interest Expense was charged	23.8%	22.9%	23.2%	22.0%
Assuming that Imputed Interest Expense was charged	23.8%	22.9%	23.2%	21.9%
Impact of the Imputed Interest Expense	0 percentage points	nil	nil	(0.1) percentage points

	Overall interest spread			
	2020	2021	2022	Five months ended May 31, 2023
On the historical basis that no Imputed Interest Expense was charged	32.5%	32.3%	31.7%	27.9%
Assuming that Imputed Interest Expense was charged	32.5%	32.3%	31.7%	27.9%
Impact of the Imputed Interest Expense	0 percentage points	nil	nil	0 percentage points

	Return on assets			
	2020	2021	2022	Five months ended May 31, 2023[1]
On the historical basis that no Imputed Interest Expense was charged	7.0%	6.0%	5.7%	5.2%
Assuming that Imputed Interest Expense was charged	7.0%	6.0%	5.7%	5.1%
Impact of the Imputed Interest Expense	0 percentage points	nil	nil	(0.1) percentage points

	Return on equity			
	2020	2021	2022	Five months ended May 31, 2023(2)
On the historical basis that no Imputed Interest Expense was charged	14.8%	12.4%	9.9%	8.1%
Assuming that Imputed Interest Expense was charged	14.8%	12.4%	9.9%	8.0%
Impact of the Imputed Interest Expense	0 percentage points	nil	nil	(0.1) percentage points

Notes:

(1) Return on assets for the five months ended May 31, 2023 is annualized based on profit for the period, as a percentage of the arithmetic mean of the opening and closing balances of total assets. Return on assets for the five months ended May 31, 2023 has been annualized. Accordingly, the annualized return on assets may not be indicative of that for the year ending December 31, 2023.

(2) Return on equity for the five months ended May 31, 2023 is annualized based on profit attributable to Shareholders of the Company for the period, as a percentage of the arithmetic mean of the opening and closing balances of equity attributable to Shareholders of the Company. Return on equity for the five months ended May 31, 2023 has been annualized. Accordingly, the annualized return on equity may not be indicative of that for the year ending December 31, 2023.

(3) Net interest margin for the five months ended May 31, 2023 is annualized based on interest income generated (net of interest expenses) for the period, as a percentage of the arithmetic mean of the opening and closing balances of gross loan receivables.

Our Directors are of the view that even if the non-interest bearing Connected Advances borne the Imputed Interest Rate, our key financial indicators (including overall net interest margin, return on assets, and return on equity) will only be slightly affected. Going forward, if more business opportunities emerges, our Directors do not consider there are major obstacles for us to obtain financing from Independent Third Parties at arm's length basis.

RISK MANAGEMENT AND INTERNAL CONTROL

As a licensed money lender, we are exposed primarily to (i) credit risks in respect of our loan portfolio; (ii) cybersecurity risks relating to our substantial use of the Internet and technology-based tools; (iii) operational risks relating to our internal processes, our employees and systems or from external events; (iv) market risks in respect of general market conditions, business environment and property market in Hong Kong; (v) liquidity risks in respect of our working capital; and (vi) legal and regulatory risks. For details, see "Risk Factors".

We recognize the importance of an effective risk management system and developed a risk management system tailored to ourselves, with a focus on managing the risks through comprehensive customer due diligence, independent information review and risk-based approval process. Most of our credit intelligence and risk control staff are holders of a bachelor's degree and/or a master's degree with an average working experience of seven years in credit-related industry.

Meanwhile, we continue to monitor and review the operation and performance of our risk management system, and improve it from time to time to adapt to changes in market conditions and regulatory environment as well as our business model. In particular, we have developed our credit review and approval system, which is tailored to the characteristics of our business model and our risk appetite, to assist us in determining the risk exposure of our borrowers. As advised by our External Legal Counsel, we complied with the relevant laws and regulations in relation to each aspect of risk management set out below (if any), and there is no negative findings during the Track Record Period and up to the Latest Practicable Date which would have a material impact on the propriety of our operations.

We believe that the deployment of the risk assessment technology presents a significant opportunity for us. By leveraging the risk assessment technology, we can comb through vast sources of non-traditional data such as education and current employment to evaluate an individual's creditworthiness and repayment capability, which enables us to assess the recoverability of loans granted to subprime borrowers. Furthermore, the use of credit assessment technology such as IDCM also enables us to review the credit ratings for loan applicants and to continuously refine the credit assessment model as a whole. In addition, with a significant number of applicants applying for unsecured loans, the use of technology can significantly increase the level of automation throughout the lending process, including data entry, verification of the accuracy and authenticity of information and loan approval.

As part of our initiative to manage these risks, we have established a set of internal control procedures for the purpose of (i) ensuring that our business, lending practices, management, information systems, and overall operations are conducted in line with, among others, the Money Lenders Ordinance and all licensing conditions of Money Lenders Licenses issued by Companies Registry; (ii) reinforcing the integrity of our employees and reputation of our money lending business; and (iii) complying in full with all relevant laws and regulations. The following sets out the corresponding internal control procedures for the key risks for our money lending business.

Credit risk management

While we consider credit risks, including customer defaults and loan impairment, as inherent to our business, we believe our long-term business success and sustainability are dependent on our ability to effectively manage our credit risks at a reasonable and tolerable level relative to our business scale and profitability amid a constantly changing external credit and economic environment. In consideration of the foregoing, we continue to strive for an optimal balance between an acceptable and manageable credit risk level and efficient use of the available funds to expand our business and improve returns for our Shareholders.

Credit Risk Management for COVID-19 Outbreak

Since early 2020, the world experienced an outbreak of COVID-19, and in March 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. COVID-19 lingered on in Hong Kong throughout the Track Record Period and Hong Kong experienced waves of COVID-19. In particular, from January 2022 to May 2022, Hong Kong was hit by the fifth wave of COVID-19 outbreak attributable to the SARS-CoV-2 Omicron variant.

In view of the emerging risks associated with our business activities, among which includes the volatility arising from the macroeconomic and microeconomic environment, as well as continuing impact of the outbreak of COVID-19, we have reviewed our credit risk strategy to consider, amongst others, (i) our risk tolerance level associated with different loan products; (ii) we expect to be affected by the new emerging risk triggered by COVID-19; and (iii) the industry development trend for formulating the risk appetite level to mitigate unforeseeable credit risk.

The goal of credit risk management is to maintain our credit risk exposure within our predetermined parameters. We have reviewed our overall credit risk policy and decided to lower our risk appetite and tighten our credit risk policy by implementing two tiers of credit risk control mechanism for our day-to-day business operations to minimize the financial impact on our Company arising from the uncertainties caused by COVID-19. Firstly, under the Restrictive Aggregate Loan Out Policy, we controlled the overall size of the loan portfolio. Secondly, under the Tightened Credit Assessment Policy we adopted a more prudent approach for loan applications by imposing more stringent approval requirements for loans. In particular, compared to the pre-COVID-19 period, we require a higher credit rating before approving the same loan principal for unsecured loans; and will charge higher interest rates or lower the loan principal approved to reflect the credit risk associated with the credit profile of loan applicant. More stringent control measures were adopted for loan applicants who we believed to be more vulnerable to microeconomic factors, among which includes: (i) those who, at the time of the loan application, were capable to repay their loan installments but their repayment ability might be adversely affected by specific personal factors, such as occupation; and (ii) those whose ability to repay their loan installments was already in question, especially where the loan applicant relied solely on their regular income stream to repay our loan, and such income stream was adversely affected by COVID-19.

Restrictive Aggregate Loan Out Policy

As part of credit risk management, we pre-determined the approximate loan principal to be granted to new customers (the "**Predetermined New Loan Outs**") annually. Prior to the COVID-19 outbreak, we strived to strike a balance between achieving stable loan growth and maintaining prudent credit risk management and took an entrepreneurial approach when granting new loans.

Since the COVID-19 outbreak, we believe the emerging risk might pose material financial impact to our potential and existing customers as a whole as they might be more vulnerable to the changing economic condition, potentially increasing their default risk. We have therefore, adopted a more risk-averse approach and shifted our emphasis to controlling our credit risk exposure instead of unilaterally pursuing loan growth. By adopting a risk-averse approach, we intentionally restricted the extension of loan principal to control our credit risk exposure and gradually reduced the size of our overall loan portfolio (the "**Restrictive Aggregate Loan Out Policy**") without substantially affecting the composition and structure of our loan portfolio. The Restrictive Aggregate Loan Out Policy assisted and facilitated us in controlling all-embracing credit risk exposure of actual risk.

Tightened Credit Assessment Policy

Since the COVID-19 outbreak, we had been reviewing our credit assessment criteria from time to time and had adhered to a more restrictive credit assessment criteria for approving and extending loan principal especially those of a higher risk exposures, such as relatively larger amount loans (the "**Tightened Credit Assessment Policy**"). For a similar loan application, we required borrowers to achieve higher credit rating or we would conduct further checks on the applicant such as on their outstanding financial obligations or property owned when considering whether to extend an offer. For loan applications assessed higher risk exposure, upon reviewing the associated credit profile which indicates a likely probability that the loan applicant will not be able to repay the loan principal and interest in full on time or that significant losses may be incurred, we would reject the loan application outright.

Our Tightened Credit Assessment Policy was implemented with a particular focus on assessing applications requesting large loan principal (the "**High Value Loans**"). As each High Value Loan application disproportionately increases the credit risk exposure of our loan portfolio, we are more inclined to offer lower loan principal to a wider pool of customers to diversify our risk. The principle of prudent and dispersed lower value loan portfolio was adopted to minimize our risk exposure by concentrating on a small pool of High Value Loans borrowers. Under the Tightened Credit Assessment Policy, we believed that High Value Loans might be affected by emerging risk factors. Accordingly, the loan principal offered to High Value Loans might be lower than the requested amount to avoid concentration risk.

We believe our credit policy allows us to conduct our business in a prudent manner while our technology safeguards us from taking excessive risk by allowing us to constantly monitor the financial condition and repayment status of our borrowers. We have mitigated credit risk exposure in light of new emerging risk and successfully maintained the bad debt ratio at a stable level amidst the economic downturn suffered by Hong Kong during the COVID-19 outbreak.

Adhere to Existing Credit Terms for Redemption request

Our borrowers from time to time request for early redemption to repay their outstanding loan owed to us due to reasons such as having surplus cash in hand, disposal of properties owned, or them being able to obtain more favorable credit terms from others. Prior to the adoption of our Tightened Credit Assessment Policy, we may offer similarly favorable credit terms to retain them. However, since the COVID-19 outbreak, we have been adhering to our original credit assessment policies for existing loans and are less inclined to offer more favorable terms.

Post-COVID-19

Given the gradual removal of restriction on social distancing and cross-border traveling in Hong Kong from the third quarter of 2022, we believe the effect of the COVID-19 is no longer considered as an emerging risk. Accordingly, we decided that the Restrictive Aggregate Loan Out Policy and Tightened Credit Assessment Policy no longer applies in early 2023, and our risk tolerance level has gradually returned to a pre-COVID-19 level. Going forward, we will take a more entrepreneurial approach when reviewing loan applications with a view to increase our loan portfolio and market share based on our risk-based pricing strategy.

ECL model review framework

We adopt our own ECL Model Review Framework (the "**Framework**"), which aims at providing guidance and procedure to build an appropriate mechanism that periodically reviews the criteria used to identify significant increase in credit risk and credit impairment. Details of the Framework are summarized below.

Roles and responsibilities

Our executive Directors approve the periodic review made by our chief financial officer and risk control department in respect of the ECL model review. Our executive Directors ensure that we have established and maintained proper systems and procedures to execute the Framework, and delegate authority to related departments to manage the Framework. Our chief financial officer reviews adjustment to the definition of significant increase in credit risk suggested by the risk control department, whilst our risk control department conducts periodic review to confirm if the criteria of the definition is still valid and suggest adjustments if the criteria is no longer met.

Periodic review

Our periodic review includes the following procedures:

- Revisit the current definition of the scenario of significant increase in credit risk and the scenario of credit impairment of the ECL model after every revision period

- Draw necessary data such as loan repayment data within the revision period from the operating system

- Analyze the update data to investigate if the benchmark criteria has been violated

- Review if the benchmark criteria was violated and was not due to individual circumstances

- Discuss and decide if it is necessary to redefine the benchmark criteria as well as the definition of significant increase in credit risk and credit impairment

"Three-stage" Model under HKFRS 9

We assess our loans for impairment, determining a level of allowance for expected credit losses in accordance with the requirements of HKFRS 9 during the Track Record Period. See "Financial Information — Critical Accounting Policies, Judgments and Estimates" and "Appendix I — Accountant's Report — II. Notes to the Historical Financial Information — Note 4". Our loans are reported net of impairment allowance on our statements of financial position.

During the Track Record Period, under the requirements of HKFRS 9, we classified our customer loans using a "three-stage" model:

(i) Stage 1 (Normal Credit Quality) refers to customer loans that have not had a significant increase in credit risk and expected credit losses in the next 12 months will be recognized;

(ii) Stage 2 (Significant Increase in Credit Risk) refers to customer loans that have had a significant increase in credit risk and for which the lifetime expected credit losses will be recognized; and

(iii) Stage 3 (Credit-impaired) refers to customer loans that have objective evidence of impairment and for which the lifetime expected credit losses will be recognized.

Reporting, Approval and Implementation

Our risk control department reports the review to our chief financial officer after every revision period. In case there is a suggestion to change the definition of Stage 2 and/or Stage 3, our chief financial officer will review and comment the suggestion, and such change shall be endorsed by our executive Directors. Analytic reports will be reviewed to determine if the violation of benchmark criteria is based on short term trend/individual circumstance or long-term change. If an adjustment is approved, our financial report will be prepared according to the updated model in the subsequent financial year.

Pre-drawdown risk management

We believe that our credit assessment process for each of our loan products, including IDCM System and our risk-based pricing capabilities allow us to effectively manage risks of default by the borrower.

Unsecured Property Owner Loans

Although Unsecured Property Owner Loans have no property collateral to reduce credit risks, we have adopted a set of procedures to effectively manage such risks, including procedures that may be utilized to recover overdue payments through selling the property owned by the borrower. Hence, as part of the loan approval process, the value of the applicant's property underlying the application will be estimated and reviewed. In addition, we review the applicant's credit history as well as the general economic conditions at the time of application. Furthermore, in respect of Unsecured Property Owner Loans with a loan principal of over HK$2.0 million, the application must be additionally approved by our chief executive officer.

Personal Loan

Although Personal Loans have no property collateral to reduce credit risks, we have adopted a set of procedures to effectively manage such risks. Our data analytics capabilities, particularly the classification of Personal Loan applicants into different credit ratings under our IDCM, enable us to use risk-based pricing that reflects each borrower's unique risk profile. We believe that we are able to offer cost-effective products compared to our market competitors as a result.

Our loan approval procedures involve the classification of the applicant's credit ratings under our IDCM, which entails the AQM Score and MLC Score.

While we evaluate our personal loan applicants by assigning a particular credit score through our IDCM Model, we also set out certain criteria to assist our review. These criteria are assessed holistically which forms the basis of our credit intelligence department's decision.

As part of the loan approval process, the applicant's debt service ratio and the general economic conditions at the time of application will be reviewed in addition to all supporting documentation provided by the applicant. In addition, in light of the additional licensing condition that took effect on March 16, 2021 and are imposed on our Money Lenders Licenses upon their next renewal, we have updated our internal control policies to include an assessment (both in the case of new applications and top-ups) on the borrower's (i) current income and expenditure and (ii) ability to make repayments by reviewing their asset to liability ratio in addition to debt service ratio. Furthermore, in respect of Personal Loans with loan principal of HK$0.5 million, the application must be additionally approved by our chief executive officer.

SME Loans

We may use qualitative information obtained during the due diligence process to help assess the risk exposure of our borrowers and verify the information provided by them, which have been integrated into our credit review process for SME Loans. Such qualitative information include feedback from the borrower's counterparties and independent third parties, and the controlling person's expertise and experience in the business. We consider such information a useful tool as it provides a more comprehensive appraisal of borrowers.

Review of the guarantors' risk exposure is also included in our review of a borrower's risk exposure. For example, while reviewing the guarantee provided by directors and shareholders of SMEs, we focus on their experience, wealth, personal credit history and information available in the public domain. In our review of SMEs, we focus on their operation history, business scale, and assets and liabilities.

For SME applicants who operate a compatible POS system, we review their latest operational data so that we may assess their operating history and financial condition. For applicants who do not operate a compatible POS system, we will request documents such as audited financial statements, latest management accounts and the applicant's facility letter(s) (if any) granted by other authorized institution. We will then prepare a credit assessment report based on the collected data in relation to the applicant's operating history and financial condition. We have determined the basic composition of financial metrics, which are to be included in the credit assessment report, including but not limited to revenue, gross profit margin and net profit margin, current ratio, working capital and EBITDA.

When we evaluate the prospective SME borrowers, we usually consider the following criteria to assist our review.

- *Reputation*: Includes a borrower's and its guarantor's credit records, social status, comments from counterparties, and previous dealings with us. Reputation effectively helps us to assess a borrower's creditworthiness and willingness to honor repayment obligations. We believe that borrowers with good reputation is less likely to default, compared with others.

- *Market*: Includes whether a borrower has a clear business model, a key business line, a diversified business model, competitive advantages, and current business demands.

- *Financing arrangement*: Includes whether a borrower has a specific and reasonable financing need, a borrower's current liability structure, future cash flow from operations, and access to financing.

- *Future plan*: Includes a customer's plan for its short-term, mid-term and long-term development, which will help us assess the reasonableness of a borrower's financing needs and develop further opportunities for cooperation with the borrower.

Our credit intelligence department reviews the due diligence report and the supporting documents submitted by our sales team and prepares a credit evaluation report, which typically contains the analysis of a SME borrower's strengths and weaknesses and includes a credit proposal setting out the proposed credit amount and interest rate, etc. This credit evaluation report forms the basis of our credit proposal, which shall be endorsed by our chief executive officer.

Post-drawdown risk management

We adopt a "hybrid" risk management methodology to ensure that our lending activities do not exceed our acceptable risk limit based on our internal risk management guidelines. We will receive an alert when our borrowers triggered any risk-related indicators. We also implement a systemic approach in monitoring and handling default cases. The set of post-drawdown monitoring measures that we adopt is detailed below (as applicable to our respective product lines).

- Alert monitoring. We closely monitor legal actions against our borrowers and change in ownership status of the borrowers' property with the help of our business risk engine.

- Default monitoring. We prepare a default list every week, based on which our frontline staff will follow up with customers on outstanding repayment installments. Cases requiring further attention from our credit committee, which includes representatives from our frontline team, credit intelligent and risk control department, is prepared every two weeks. Our credit committee will then determine the course of action to be taken in relation to these outstanding loan agreements.

- Ongoing property valuation. We will review valuation of underlying properties owned by borrowers of Unsecured Property Owner Loans from time to time.

- Bad debt monitoring. We conduct monthly review of bad debt.

- Debt collection monitoring. We conduct ongoing monitoring of default cases that have been referred to our debt collection agent in terms of settlement rate and effectiveness of collection.

Loan Collection

If a borrower defaults, we will first discuss with the borrower to understand his/her situation, and seek to agree on a repayment plan. If we cannot reach an agreement with the defaulted borrower on the repayment plan, we may take further actions as mentioned below.

Default procedure

A summary of our general collection process for Personal Loans is as follow:

Overdue	Action
Within 14 days	We will contact the borrower to remind that he/she is overdue in repayment
Over 14 days	We will consider to issue demand letter and instruct our debt collection agent to assist with collection of the outstanding installment
Over 180 days	We will consider instructing our solicitors to take legal action and further bankruptcy actions

A summary of our general collection process for Unsecured Property Owner Loans is as follow:

Overdue	Action
Within 14 days	We will contact the borrower to remind that he/she is overdue in repayment
Over 14 days	We will issue a default letter to the borrower to remind him/her of the outstanding installment
15 to 90 days	We will consider instructing our solicitors to issue demand letter, take legal action to obtain a charging order regarding the borrower's property
91 to 180 days	In cases where a charging order has been obtained, we will consider instructing our solicitors to obtain an order for sale in respect of the borrower's property
Over 180 days	We will consider instructing our solicitors to apply for execution of the order for sale

A summary of our general collection process for SME Loans is as follow:

Overdue	Action
Within 21 days	We will contact the borrower to remind that he/she is overdue in repayment
Over 21 days	We will consider issuing a demand letter instructing our debt collection agent to assist with collection of the outstanding installment
Over 180 days	We will consider instructing our solicitors to take legal action to obtain a judgement and consider further enforcement actions

Pre-Action Stage

Our risk control department gathers loan information and prepares a list of overdue loans weekly, and passes the list to our frontline staff to remind them to chase the borrower for repayment. Reminders will be directly issued to the borrower by post instant communication software. If the borrower still fail to make repayment, risk control department will pass the list of overdue loans to our top management, who will decide whether it is necessary to commence legal action against the borrower and/or instruct a debt collector.

Meanwhile, relying on our business risk engine, the risk control department monitors property or legal alert related to our borrower. If there is any alert triggering the event of default under the loan, the risk control department will inform frontline staff to request the borrower to remedy the default. If the borrower fails to remedy the default within a reasonable time, the risk control department will pass the relevant alert together with the loan information to the top management or credit intelligence department, who will decide whether legal action against the borrower and/or instructing debt collector are necessary.

Overdue Loans

The tables below set out details of overdue loans which were overdue 1 day or above as of May 31, 2023 for each of our loan products, and the latest status of such loans as at June 30, 2023:

	As at May 31, 2023		
	Unsecured Property Owner Loan	Personal Loan	SME Loan
Number of overdue loans	926	1,027	29
Loan receivables of overdue loans *(HK$'million)*	272.7	44.2	12.5
Interest receivables of overdue loans *(HK$'million)*	96.2	10.9	0.8

	As at June 30, 2023		
	Unsecured Property Owner Loan	Personal Loan	SME Loan
Number of overdue loans as at May 31, 2023 *(Note 1)*	905	907	27
Loan receivables of overdue loans *(HK$'million)*	263.7 *(Note 3)*	36.6	10.6
Interest receivables of overdue loans *(HK$'million)* *(Note 2)*	97.8	10.7	0.6
Amounts collected in June, 2023 *(HK$'million)*	(8.9)	(5.8)	(0.7)
Amounts written off in June, 2023 *(HK$'million)*	(0.2)	(3.6)	(1.6)

Notes:

1. 21, 120 and 2 Unsecured Property Owner Loans, Personal Loans and SME Loans were written off by us in June 2023, respectively.

2. Figures in this row has taken into account the interest receivable payable to us in June 2023.

3. We repossessed a property owned by a borrower with overdue loan receivables of HK$0.6 million in June 2023, and the overdue amount of such loan has been excluded.

Unsecured Property Owner Loans:

	As at June 30, 2023		
	Number of overdue loans	**Loan receivables of overdue loans**	**Interest receivables of overdue loans**
		(HK$'million)	*(HK$'million)*
Handled by internal collection team	254	74.2	5.3
Handled by debt collection agent	50	3.6	1.6
Legal proceedings initiated	264	82.9	22.9
Judgement or charging order granted	335	102.5	59.2
Order for sale or writ of possession granted	23	9.5	7.2
Total (including loans written off in June 2023)	**926**	**272.7**	**96.2**
Collected in June 2023	280	8.4	0.5
Written off in June 2023	21	0.08	0.2

Personal Loans:

	As at June 30, 2023		
	Number of overdue loans	**Loan receivables of overdue loans**	**Interest receivables of overdue loans**
		(HK$'million)	*(HK$'million)*
Handled by internal collection team	199	12.5	2.8
Handled by debt collection agent	824	31.6	8.0
Legal proceedings initiated	4	0.1	0.1
Judgement or charging order granted	0	0	0
Order for sale or writ of possession granted	0	0	0
Total (including loans written off in June 2023)	**1,027**	**44.2**	**10.9**
Collected in June 2023	340	4.7	1.1
Written off in June 2023	120	2.9	0.7

SME Loans:

	As at June 30, 2023		
	Number of overdue loans	**Loan receivables of overdue loans**	**Interest receivables of overdue loans**
		(HK$'million)	*(HK$'million)*
Handled by internal collection team	12	7.0	0.2
Handled by debt collection agent	6	1.5	0.2
Legal proceedings initiated	9	2.5	0.2
Judgement or charging order granted	2	1.4	0.2
Order for sale or writ of possession granted	0	0	0
Total (including loans written off in June 2023)	**29**	**12.4**	**0.8**
Collected in June 2023	15	0.4	0.3
Written off in June 2023	2	1.4	0.2

Legal Proceedings Stage

When our top management decides to commence legal action for a particular overdue loan, we will first instruct our solicitors to issue a demand letter requiring the borrower to repay the entire outstanding balance of the loan, interests, default interest, and other expenses (if any) within 7 days from the date of demand letter.

If the borrower remains in default or the client is involved in any legal dispute upon our legal alert, we shall instruct a debt collector or our panel solicitors to initiate legal proceedings against the borrower. A letter before action will be given to the borrower prior to taking our writ against the borrower.

If borrower still fails to repay the demanded amount, legal proceedings for recovery shall be initiated at the District Court or High Court. If the borrower fails to file an acknowledgment of service and defense, our Company shall apply for leave to set down the case and fix the trial date and the court shall grant us the money judgment in favor of us under non-contentious matter.

Even if legal proceedings have been commenced, we will continue our negotiation with the default customer in order to achieve settlement and speedy repayment.

During the Track Record Period, we initiated 556 legal proceedings (of which 537 were related to Unsecured Property Owner Loans; four were related to Personal Loans; and 15 were related to SME Loans) to recover delinquent payments from our borrowers in respect of overdue loans.

Enforcement of Judgment

For defaulting borrowers without property assets, we will consider commencing bankruptcy or winding up proceedings against the borrower. In addition, if guarantee was provided for that loan, we will also consider commencing bankruptcy or winding up proceedings against the guarantor.

For defaulting borrowers that own property, the most effective method of enforcement for us is to obtain a charging order over the borrowers' assets, which empowers the court to impose a charge upon the property of the judgment debtor for securing the payment of any money due under the judgment, and we will register charging orders obtained on the property in the Land Registry. The priority of the registered charging order is second to that of any prior registered mortgage or charge. If the defaulting borrower still does not satisfy the judgment after the charging order on land has been imposed, we may enforce the charging order by selling the land charged after obtaining an order for sale. After the order for sale is granted in favor of us by the court, the execution will be made in due course by scheduling an appointment with the bailiff officer for repossession of the property. Once we obtained possession of the property, unless the debtor pays the judgment debt, we will put the property for sale in the open market by public auction or private treaty in order to recover the judgment debt.

We do not immediately enforce charging orders obtained, and we will take into consideration factors such as the borrower's repayment pattern and whether the amount recovered through selling the borrower's property could cover the amount due to us. We prepare a default list for internal collection team staff to follow up and highlight cases which require further attention from our credit committee every two weeks. Our credit committee will then discuss whether to enforce the charging order based on the aforementioned consideration. Since the exact timing as to when we will be able to recover the delinquent loan through selling the repossessed property may be uncertain as the market for repossessed property may be less liquid and repossessed properties may be sold at a discount, taking immediate enforcement actions may not be entirely beneficial for us. However, we believe obtaining charging orders against borrowers is important as it exerts pressure on them, and additional efforts will be made by our borrowers to repay their outstanding amount in order to remove the encumbrance created against their property. We obtained favorable court judgments on 335 of the 556 legal proceedings we initiated during the Track Record Period (of which 217 charging orders were granted on properties owned by borrowers of Unsecured Property Owner Loans and 3 charging orders were granted on properties owned by guarantors of SME Loans), and 221 legal proceedings were pending since judgments were yet to be delivered as of May 31, 2023. 109 overdue cases were eventually settled by the borrower before judgment was delivered for the relevant court cases.

Debt collection agent

It is our policy to engage debt collection agent to assist with our loan collection process. Our debt collection agent employs various collection strategies such as making phone calls to the defaulting borrower's personal and office numbers. During the Track Record Period, we exclusively engaged Modern Creative, which is our connected person as our debt collection agent. During the Track Record Period and up to the Latest Practicable Date, to our best knowledge, Modern Creative has complied with applicable rules and regulations in respect of debt collection, and Modern Creative only provides exclusive debt collection services to us and our close associates. To our best knowledge, neither Modern Creative nor us have received any material complaints from our customers, or been involved in any non-compliance incidents, in respect of Modern Creative's debt collection services during the Track Record Period and up to the Latest Practicable Date.

We regularly conduct background checks, including desktop searches, litigation searches and AML checks, on our debt collection agents and their directors to ensure there are no negative news related to their business operations. We also conduct phone interviews with our debt collection agent and site visits for quality control purpose to monitor its activities thereby ensuring that they are in compliance with rules and regulations with respect to their collection activities on our behalf. Based on the aforementioned internal control measures in relation to the debt collection activities performed by our collection agent, we believe our internal control measures to monitor debt collection are adequate and effective. Further, no negative findings related to our debt collection agent was noted by us during the Track Record Period and up to the Latest Practicable Date.

Our frontline staff reviews the list of overdue Personal Loans daily, and studies the background and repayment history of our defaulting borrowers with a view to understand the reason of default, which in turn assists with our loan collection process, and makes it easier for us to agree on a revised repayment plan with the borrower. Additionally, our internal collectors work closely with our debt collection agent so that there is frequent information exchange on the collection status or any new information regarding the default.

When selecting our debt collection agent, we take into account certain factors, including experience, flexibility on terms of service, collection methods and their compliance with applicable laws and regulations, particularly their impact on our corporate image. We pay a fixed minimum quarterly fee plus an extra service fee (if applicable) to Modern Creative. The extra service fee represents the shortfall payable by us when the amount of debt collection service fee exceeds the minimum quarterly fee.

We generally do not engage services of our debt collection agent for outstanding repayment for Unsecured Property Owner Loans as we are able to obtain legal remedies by way of registering a charging order on property owned by the borrower and obtaining an order for sale as appropriate. However, we may engage our debt collection agent to collect the shortfall (if any) between the outstanding amount and amount of sale proceeds of the property that is the subject of an order for sale.

Enhanced collection measures

In view of the increasing delinquency ratio of our loans that was primarily due to the roll-over effect of loans granted before 2023, we have reviewed our loan collection policy and would proactively take more actions, including engaging our debt collection agent to assist us in collecting unsecured property owner loans, and our internal collection team would closely scrutinize and approach borrowers with overdue payments of over 90 days more frequently. If additional manpower and resources are required by our internal collection team, we will also consider reallocating our manpower from other business functions to handle such task, and we may also increase the number of headcounts of our internal collection team as required. We believe by taking more follow up actions and having more frequent contact with such borrowers to understand and keep track of their latest financial position and repayment plan, these measures will speed up our progress of recovering overdue loans or to assess whether supplemental collection and enforcement actions shall be taken promptly. Our credit committee will also devote extra time and attention to cases with overdue instalments for over 90 days, and weekly reports (as compared to bi-weekly reports) will be prepared for them such that they can promptly decide the next course of action that can be taken.

Cybersecurity risk management

The vast amount of data that we process and store and our reliance on technology in our operations may attract and expose us to risks of cyberattacks, computer viruses, electronic break-ins or similar disruptions. We implement controls to ensure that our cybersecurity risks are managed and mitigated. For example, all communications between our branches and offices are conducted by way of encrypted virtual private network tunnels and our website is equipped with HTTPS protocol to ensure that a secure connection is established between our web server and the browser. We believe that our information security, network security and system security policies allow us to manage the material cybersecurity risks that we have faced so far.

Operational risk management

Our executive Directors are responsible for determining an overall operational risk control framework and devising and updating policies and procedures that are adequate for controlling operational risks. Our executive Directors meet monthly to review operational issues and are responsible for supervising our compliance with operational control procedures and maintenance of security documentation.

We have established internal reporting procedures to allow employees to report any suspected cases of misconduct (including but not limited to employee misconduct or fraud), through which our employees can directly report to the top management team, the compliance department or the human capital department, bypassing their immediate supervisors where necessary. We have formulated and continuously updated our credit monitoring policies and operational procedures. In addition, to reduce the operational risk caused by failures of information technology systems, we maintain backup of our operational data on a regular basis in accordance with our "Backup policy and Backup Restoration procedure". We believe our overall operational risk control framework allows us to effectively manage material operational risks that we face so far.

Liquidity risk management

Our objective in liquidity management is to be able to meet all our payment obligations and fund our investment and lending opportunities on a timely basis, even under adverse conditions. Our executive Directors are responsible for monitoring and managing our liquidity. Specifically, we monitor our cash inflow and outflow on a daily basis to ensure the accuracy of cash collection and deployment such that there is no shortfall in cash which may interrupt our business operations. We also maintain sufficient cash buffer on a rolling basis to meet the working capital requirement and liquidity needs for our operations. Up to the Latest Practicable Date, our banking facilities have comprised overdraft and revolving facilities available for drawdown and repayment at any time. During the Track Record Period, we did not experience any shortfall in cash for meeting our liquidity needs.

Interest rate risk

We are exposed to fair value interest rate risk in relation to bank borrowings, and lease liabilities. We are also exposed to cash flow interest risk in relation to variable-rate bank borrowings which carry prevailing market interests. For details, please see Note 21 in "Appendix I — Accountants' Report". We monitor our interest rate from fund providers and communicate with our credit intelligence department to ensure any significant change in interest rate for our source of funds is reflected in the interest rates we charge our borrowers. During the Track Record Period, the decrease in interest spread was mainly due to increase in cost of funding as a result of the increase in interest rate of our bank borrowings in 2022. We currently do not have an interest rate hedging policy to mitigate interest rate risk. We manage our interest rate risk exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. Our management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

Legal and regulatory risk management

Money Lenders Ordinance

Our loan approval procedures ensure our business is operated in accordance with the Money Lenders Ordinance.

We operate in accordance with the allowable interest rates of loans under the Money Lenders Ordinance. During the Track Record Period and up to the Latest Practicable Date, we had complied with the regulatory requirement on effective interest rate charged on loans granted to customers. Moreover, pursuant to Section 18 of the Money Lenders Ordinance, our loan agreements are prepared according to the requirements set out therein and an extract of Part III "Money Lenders' Transactions" and Part IV "Excessive Interest Rates" of the Money Lenders Ordinance is provided to our borrowers upon signing of their loan agreements to inform them of our duties as a licensed money lender.

Anti-money laundering and counter-terrorist financing

Our Directors are of the view, and the Joint Sponsors concur, that our existing procedures and measures relating to anti-money laundering are effective and carried out properly during the Track Record Period and up to the Latest Practicable Date. During the Track Record Period, there were no actual or suspected incidents of money laundering by us and we were not aware of any actual or suspected incidents of money laundering activities by our customers during this period. We have paid close attention to the statutory framework and have complied and will continue to comply with such regulations and guidelines.

We, being a legal entity carrying on business in Hong Kong, are subject to the financial sanctions system in Hong Kong and legislation prohibiting money laundering activities. The relevant policies are implemented under the Drug Trafficking (Recovery of Proceeds) Ordinance (Chapter 405 of the Laws of Hong Kong), Organized and Serious Crimes Ordinance (Chapter 455 of the Laws of Hong Kong), United Nations Sanctions Ordinance (Chapter 537 of the Laws of Hong Kong) and United Nations (Anti-Terrorism Measures) Ordinance (Chapter 575 of the Laws of Hong Kong), details of which are set out in "Regulatory Overview". Our External Legal Counsel has opined that the HKMA Guideline is for giving guidance to authorized institutions and intended for use by financial institutions and their officers and staff, and the SFC Guidelines are for giving guidance to licensed corporations and intended for use by financial institutions and their officers and staff. Since we are not an authorized institution regulated by HKMA or a licensed corporation under the SFO or a financial institution or DNFBP (designated non-financial businesses and professions) under the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance (Chapter 615 of the Laws of Hong Kong), we are not required to adopt the policies, procedures and controls in the relevant operational areas as set out in the HKMA Guideline and the SFC Guidelines.

Nevertheless, as required under the Money Lenders Licenses held by our subsidiaries, to prevent and detect money laundering and terrorist financing, we have established an "Anti-Money Laundering and Counter-Terrorist Financing Policy" according to the Guideline on Compliance of Anti-Money Laundering and Counter-Terrorist Financing Requirements for Licensed Money Lenders issued by the Registrar of Money Lenders, which includes procedures for customer due diligence, reporting suspicious transactions, record-keeping, and staff training.

Customer Due diligence

Before accepting our prospective borrowers' loan applications, we carry out know-your-customer procedures by verifying the customer's identity using reliable and independent source documents and such due diligence procedure should be completed before we enter into any business relationship with our customer. In particular, our VTMs are equipped with identity verification functionalities. We perform Land Registry searches to verify the ownership of the properties and ascertain whether the properties are under any charge.

We use documents, data and information obtained from reliable and independent sources, such as those from governments, third-party service providers and internal databases, to identify and verify the identity of our customer. If the customer is a corporation, we will inquire into the ownership structure of the corporation. If someone is acting on the authority of a corporate customer, we will verify the identity of the authorized person acting for that customer and whether the authorized person does have the authority to act for that customer. In addition, using the "eAML" system, we perform online searches in relation to the applicant for politically exposed persons and heightened risk individuals and organizations through a subscription to a renewed service platform that maintains a pertinent database on a global basis.

Reporting suspicious transactions

According to our "Anti-Money Laundering and Counter-Terrorist Financing Policy", when our employees suspect a transaction represents the proceeds of crime or terrorist property, they must make prompt disclosure to their department heads on a need-to-know basis as well as our money laundering reporting officer. Our executive Directors will make a final decision as to whether or not to file a suspicious transaction report to the Joint Financial Intelligence Unit, a unit jointly run by the Hong Kong Police Force and the Hong Kong Customs & Excise Department. In identifying suspicious customers or transactions, we focus on verifying the identities of our customers by inspecting his or her personal identification documents (for individual customers) and incorporation documents (for corporate customers) and their ownership. When we review the findings of our due diligence, we endeavor to identify any information that warrants our suspicion.

Measures or guidelines issued by HKMA

We ensure that no offering or promotion of loans was made to applicants to purchase properties that do not conform to the prudential measures or guidelines in relation to mortgage financing issued by HKMA through enquiring each loan applicant's purpose of taking out a loan with us. If any loan applicant indicated to us that they intend to use the loan provided by us to purchase property, we will not process the application.

Personal Data (Privacy) Ordinance ("PDPO")

The privacy of our borrowers and the security of their information is of utmost importance to us. In our daily operations, we obtain various types of personal data of our customers, including those collected in our loan application process as well as biometric finger vein patterns for identity verification purposes at our VTMs, which are protected by the PDPO. As such, we have set up internal control procedures to ensure our compliance with PDPO, which covers, among other things, (i) purpose and manner of collection of personal data; (ii) notification of collection of personal data; (iii) duration of personal data retention; and (iv) secured storage and transmission of personal data. We retain all essential personal data of our customers for seven years.

We comply with the data protection principles of the PDPO. Before we collect any information from our customers, we obtain their express authorization through our personal information collection statement and we only collect such information to the extent necessary for the provision of our services. In relation to customer data transferred to us by our referral agent for the purposes of making loan applications, appropriate data consent has been obtained by them before any such transfer occurs. However, no data transfer occurs from our marketing partners due to our mode of collaboration, which involves a mere referral from the marketing partners for our processing without any data or information collected by them on our behalf from the prospective customer. The types of data we collect and keep in possession include personal data such as name, mobile number, address and personal identification document details. All sensitive personal data are hashed or encrypted, and then stored in our encrypted database. According to our data privacy policy, all data is kept for a period ranging from five to seven years, depending on the type of data. The data is owned by the customer and we are only entitled to use such data pursuant to the authorization of the customer.

Our IT department is devoted to maintaining a secure infrastructure for our platform and protecting the private data collected, and will be immediately notified upon any discovery of security bugs or threats that require urgent attention. Our staff has actively participated in periodic data security trainings.

It is our internal policy to use data encryption to ensure confidentiality for storage and transmission of customer data. Our network is configured with multiple layers of security modules to isolate our databases from unauthorized access and to ensure the reliability of our systems and services. We utilize software systems to automatically detect and protect against attacks from external sources. Within our internal operation, we limit and minimize access to protected information provided by customers through a variety of techniques, including network access authentication and division of network security domains.

In view of securing our customers' personal information and ensuring our data integrity, our data storage facilities are protected by regular backups. Furthermore, we implement appropriate levels of access control rights for our qualified staff as security shields for computer systems to safeguard our customers' privacy. Our group data privacy policy, which governs the collection, transfer, and subsequent processing of personal information, ensures that our qualified team and employees would properly handle personal information relating to our customers.

If we engage third-party service providers to handle or process personal data (whether within or outside Hong Kong) on our behalf, we would adopt contractual means to ensure that (i) upon the completion of data processing, the data would be erased; (ii) the data transferred would only be used for the specified purpose and that (iii) where data is transferred, proper logs must be kept to record the movement of data. The data processors or third parties to which personal data relating to our customers may be transferred or disclosed to include audit firms, banks, credit reference agencies, debt collection agencies, legal advisors, telecommunication companies, technology service providers and any governmental or regulatory authorities as required by law.

Market risk management

Our executive Directors are responsible for determining an overall market risk control framework, monitoring and assessing market conditions and devising refined policies in light of changes in economic conditions and business environment in Hong Kong. They meet from time to time as appropriate to discuss latest market conditions and are responsible for ensuring that the policies so developed are duly implemented. We believe our overall market risk control framework allows us to effectively manage material market risks that we face so far.

INTELLECTUAL PROPERTY RIGHTS

As of the Latest Practicable Date, we had three domain name ("**kcash.hk**") in Hong Kong and two registered trademarks in Hong Kong which we believe are material to our business. During the Track Record Period and up to the Latest Practicable Date, we have not received any material claim against us for infringement of any intellectual property rights nor were we aware of any pending or threatened claims in relation to any such infringement, nor had any material claim been made by us against third parties in relation to the infringement of intellectual property rights owned by us. For details of our intellectual property rights, see "Appendix IV — Statutory and General Information — B. Further Information about our Business — 3. Our material intellectual property rights".

INSURANCE

We maintain standard insurance, including employee compensation, public liability, fire and medical insurance. We obtain our insurance from reputable insurance carriers in accordance with commercially reasonable standards.

We believe that our insurance coverage is sufficient for present purposes and is consistent with the insurance coverage of other money lending companies in Hong Kong. We periodically review our insurance coverage to ensure that it remains sufficient. During the Track Record Period, we did not make any material insurance claims relating to our business. For a discussion on risks relating to business interruption caused by errors in our IT infrastructure for which we do not maintain any insurance, see "Risk Factors — Risks relating to our business and industry — Any undetected errors of or security breaches into our IT infrastructure, including cyberattacks, computer viruses, physical or electronic break-ins or similar disruptions, could adversely affect our business".

EMPLOYEES

As of December 31, 2020, 2021 and 2022 and May 31, 2023, we had 89, 80, 68 and 67 employees, all based in Hong Kong. The following table shows a breakdown of our employees by function in each year or period during the Track Record Period:

Functions	**As of December 31,**			**As of May 31,**
	2020	**2021**	**2022**	**2023**
Executive management	4	4	5	5
Frontline sales	25	24	26	25
Credit intelligence & risk control	7	7	7	8
Information technology	12	10	8	9
Legal	2	2	2	2
Audit & finance	7	7	5	3
Branch development	10	5	7	7
Corporate support	22	21	8	8
Total	**89**	**80**	**68**	**67**

As of May 31, 2023, we had 17 employees age 30 or under, 28 employees between age 31 to 40, 14 employees between age 41 to 50 and 8 employees age 51 or above, representing 25%, 42%, 21% and 12% of our total workforce, respectively. As of the same date, we had 32 female employees and 35 male employees, representing 48% and 52% of our total workforce, respectively. All of our employees are permanent staff.

Our success depends on our ability to attract, retain and motivate qualified personnel. We recruit our employees based on a number of factors such as their work experience, educational background and vacancy demands. We hire employees based on their merits and it is our corporate policy to offer equal opportunities to our employees regardless of gender, age, race, religion or any other social or personal characteristics. We also provide regular training to our employees on topics such as land search case studies, property valuation, reading credit reports and loan product introduction. We enter into standard employment contracts with our employees covering matters such as salary, employee benefits and confidentiality obligations. In addition, we provide low interest personal loan of up to HK$200,000, and study subsidy of up to HK$100,000 as employee benefits.

In 2020, 2021 and 2022 and five months ended May 31, 2023, we incurred employee benefit expenses of HK$53.0 million, HK$58.2 million, HK$47.6 million and HK$16.3 million, respectively, representing approximately 19.8%, 24.9%, 22.6% and 17.2%, respectively, of our net interest income for the same years or period.

We believe that we maintain a good working relationship with our employees and we did not experience any significant labor disputes or any difficulty in recruiting staff for our operations during the Track Record Period.

In compliance with the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong), we have participated in an MPF scheme operated by an approved MPF service provider, enrolled all qualifying employees in the MPF scheme and made MPF contributions for them during the Track Record Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We do not operate in a highly polluting industry, nor do we operate any manufacturing or warehousing facilities. Therefore, we are not subject to significant health, safety or environment risks and we do not currently foresee any materials risks in this regard. However, we give high regard for environment protection, and are committed to promoting corporate social responsibility and sustainable development. We seek to integrate these core values into our business operation through the adoption of a comprehensive policy on environmental, social and corporate governance responsibilities in accordance with the Listing Rules. It has come to our awareness that Environmental, Social and Governance ("**ESG**") factors are increasingly important to the way we operate and how we interact with our stakeholders who have an important role to play in our business success.

Compliance of ESG Matters

To comply with the Stock Exchange's reporting requirements on ESG following the [**REDACTED**], we shall formally adopt the ESG policy (the "**ESG Policy**") that has been developed in accordance with Appendix 27 ("**ESG Reporting Guide**") to the Listing Rules. Such ESG Policy will be reviewed on an annual basis. It will outline, among others, (a) the appropriate governance oversight; (b) ESG approach and practices including the process of materiality; (c) ESG risks, including climate-related risks and identification, management and monitoring mechanism of such risks; and (d) setting of key performance indicators ("**ESG KPIs**"). The ESG Policy sets forth our corporate social responsibility objectives and provides guidance on practicing corporate social responsibility in our daily operations. Set forth below are examples of our ESG Policy in different aspects:

- Employment — We are committed to creating a working environment with equal opportunities, and we have strict policies on equal employment opportunities, prohibiting any form of discrimination based on race, color, belief, religion, gender, sexual orientation, among others.

We have a zero-tolerance policy on sexual harassment within and outside the workplace, and we treat any complaints we receive seriously and in strict confidence. We have established effective reporting channels. Employees shall inform their manager, department head or the human capital department. Applying to all level of our staff, we adopt the following protocol when we hire employee:

– Attract and retain the most appropriate individuals for the position;

– Conduct talent search primarily focused in local labor market, wherever skills required are available locally, before searching regionally or internationally; and

– All processes and decisions shall be based on individuals' competencies, skills and experience, and should comply with our relevant internal policies and local regulatory requirements.

- Employee training — We place significant emphasis on employee trainings and development. We have formulated policies and provide training to staff from time to time, including but not limited to the following aspects: (i) conflict of interest policy; (ii) whistleblowing policy; (iii) anti-money laundering training; (iv) cybersecurity training; and (v) seminar on PDPO. We provide onboard training to all new employees. The onboarding program serves as a guide to assimilate our new employees. Our training covers leadership, management skills and information technology.

- Health, safety and wellbeing — Though our business does not involve significant health and work safety matters, we are committed to protect the physical and mental health, safety and wellbeing of our employees. We aim for ensuring employee's health and safety while limiting potential business and operational risks. We encourage our employees to pursue a healthy work-life balance. We organize social and team-bonding activities to ensure a positive and cohesive work environment. As an employer, we consistently follow local government regulatory requirements and take immediate actions to comply with the government's directions. We set out a series of workplace regulations in the employee's handbook. We believe that we were in compliance with health and work safety requirements in all material respects during the Track Record Period and up to the Latest Practicable Date.

- Social responsibility — We care about our social responsibility and aim to build a sustainable community with our customers, business partners and other external stakeholders through various initiatives which may include corporate philanthropy, establishing community partnerships, and mobilizing our employees to participate in volunteer work. We conduct trainings and compose staff handbook to strengthen our communication with our employees internally and organize community initiatives to maintain our bonds with external stakeholders.

- Environmental protection — We have established the "efficiency use of resources" policy. We encourage our employees to adopt sustainable practices to reduce our carbon footprint, including promoting recycling and reducing paper wastage. As part of our carbon neutrality initiatives, we have taken steps to move toward a low-carbon lifestyle. We have been a pioneer in the industry to embrace a paperless environment. We operate most of our businesses digitally and utilize cloud-based services to reduce consumption of paper from client end. Our customers can access our lending services through websites, VTMs and mobile apps. Our loan agreements and repayment schedule can be accessed by our borrowers online for their easy reference, thus eliminating paper applications, agreements and statements.

Our Board has an overall responsibility for overseeing and determining environmental and social risks and opportunities impacting us, establishing and adopting the ESG Policy and setting our ESG targets, and reviewing our performance annually against the ESG targets and revising the ESG strategies as appropriate if significant variance from the ESG targets is identified.

Governance of ESG Matters

Our Board and senior management will be primarily responsible for ensuring that ESG issues are taken into consideration in the operation of our business as well as embedding ESG principles into our overall business strategies through education, control and supervision procedures. After our [**REDACTED**], we will consider establishing an ESG committee to assist our Board to oversee ESG governance, ensure implementation of ESG policies, monitor ESG-related performance and targets, adjust ESG strategies as appropriate and prepare ESG reports. Where expertise on specific issue is needed, we may engage external service provider when necessary. Each department will be responsible for identifying its own ESG issues including ESG risks and designing, implementing its own and monitoring the compliance of such relevant ESG Policy as well as business continuity plans for ESG-related crisis.

A Board meeting will be held at least annually to discuss and review ESG issues. The ESG Policy will be reviewed, and performance will be monitored annually by the Board in the Board meeting on an ongoing basis. All the key ESG issues and ESG KPIs will be reported according to Appendix 27 of the Listing Rules.

Materiality Assessment and Stakeholder Engagement

Our Board will be responsible for determining materiality of ESG issues. Our Directors understand the importance of materiality assessment as a process to identify, prioritize and determine ESG issues that are relevant and important to our sustainable development, and are sufficiently important to disclose to investors and other stakeholders to fulfil our commitment to transparency. The materiality assessment process will be as follow:

Step 1: A list of potential issues will be compiled based on: (i) our stakeholder engagement; (ii) our corporate strategy as well as risk priorities; and (iii) with reference to established material topics in the relevant and global guidelines.

Step 2: Prioritization and stakeholder engagement will be conducted by: (i) identification of key stakeholder groups; (ii) regular special engagements; and (iii) determining the materiality by materiality matrix (in terms of legal, operation and reputation risk), and their importance to us under its enterprise risk management system.

Step 3: Validation will be conducted by our senior management's endorsement under the Board's review and supervision.

Stakeholders

Stakeholders will be prioritized in view of our strategies and business initiatives. We will engage with our stakeholders to seek their views on its business proposals and initiatives as well as to promote sustainability in the marketplace, workplace, community and environment. Key stakeholders that are important to our business include (i) government and regulatory authorities; (ii) shareholders and investors; (iii) employees; (iv) customers; (v) industry associations; (vi) members of the public and communities, and we will establish communication channels for them.

Managing ESG Risks

We are committed to an analysis and assessment process that will enable us to identify any material ESG risks and take actions to address these risks timely and effectively. We will have dedicated teams to identify, assess, manage and mitigate environmental and social-related risks. For example, our Board will assess the likelihood of such risks occurring and the estimated magnitude of any potential impact. We may also engage independent third parties to evaluate the ESG risks and review our existing strategy, target and internal controls. Necessary improvement will then be implemented to mitigate any major ESG risks identified.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material ESG risks. However, we have been actively observing policy trends, environmental risks and opportunities and incorporating them into our ESG related metric and targets so as to prepare for the possible impacts of relevant policy and environmental requirements on sustainable development on our business development and financial costs. We will continue to monitor risks associated and will strive to constantly update our ESG Policies upon its implementation to address latest changes in relation to relevant issues going forward.

ESG related metric and targets

As our business does not relate to manufacturing and production, our operations does not have any direct negative impacts on the environment. Nevertheless, we will regulate ourselves to reduce indirect negative impacts on the environment in our operations. In implementing our ESG related strategies, we will use certain ESG KPIs to evaluate our ESG performance to ensure that we meet our targets and take corrective actions when necessary.

Considering the nature of our business operation, the Board considers electricity and paper consumption to be our KPI to evaluate ESG performance. We have set the following ESG-related targets.

Material issues	Targets	Our response
Electricity consumption reduction	Keep the level of our electricity consumption between 80% and 100% of that in 2022 over the next three years	We have installed energy-saving LED lights to replace traditional tubes, and have arranged for the installation of smart meters to monitor real-time data for effective consumption management.
Paper consumption reduction	Keep the level of our paper consumption between 80% and 100% of that in 2022 over the next three years	We have advocated for a paperless office by reducing the use of paper materials in our day to day operations, and encourage our employees to recycle and use less paper.

The following sets out the total electricity and paper consumption of our headquarters during the Track Record Period:

	Year ended December 31,			Five months ended May 31,
	2020	2021	2022	2023
		(kWh)		
Total electricity consumption (1)	11,032	10,954	10,882	10,299
Average consumption amount per employee (2)	124.7	129.6	146.1	152.6

	Year ended December 31,			Five months ended May 31,
	2020	2021	2022	2023
		(metric tons)		
Total paper consumption (1)	7.7	8.8	5.4	3.6
Average consumption amount per employee (2)	0.09	0.10	0.07	0.05

Note:

(1) Calculated based on the percentage of the area used by our Group at the premise which was shared with the Excluded Group.

(2) Calculated based on the total consumption amount divided by the average number of employees at the beginning and the end of each year or period.

Our average electricity consumption amount per employee increased from 124.7 kWh in 2020 to 129.6 kWh in 2021 and further increased to 146.1 kWh in 2022. The increase was mainly due to the decrease in the average number of our employees throughout the Track Record Period. Our average electricity consumption amount per employee further increased to 152.6 kWh for the five months ended May 31, 2023 as a result of the increase in floor area occupied by our Group.

Compliance with our internal controls

We have established internal control procedures and policies to ensure our compliance with the above rules and regulations for our business operations. During the Track Record Period, our staff have complied with these internal control procedures and policies in all material respects. Our Directors believe there were no major internal control issues that would impact (i) loan or interest receivables cycle or (ii) our ability to borrow or continue to borrow from banks and other authorized institution.

To monitor the ongoing implementation of our risk management and internal control policies and our corporate governance measures after our proposed [**REDACTED**], we have adopted or will adopt, among other things, the following measures:

- the establishment of the Audit Committee responsible for overseeing our financial records, internal control procedures and risk management systems;
- the appointment of China Everbright Capital Limited as our compliance advisor upon the proposed [**REDACTED**] to advise us on compliance with the Listing Rules;
- the appointment of Ms. Lai Siu Kuen as our Company secretary and the engagement of external legal advisers to advise us on compliance with the Listing Rules and to ensure our compliance with relevant regulatory requirements and applicable laws, where necessary; and

- the implementation of internal policies and procedures to monitor the ongoing connected transactions and to ensure that they do not exceed the relevant annual caps.

We believe that compliance creates value for us and in turn for our Shareholders and are dedicated to cultivating a compliance culture among all our employees. To ensure that our compliance culture is embedded into everyday workflow and to set the expectations for individual behavior among our employees, we implemented strict policies and conducted compliance training.

Review of internal control systems

In preparation for the [**REDACTED**], we have engaged an independent third party consultant (the "**IC Consultant**") to perform a review over selected areas of our internal controls over financial reporting in December 2022 (the "**Internal Control Review**"). The selected areas of our internal controls over financial reporting that were reviewed by the IC Consultant included entity-level controls and business process level controls, including interest income, receivables and collection, procurement, account payable and payment, human resources and payroll, cash and treasury management, fixed assets, insurance, financial reporting and disclosure, taxes, general controls of information technology and intellectual properties. Significant deficiencies identified by the IC Consultant during its initial review conducted in December 2022 were in area including establishment of the required terms of reference of the Board (including the appointment of the required Directors such as Independent Non-executive Directors) and its committee such as audit committee, remuneration committee and nomination committee in accordance with the Listing Rules. The IC Consultant performed the follow-up reviews in March 2023 to review the status of the management actions taken by our Group to address the findings of the Internal Control Review (the "**Follow-up Review**"). The IC Consultant did not have any further recommendation in the Follow up Review except for the deficiencies mentioned above, which is expected to be completed by our Group before the [**REDACTED**]. The Internal Controls Review and the Follow-up Review were conducted based on information provided by our Group and no assurance or opinion on internal controls was expressed by the IC Consultant.

Customer complaints

We have a standard procedure for handling customer complaints. According to our complaints handling policy, all customer complaints are required to be reported to the relevant department heads. A complaint will not be investigated by the employee(s) involved in the subject matter. Upon receipt of a complaint, we will send a written acknowledgment to the complainant within seven working days of the filing of the complaint. Upon investigation and consultation with our senior management, we will provide a final response (or, in the case where required information is pending, an interim response) to the complainant within 30 days of the filing of the complaint. Any final response will also have to be approved by our chief executive officer or chief operating officer, detailing the outcome of our investigation as well as the remedies made or actions to be taken.

Corporate governance

We expect that we will comply with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules after our proposed [**REDACTED**]. We have established three board committees, namely, the Audit Committee, the Nomination Committee and the Remuneration Committee, with respective terms of reference in compliance with the Corporate Governance Code. For more details, see "Directors and Senior Management".

In particular, one of the primary duties of our Audit Committee is to review the effectiveness of our internal audit activities, internal controls and risk management systems. Our Audit Committee consists of three of our independent non-executive Directors, whose biographies are set out in "Directors and Senior Management". Our Directors will review our corporate governance measures and our compliance with the Corporate Governance Code each financial year and comply with the "comply or explain" principle in our corporate governance reports to be included in our annual reports after our proposed [**REDACTED**].

LEGAL PROCEEDINGS AND COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, we were not involved in any material legal proceedings. To the best of our Directors' knowledge, information and belief, no member of our Group is engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against any member of our Group that would have a material and adverse effect on our business, results of operations, financial condition and prospects. For further details about legal proceedings initiated by us to recover delinquent payments during the ordinary course of our business, see "— Risk Management and Internal Control — Loan Collection".

As of the Latest Practicable Date, we are not aware of any threat of any legal, arbitral or administrative proceedings against our Directors which is likely to have a material and adverse effect on our business, results of operations, financial condition and prospects.

During the Track Record Period and up to the Latest Practicable Date, we have complied with relevant and applicable laws and regulations in Hong Kong (including but not limited to the Money Lenders Ordinance, the United Nations Sanctions Ordinance (Chapter 537 of the Laws of Hong Kong) and the United Nations (Anti-Terrorism Measures) Ordinance (Chapter 575 of the Laws of Hong Kong)) in all material aspects and have obtained the Money Lenders License for our operating subsidiaries as required under the Money Lenders Ordinance.

LICENSE, PERMITS AND APPROVALS

During the Track Record Period and up to the Latest Practicable Date, we had obtained all requisite licenses, permits, approvals, and certificates from the relevant government authorities that are material for our business operations in Hong Kong. The revised and additional licensing conditions of Money Lenders Licenses issued by Companies Registry that took effect on March 16, 2021 does not affect the prospect of renewal of our Money Lenders Licenses as we have adopted internal policies to ensure such licensing conditions are fulfilled. The following table sets out details of our material licenses and permits:

License/Permit	Holder	Issuing Authority	Effective Date	Expiry Date
Money Lenders License	K Cash	Licensing Court	August 21, 2022	August 22, 2023
Money Lenders License	K Cash Express	Licensing Court	March 30, 2023	March 31, 2024

We are in the process of renewing the Money Lenders License of K Cash. Our External Legal Counsel has opined that, (i) as of the Latest Practicable Date, there existed no foreseeable ground for the relevant regulatory authority to object to the renewal of such license, and the current licenses are renewable in the normal course of business; and any Money Lenders License in respect of which an application for renewal is made shall be deemed to continue in force until the determination of such application, unless such application is withdrawn, or the license is revoked or suspended.

We are of the view that there is no material risk that any of such licenses, permits and approvals will be revoked prior to their expiration dates. Moreover, given our successful track record in renewing such licenses, we do not envisage any legal impediments to such renewals in the future. For further information relating to the risks associated with obtaining and renewing licenses, permits and approvals, see "Regulatory Overview — Money Lending".

PROPERTIES

As of the Latest Practicable Date, we did not have any self-owned property. As of the Latest Practicable Date, we have leased or licensed the following premises in Hong Kong, which have lease expiration dates ranging from January 2024 to June 2027:

	Address
1.	17/F, Wheelock House, 20 Pedder Street, Central, Hong Kong
2.	Shop No. ETS 7 at MTR East Tsim Sha Tsui Station
3.	Shop 8 on G/F, Hoi Fung Centre, No. 2 Po Man Street, Shau Kei Wan, Hong Kong
4.	Shop No. 1A8 on G/F, Whampoa Estate, Nos. 99, 99A, 99B, 99D-99F, 99H, 99J, 101-109 Dock Street, Nos. 2-4, 8-16, 20-26, 30-34, 34A-34E Tak Man Street, Kowloon
5.	Shop No. SHT 21 at MTR Sha Tin Station
6.	Shop 6C on G/F Kwong Fuk Building, Nos. 114/124 Kwong Fuk Road, Nos. 31B/31C, 33A/33B & 39/41 Kwong Fuk Square, Tai Po, New Territories
7.	Unit A008 on 1st Floor of Nan Fung Centre, 264-298 Castle Peak Road, 64-98 Sai Lau Kok Road, Tsuen Wan, New Territories
8.	Shop A and Part of Shop B, Ground Floor, Shun Fat House, 54-66 Kau Yuk Road, Yuen Long, New Territories

As of the Latest Practicable Date, no single property accounted for 15% or above of our consolidated total assets by book value. Therefore, this document is exempt from the requirements under Chapter 5 of Hong Kong Listing Rules and Paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance that the interests in the lands and buildings shall be included in the valuation report according to section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

COMPETITION

We believe that the market for money lending services in Hong Kong is characterized by keen competition among money lenders operating under the Money Lenders Ordinance. According to the Frost & Sullivan Report, we were the fourth in terms of revenue in respect of the overall unsecured loan business among all licensed money lenders in Hong Kong in 2021.

We believe that our (i) early adoption of various technology in our business operations; (ii) efficient, flexible and customer-centered services; (iii) enhanced borrowing experience; (iv) experienced management team; and (v) positive corporate image enable us to maintain a competitive edge over other market players. We also regularly review our loan product lines and interest rates to ensure that we respond to changing market demands in a timely manner.

IMPACT OF OUTBREAK OF COVID-19 ON OUR BUSINESS

The COVID-19 outbreak had extensive and long-lasting impact on Hong Kong's economy and local business, and it may pose uncertainty for our business performance. In view of such emerging risks, we have adopted stringent credit risk policy. For details, see "— Risk Management and Internal Control — Credit risk management — Credit Risk Management for COVID-19 Outbreak".

In addition to the above, we also implemented certain other measures in response to the COVID-19 outbreak during the Track Record Period. For example, to comply with the Hong Kong Government's regulations on the prevention and control of COVID-19 (including prohibitions on gathering) imposed from time to time, we shorten our operating hours following the social distancing measures implemented by the Hong Kong government at different stages. From mid-February to end of February 2022, the opening hours of our headquarters was shortened by 1.25 hours on business days and from March to mid-April 2022, our opening hours was further shortened by an hour on business days. Our headquarters remained closed on Saturdays throughout the same period. This affected our on-site loan application and drawdown process and potential borrowers may opt for other financing options if they are unable to complete the loan application process with us. We continued to apply our IDCM risk-based pricing model while being highly cautious of loan applications from applicants involved in industries affected by COVID-19 outbreak. On the other hand, we put more emphasis on alternative data such as payroll method and consumption habits, in addition to attributes generated by a credit reference agency.

In February 2022, in the face of the fifth wave of COVID-19 in Hong Kong, we became more prudent in handling the risk of defaults and suspended our 7x24 AI Loans for applicants working in the catering, retail, hotel or tourism sectors and manually reviewed such loan applications. For details, see "Risk Factors — Risks relating to our business and industry — We face certain risks associated with the outbreak of COVID-19".

As of the Latest Practicable Date, notwithstanding as discussed herein and "Financial Information", we did not experience material business disruptions or operating difficulties due to the COVID-19 outbreak. We believe the impact of COVID-19 outbreak on our operations is temporary in nature, has not materially affected our business in the Track Record Period, and is not expected to have a material adverse impact on us in the long run. Nevertheless, the impact of COVID-19 remains an evolving situation, and there remain uncertainties as to the future development of the pandemic, which is beyond our control. If there are further waves of large-scale outbreaks, social distancing measures or travel restrictions might be imposed by the Hong Kong Government which would affect the overall economy and the demand for financing. In such circumstances, our operations and financial performance maybe adversely affected. Please also see "Risk factors — Risks relating to our business and industry — We face certain risks associated with the outbreak of COVID-19" in this document.

NOTIFIABLE TRANSACTIONS AND DISCLOSURE PURSUANT TO CHAPTER 13 OF THE LISTING RULES

We are a licensed money lender providing financial assistance to our customers in our ordinary course of business. Pursuant to Rule 14.04(8) of the Listing Rules, the term "ordinary and usual course of business", in the context of financial assistance, means financial assistance provided by a banking company or by a securities house pursuant to Rule 14.04(1)(e)(iii) of the Listing Rules only and does not apply to us operating as a money lender. As such, the financial assistance provided by us to our customers constituted transactions pursuant to Rule 14.04(1) of the Listing Rules and in the event that any of the applicable percentage ratios in respect of a loan provided by us to our customer reaches the threshold in Chapter 14 of the Listing Rules, such provision of loan will constitute notifiable transactions under Chapter 14 of the Listing Rules upon [**REDACTED**] and become subject to the notification, publication and/or shareholders' approval requirements.

In addition, the loans provided by us to our customers may also trigger a general disclosure obligation under Rules 13.13 and 13.15 of the Listing Rules and be subject to announcement and reporting requirements, in the event that the relevant advance to an entity by our Group individually exceeds 8% under the assets ratio as defined in Rule 14.07(1) of the Listing Rules.

As of May 31, 2023, none of the outstanding loans we provided to our customers would constitute a notifiable transaction under Chapter 14 or trigger a general disclosure obligation under Rule 13.13 or Rule 13.15 of the Listing Rules when taking into account the applicable percentage ratios (other than equity capital ratio which is not applicable) calculated pursuant to Rule 14.07 of the Listing Rules.

We will put in place procedures, including seeking advice from external legal advisors where necessary, to ensure that the relevant requirements under Chapter 13 and Chapter 14 of the Listing Rules above are complied with on or after the [**REDACTED**].

OUR CONTROLLING SHAREHOLDERS

Prior to the completion of the [**REDACTED**] and the [**REDACTED**], Konew Group is interested in 100% of the equity interests of our Company through its wholly-owned subsidiary, Konew Fintech. Accordingly, each of Konew Group and Konew Fintech is a Controlling Shareholder of our Company.

Mr. Steven Lee through the Lee Trust, Chairman Lee, Mrs. Lee and Mr. Edwin Lee own 28.5%, 25.0%, 25.0%, and 21.5% respectively of the issued share capital of Konew Group which in turn indirectly holds [**REDACTED**] of the issued capital of our Company, immediately following the completion of the [**REDACTED**] and the [**REDACTED**] (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**] or options which may be granted under the Share Option Scheme). Chairman Lee and Mrs. Lee are spouses and the parents of Mr. Steven Lee and Mr. Edwin Lee. Accordingly, Chairman Lee, Mrs. Lee, Mr. Steven Lee and Mr. Edwin Lee are regarded as a group of Controlling Shareholders of our Company, on the basis (i) of their family relationships of being close associates (spouses) and family members (parents, sons and siblings) of each other; and (ii) that Chairman Lee, Mrs. Lee, Mr. Steven Lee (through the Lee Trust) and Mr. Edwin Lee hold their shareholding interests collectively in our Company directly and indirectly via a common investment holding company (namely, Konew Group), and therefore be presumed to be a group of Controlling Shareholders pursuant to the Guidance Letter HKEX-GL89-16. Accordingly, each of Chairman Lee, Mrs. Lee, Mr. Steven Lee and Mr. Edwin Lee is a Controlling Shareholder of our Company.

Mr. Steven Lee is the chief executive officer and an executive Director of our Company. Chairman Lee is the chairman of our Board and a non-executive Director of our Company. Mrs. Lee is a non-executive Director of our Company. Further details of their background are set out in the section headed "Directors and Senior Management" of this document. Mr. Edwin Lee is not a Director or member of the senior management of our Company, and is not a director or member of senior management of any member of our Group. He has not been involved in the day-to-day operations and management of our Group throughout the Track Record Period.

EXCLUDED BUSINESS

The Directors have confirmed that to the best of their knowledge, information and belief, as of the Latest Practicable Date, save for Konew Group's interests in the Secured Loan Business as mentioned in the section below, none of the Controlling Shareholders nor Directors and any of their respective close associates have interests in businesses, other than our Group's Unsecured Loan Business, which may directly or indirectly compete with the Unsecured Loan Business of our Group and would require disclosure under Rule 8.10 of the Listing Rules.

THE EXCLUDED GROUP AND THE SECURED LOAN BUSINESS

The Excluded Group is controlled by the Lee's Family and is principally engaged in the Secured Loan Business. The Secured Loan Business is mainly operated through Konew Capital, Maxcolm Finance and Honip Credit, each of them holds a Money Lenders License and are regulated by the Money Lenders Ordinance. An unsecured loan portfolio has been acquired by our Group from the Excluded Group on December 31, 2022. Likewise, an insignificant amount of subordinated loan portfolio has been transferred to the Excluded Group from our Group on the same date. For further details, see "Business — Key Financial and Operating Metrics — Receivables of Loan Principal". The Excluded Group offers secured loan financings to customers in the ordinary and usual course of the Secured Loan Business. Properties are generally used as collaterals for the secured loan applications, which include (i) residential properties such as apartments, tenement houses, single houses and village houses; (ii) commercial properties such as retail and office premises; (iii) industrial units; (iv) car parking spaces; and (v) land.

Details of the two types of secured loans offered by the Excluded Group are set out below:

First Mortgage Loans

The Excluded Group grants first mortgage loans to the First Mortgage Loan Applicants which are secured against real estate assets in Hong Kong.

The credit intelligence department of the Excluded Group will review the background of the First Mortgage Loan Applicant, including the First Mortgage Loan Applicant's credit history and profile, the property type, profile and valuation and whether the property is subject to any encumbrance and the overall market conditions at the time of First Mortgage Loan application.

For the three years ended December 31, 2022 and five months ended May 31, 2023, the total interest income generated from the Excluded Group's First Mortgage Loan business was approximately HK$299.9 million, HK$365.4 million, HK$307.5 million and HK$118.1 million, respectively.

Subordinated Mortgage Loans

The Excluded Group grants subordinated mortgage loans to the Subordinated Mortgage Loan Applicants who are property owners, and such loans are secured by second or lower ranking mortgages on their properties in favor of the Excluded Group which are subordinated to the first or higher ranking mortgage(s) charged on the same mortgaged properties.

For the three years ended December 31, 2022 and five months ended May 31, 2023, the total interest income generated from the Subordinated Mortgage Loan business from the Excluded Group was approximately HK$354.5 million, HK$346.6 million, HK$300.3 million and HK$126.0 million, respectively.

For the three years ended December 31, 2022 and five months ended May 31, 2023, the total interest income generated from Subordinated Mortgage Loan business from our Group was approximately HK$0.8 million, HK$0.5 million, HK$0.5 million and nil, respectively.

Nature of the Relevant Market Segments

Our Directors believe that our Unsecured Loan Business and the Excluded Group's Secured Loan Business belong to different market segments with different target customers, risk profile, financial needs and returns as set out below and there is no direct and/or indirect material competition between them.

Unsecured Loan Business

Personal Loans: As Personal Loan borrowers are not required to provide any security, a higher interest rate is charged and a shorter repayment period is given by licensed money lenders to make up for the higher inherent risk. The interest rate of our Personal Loans generally ranges from 10.0% to 48.0% during the Track Record Period. Since December 30, 2022, the effective rate of interest exceeding which a loan transaction would be considered extortionate has been lowered from 48% per annum to 36% per annum. However, the current extortionate rate of 36% per annum does not apply to loan agreement entered into before December 30, 2022. For further details on the statutory framework on the extortionate interest rate, see the "Regulatory Overview".

Unsecured Property Owner Loans: Unsecured property owner loans mainly target borrowers who need quick access to funds but have difficulty in obtaining mortgage loans. For example, in Hong Kong, owners of properties acquired under the HOS are generally subject to such terms and conditions that the Director of Housing of the Housing Authority may impose, which includes restrictions on refinancing. Even though no property is pledged to the lender of unsecured property owner loans, we believe the inherent risk of unsecured property owner loans is considered lower than the loans for individuals who do not own any properties and hence licensed money lenders would consider charging a lower interest rate for unsecured property owner loans as compared to unsecured personal loans to non-property owners.

SME Loans: The SME loan providers target SMEs which are unable to obtain financing for working capital and/or business expansion purposes from authorized institution such as banks due to delinquency risks or lack of tracked operating records. By offering greater flexibility and simplified procedures, we believe licensed money lenders can better serve SMEs' liquidity needs and have become an important alternative financing channel for SMEs in Hong Kong.

Secured Loan Business

Secured loan providers target the financing needs of the property owners. These borrowers can provide property as collateral and the licensed money lenders can liquidate the property collateral if the borrower defaults on the loan. Therefore, licensed money lenders are generally willing to offer lower interest rates and longer repayment periods to mortgage loan borrowers as compared to unsecured loan borrowers. According to Frost & Sullivan, the interest rate of a mortgage loan may range from 15.0% to 30.0% depending on the property loan types and property types. We believe Subordinated mortgage loans are subject to higher-ranked mortgage(s) and therefore usually have a higher credit risk than the first mortgage loans.

As the nature and characteristics of the relevant market segments are not overlapped and are substantially different with distinctive features, we believe our Unsecured Loan Business is clearly delineated from the Excluded Group's Secured Loan Business. Our Directors believe, for the reasons set out below, that there is clear business delineation between the Secured Loan Business and Unsecured Loan Business and there is no direct or indirect material competition between our business and the Excluded Group's business.

Business Delineation

There is a clear delineation between our Unsecured Loan Business and the Secured Loan Business operated by the Excluded Group. Our Directors are of the view that the Secured Loan Business operated by Excluded Group and our loan products are different business segments and are not of competing nature for the following major reasons:

Personal Loan segment and SME Loan segment

Loan applicants without properties are served by our Group: The Secured Loan Business, comprising the First Mortgage Loan business and the Subordinated Mortgage Loan business, requires their target customers to provide their properties as collateral. In contrast, applicants of Personal Loans and SME Loans, being the target customers of our Group, are generally not eligible to apply for the mortgage loans without properties. Therefore, applicants of Personal Loans and SME Loans without properties being provided as collateral can only be served by our Group. There will be in principle no direct competition between the Personal Loan business and SME Loan business of our Group and the Secured Loan Business of the Excluded Group.

Unsecured HOS Property Owner Loan segment

Unsecured HOS Property Owner Loan applicants are served by our Group: The loan nature offered by our Group and the Excluded Group is also inherently different. Notwithstanding the fact that Unsecured Property Owner Loan Applicants are property owners, owners of Restricted HOS Properties are generally not eligible to offer their property as security based on the financial restriction imposed by the Director of Housing of the Housing Authority. For Unsecured Property Owner Loans granted by us, the majority of Unsecured Property Owner Loans are Unsecured HOS Property Owner Loans.

Unlike the First Mortgage Loan Applicants and the Subordinated Mortgage Loan Applicants who are owners of private properties and can decide whether to apply for Secured Loan or Unsecured Property Owner Loan based on their financing needs, HOS Property Owners are subject to additional restrictions and are not eligible to provide their HOS property as collateral for the Secured Loan application. Restricted HOS Properties are subject to alienation restrictions as stipulated in the terms, covenants and conditions contained in the Schedule to the Housing Ordinance and its subsequent amendments or the terms of the Deed of Assignment and the terms, covenants and conditions contained in the Government lease and are not allowed to be used as collateral for the mortgage loan. According to the Housing Ordinance, HOS Property Owners who wish to mortgage/remortgage their flats within the five-year restriction period or after the said period without paying the premium must obtain prior approvals from the Director of Housing who may impose such terms and conditions as he thinks fit.

In other words, if the HOS Property Owner wishes to dispose the HOS property or otherwise create an equitable charge to secure the granting and advancement of loan, the owner must first pay the premium stipulated in the schedule to the Housing Ordinance in full to obtain the Certificate for Removal of Alienation Restrictions (the "**Certificate**") from the Housing Department, which certifies that the Premium has been paid and the alienation restrictions on the HOS property will be removed.

In this connection, by virtue of the restrictions of the HOS stipulated under the Housing Ordinance regarding the restriction to mortgage/remortgage the property within the five-year restriction period and the requirement to obtain prior approval from the Director of Housing to mortgage/remortgage without first making the land premium payment, the owners of Restricted HOS Properties are, in principle, not the target customers of the Excluded Group, whereas, our Unsecured HOS Property Owner Loan serves to facilitate the financing needs of these owners of Restricted HOS Properties. Therefore, the nature of the property owned by borrowers of Unsecured HOS Property Owner Loan and Secured Loan Business is different, and hence, there is a clear delineation between the target customers for the Secured Loan Business and the Unsecured HOS Property Owner Loan business.

Revenue contribution of Free HOS Property owner to Excluded Group is insignificant: Only an insignificant number of HOS Property Owners who have obtained the Certificate and converted the Restricted HOS Property to a free secondary market property (the "**Free HOS Property**") made applications to the Excluded Group for Secured Loan. The loan principals in respect to the Secured HOS Loan offered by the Excluded Group ranges from HK$50,000 to HK$7.7 million. During the Track Record Period, the Secured HOS Loan contributed HK$37.0 million, HK$38.6 million, HK$33.2 million and HK$12.5 million, respectively, to the total revenue of the Secured Loan Business, representing 5.7%, 5.4%, 5.5% and 5.1% of the total revenue of the Secured Loan portfolio. For the loan balance, the Secured HOS Loan amounted to HK$178.4 million, HK$171.3 million, HK$154.8 million and HK$132.9 million, as of December 31, 2020, 2021 and 2022 and May 31, 2023, respectively, of the total balance of the Secured Loan portfolio, representing 5.3%, 5.1%, 4.8% and 4.1% of the total balance of the Secured Loan portfolio. During the Track Record Period, none of our borrowers of Unsecured HOS Property Owner Loans converted their loan to the Excluded Group's Secured Loan during the application process by virtue of the removal of alienation restriction imposed on the HOS property.

Based on the above, the Directors believe and the Joint Sponsors concur, that in principle, there is no material competition between the Excluded Group and the Personal Loan, SME Loan and Unsecured HOS Property Owner Loan segments respectively by virtue of the ineligibility of our targeted borrowers to apply for Secured Loan.

Unsecured Private Property Owner Loan

During the Track Record Period, our Group had engaged in a small portion of Unsecured Private Property Owner Loan business, accounting for 3.2%, 3.1%, 2.8% and 4.0% of our interest income during the Track Record Period. The segmental details on the Unsecured Property Owner Loan during the Track Record Period are as follows:

	Unsecured HOS Property Owner Loan				Unsecured Private Property Owner Loan			
	For the year ended/ As of December 31,			For the five months ended/As of May 31,	For the year ended/ As of December 31,			For the five months ended/As of May 31,
	2020	2021	2022	2023	2020	2021	2022	2023
Interest income	HK$176.7 million	HK$161.3 million	HK$140.1 million	HK$65.4 million	HK$9.9 million	HK$8.3 million	HK$6.7 million	HK$4.2 million
Percentage of the total loan principal of our Unsecured Property Owner Loans	95.7%	95.9%	95.8%	92.4%	4.3%	4.1%	4.2%	7.6%
Typical interest rate range	20.4% – 42.0%				20.4% – 48.0%			

Size of the Unsecured Private Property Owner Loan is immaterial: For the three years ended December 31, 2022 and the five months ended May 31, 2023, the Unsecured Private Property Owner Loan only contributed HK$9.9 million, HK$8.3 million, HK$6.7 million and HK$4.2 million, respectively, to our interest income the Unsecured Private Property Owner Loan business, representing 4.3%, 4.1%, 4.2% and 7.6% of the total loan principal of the Unsecured Property Owner Loan portfolio. In contrast, the Unsecured HOS Property Owner Loan contributed significantly to the revenue of the Unsecured Private Property Owner Loan business, amounting to HK$176.7 million, HK$161.3 million, HK$140.1 million and HK$65.4 million, respectively, for the three years ended December 31, 2022 and the five months ended May 31, 2023, representing 95.7%, 95.9%, 95.8% and 92.4% of the total loan principal of the Unsecured Property Owner Loan portfolio.

Our Directors believe should there be any potential competition between the Secured Loan Business operated by the Excluded Group and the Unsecured Private Property Owner Loan business operated by our Group, the potential business competition is immaterial based on the following reasons:

Borrower's needs are different: Even as a private property owner, whether or not to provide the property as a collateral in securing a loan depends on a number of factors, such as the purpose of the loan, the loan amount, the interest rate and repayment terms. Also, if the property is jointly owned by the borrower and other individuals, the borrower will typically be required to obtain consents from all joint owners of the property in order to obtain the mortgage.

Commercial terms are different: Even if a loan applicant's financing needs can be served by both the Secured Loan Business of the Excluded Group and our Unsecured Private Property Loan business, the key commercial terms and conditions of the loans are not the same. In order to reflect the additional risk associated with the Unsecured Private Property Owner Loan as compared to the secured loan financings, the Unsecured Private Property Owner Loans, in the absence of collateral, will generally be subject to a higher interest rate. In contrast, for Secured Loan Applicants who are willing to provide property as collateral for the Secured Loan, the Secured Loan will generally be subject to a lower interest rate. For example, for an application of Unsecured Private Property Owner Loan with principal loan amount more than HK$400,000, the interest rate offered by our Group typically ranged from 16.0% to 33.6% during Track Record Period with the median of the interest rate was 25.1% whereas, the interest rate offered by the Excluded Group for First Mortgage Loans typically ranged from 14.4% to 30.0% during Track Record Period with the median of the interest rate was 21.6% and the interest rate offered by the Excluded Group for Subordinated Mortgage Loans typically ranged from 16.8% to 33.6% during the Track Record Period and the median of the interest rate was 22.8%.

With these figures taking into account, the potential business competition only represents a relatively small portion of our Group, being the Duplicated Loan Range, representing the loan range from HK$200,000 (being the lowest loan amount generally granted under the Secured Loan Business) to HK$400,000 (being the highest loan amount generally granted under the Unsecured Private Property Owner Loan business). The summary table below sets out the (i) tenor; and (ii) interest rate of the Duplicated Loan Range for the Unsecured Private Property Owner Loan business and Secured Loan Business:

	Unsecured Loan Business	**Secured Loan Business**	
	Unsecured Private Property Owner Loan	**First Mortgage Loan**	**Subordinated Mortgage Loan**
Loan tenor	Typically not more than 60 months	Typically not more than 120 months	Typically not more than 120 months
Typical interest rate	Typically not less than 18.0% (for the amount within the Duplicated Loan Range)	Typically not less than 16.2% (for the amount within the Duplicated Loan Range)	Typically not less than 18.6% (for the amount within the Duplicated Loan Range)
	Typically not less than 18.8% (for the loan portfolio which is **above** HK$400,000)	Typically not less than 15% (for the loan portfolio which is **above** HK$400,000)	Typically not less than 16.8% (for the loan portfolio which is **above** HK$400,000)

Principal loan receivable amounts are different: Although property owners can decide whether to make their loan application with or without their property as collateral, the range and average of principal loan amount offered by the Secured Loan Business and the Unsecured Private Property Owner Loan business are different. In particular, the typical limit of the principal loan receivable amount is different. A loan applicant who wishes to make a loan application for more than HK$400,000 will normally apply for a mortgage loan rather than our Unsecured Property Owner Loan. Our Directors believe that it is because the borrower prefers to enjoy a lower interest rate that is offered under a mortgage loan application. During the Track Record Period, our Group only granted two, three and nil new Unsecured Private Property Owner Loan with principal loan amount more than $400,000. Additionally, property owners are generally unwilling to make an application for secured loan if they do not have a certain extent of financing needs. During the Track Record Period, a Secured Loan Applicant who was willing to provide collateral would normally make an application for a principal loan amount of no less than HK$200,000.

As of each respective year or period end date during the Track Record Period[(1)], the different characteristics of the Unsecured Private Property Owner Loan, First Mortgage Loan and Subordinated Mortgage Loan are summarized below:[(1)]

	Unsecured Private Property Owner Loan	First Mortgage Loan	Subordinated Mortgage Loan
Range of principal loan receivable amount	**Duplicated Loan Range** (representing approximately 2.9%, 3.0%, 3.0% and 3.7% of the total Unsecured Property Owner Loan portfolio)	**Duplicated Loan Range** (representing 3.2%, 2.4%, 1.8% and 2.2% of the total First Mortgage Loan portfolio)	**Duplicated Loan Range** (representing approximately 6.5%, 5.3%, 4.5% and 3.9% of the total Subordinated Mortgage Loan portfolio)
	Below HK$200,000 (representing approximately 3.2%, 2.7%, 2.3% and 2.5% of the total Unsecured Property Owner Loan portfolio)	**Below** HK$200,000 (representing approximately 0.6%, 0.4%, 0.4% and 0.3% of the total First Mortgage Loan portfolio)	**Below** HK$200,000 (representing approximately 1.0%, 0.7%, 0.6% and 0.5% of the total Subordinated Mortgage Loan portfolio)
	Above HK$400,000 (representing approximately 1.1%, 0.8%, 1.2% and 0.6% of the total Unsecured Property Owner Loan portfolio)	**Above** HK$400,000 (representing approximately 96.2%, 97.2%, 97.8% and 97.5% of the total First Mortgage Loan portfolio)	**Above** HK$400,000 (representing approximately 92.5%, 94.0%, 94.9% and 95.6% of the total Subordinated Mortgage Loan portfolio)
Average principal loan receivable amount	HK$233,533, HK$238,391, HK$231,735 and HK$251,171 (for the loan portfolio which is within the range of **Duplicated Loan Range**)	HK$293,451, HK$289,964, HK$287,788 and HK$293,618 (for the loan portfolio which is within the range of **Duplicated Loan Range**)	HK$295,425, HK$297,830, HK$299,988 and HK$299,144 (for the loan portfolio which is within the range of **Duplicated Loan Range**)
	HK$82,454, HK$83,506, HK$83,452 and HK$82,307 (for the loan portfolio which is **below** HK$200,000)	HK$91,860, HK$96,724, HK$96,637 and HK$92,100 (for the loan portfolio which is **below** HK$200,000)	HK$100,062, HK$102,832, HK$98,551 and HK$104,989 (for the loan portfolio which is **below** HK$200,000)
	HK$1,200,571, HK$702,218, HK$834,317 and HK$584,672 (for the loan portfolio which is **above** HK$400,000)	HK$2,580,877, HK$3,176,732, HK$3,574,703 and HK$3,218,610 (for the loan portfolio which is **above** HK$400,000)	HK$1,396,592, HK$1,530,824, HK$1,822,335 and HK$2,189,056 (for the loan portfolio which is **above** HK$400,000)

(1) As disclosed in "Business — Key Financial and Operating Metrics — Receivables of Loan Principal", the Excluded Group had an insignificant amount of unsecured loan portfolio during the Track Record Period, and it has been acquired by our Group from the Excluded Group on December 31, 2022. Likewise, our Group had an insignificant amount of subordinated loan portfolio during the Track Record Period, and it has been transferred to the Excluded Group from our Group on the same date.

In each year or period during the Track Record Period, our revenue from the Unsecured Private Property Owner Loans and the revenue generated from First Mortgage Loan and Subordinated Mortgage Loan by the Excluded Group for various loan principal ranges are set out below:

	Unsecured Private Property Owner Loan	First Mortgage Loan	Subordinated Mortgage Loan
Revenue	**Duplicated Loan Range** HK$4.4 million, HK$3.6 million, HK$2.7 million and HK$2.2 million (representing approximately 44.4%, 42.9%, 40.4% and 52.0% of our total revenue generated from Unsecured Private Property Owner Loan) respectively for the year ended December 31, 2020, 2021 and 2022 and five months ended May 31, 2023	**Duplicated Loan Range** HK$11.6 million, HK$9.9 million, HK$7.9 million and HK$3.3 million (representing approximately 3.9%, 2.7%, 2.6% and 2.8% of the total revenue of the Excluded Group generated from First Mortgage Loan) respectively for the year ended December 31, 2020, 2021 and 2022 and five months ended May 31, 2023	**Duplicated Loan Range** HK$27 million, HK$23 million, HK$17 million and HK$7 million (representing approximately 7.7%, 6.7%, 5.8% and 5.5% of the total revenue of the Excluded Group generated from Subordinated Mortgage Loan) respectively for the year ended December 31, 2020, 2021 and 2022 and five months ended May 31, 2023
	Below HK$200,000 HK$5.0 million, HK$3.6 million, HK$2.7 million and HK$1.5 million (representing approximately 50.8%, 43.3%, 40.2% and 37.0% of our total revenue generated from Unsecured Private Property Owner Loan) respectively for the year ended December 31, 2020, 2021 and 2022 and five months ended May 31, 2023	**Below** HK$200,000 HK$2.3 million, HK$2.0 million, HK$1.3 million and HK$0.7 million (representing approximately 0.8%, 0.5%, 0.4% and 0.6% of the total revenue of the Excluded Group generated from First Mortgage Loan) respectively for the year ended December 31, 2020, 2021 and 2022 and five months ended May 31, 2023	**Below** HK$200,000 HK$3.4 million, HK$2.8 million, HK$2.0 million and HK$1.0 million (representing approximately 1.0%, 0.8%, 0.7% and 0.7% of the total revenue of the Excluded Group generated from Subordinated Mortgage Loan) respectively for the year ended December 31, 2020, 2021 and 2022 and five months ended May 31, 2023
	Above HK$400,000 HK$0.5 million, HK$1.1 million, HK$1.3 million and HK$0.5 million (representing approximately 4.8%, 13.8%, 19.4% and 11.0% of our total revenue generated from Unsecured Private Property Owner Loan) respectively for the year ended December 31, 2020, 2021 and 2022 and five months ended May 31, 2023	**Above** HK$400,000 HK$286 million, HK$353 million, HK$298 million and HK$114.2 million (representing approximately 95.4%, 96.7%, 97.0% and 96.7% of the total revenue of the Excluded Group generated from First Mortgage Loan) respectively for the year ended December 31, 2020, 2021 and 2022 and five months ended May 31, 2023	**Above** HK$400,000 HK$324 million, HK$320 million, HK$281 million and HK$118 million (representing approximately 91.3%, 92.5%, 93.5% and 93.8% of the total revenue of the Excluded Group generated from Subordinated Mortgage Loan) respectively for the year ended December 31, 2020, 2021 and 2022 and five months ended May 31, 2023

In each year or period during the Track Record Period, our revenue from Unsecured Personal Loans and SME Loans with loan principal above HK$400,000 and below HK$200,000 are set out below:

	Unsecured Personal Loan	SME Loan
Revenue	**Above** HK$400,000 HK$23.7 million, HK$16.8 million, HK$12.2 million and HK$5.0 million (representing approximately 22.3%, 19.3%, 16.3% and 16.8% of our total revenue generated from Unsecured Personal Loan) respectively for the year ended December 31, 2020, 2021 and 2022 and five months ended May 31, 2023	**Above** HK$400,000 HK$10.2 million, HK$11.9 million, HK$10.9 million and HK$4.7 million (representing approximately 97.3%, 92.1%, 90.6% and 93.2% of our total revenue generated from SME Loan) respectively for the year ended December 31, 2020, 2021 and 2022 and five months ended May 31, 2023
	Below HK$200,000 HK$59.2 million, HK$51.3 million, HK$49.9 million and HK$20.2 million (representing approximately 55.6%, 59.0%, 66.9% and 67.4% of our total revenue generated from Unsecured Personal Loan) respectively for the year ended December 31, 2020, 2021 and 2022 and five months ended May 31, 2023	**Below** HK$200,000 HK$70,000, HK$190,000, HK$140,000 and HK$19,000 (representing approximately 0.7%, 1.5%, 1.1% and 0.4% of our total revenue generated from SME Loan) respectively for the year ended December 31, 2020, 2021 and 2022 and five months ended May 31, 2023

Revenue contribution from Duplicated Loan Range is immaterial: The potential business competition in the Duplicated Loan Range only represents a relatively small portion of our Group. The Duplicated Loan Range contributed HK$4.4 million, HK$3.6 million, HK$2.7 million and HK$2.2 million to the total revenue generated from the Unsecured Private Property Owner Loan business for the years ended December 31, 2020, 2021 and 2022 and five months ended May 31, 2023, representing approximately 44.4%, 42.9%, 40.4% and 52.0% of our total revenue generated from Unsecured Private Property Owner Loans.

The revenue and loan balance of the First Mortgage Loan business and Subordinated Mortgage Loan business attributed from the Duplicated Loan Range are minimal. In respect of the First Mortgage Loan, the revenue generated from the Duplicated Loan Range business during the Track Record Period, are approximately HK$11.6 million, HK$9.9 million, HK$7.9 million and HK$3.3 million, respectively, representing approximately 3.9%, 2.7%, 2.6% and 2.8% of the overall First Mortgage Loan portfolio. In respect of the Subordinated Mortgage Loan, the revenue generated from the Duplicated Loan Range business during the Track Record Period are approximately HK$27.4 million, HK$23.3 million, HK$17.3 million and HK$6.9 million, respectively, representing approximately 7.7%, 6.7%, 5.8% and 5.5% of the overall Subordinated Mortgage Loan portfolio.

The target customers of the Excluded Group are mainly loan applicants with substantial financing needs, i.e. above HK$400,000. In respect of the First Mortgage Loan business, the revenue generated from the loan granted above HK$400,000 during the Track Record Period are approximately HK$285.9 million, HK$353.5 million, HK$298.3 million and HK$114.2 million, respectively, representing approximately 95.4% and 96.7%, 97.0% and 96.7% of the overall First Mortgage Loan portfolio. In respect of the Subordinated Mortgage Loan business, the revenue generated from the loan granted above HK$400,000 for the Track Record Period are approximately HK$323.7 million, HK$320.4 million, HK$280.9 million and HK$118.2 million, respectively, representing approximately 91.1%, 92.5%, 93.5% and 93.8% of the overall Subordinated Mortgage Loan portfolio. Such revenue contribution has demonstrated different target customers of the Excluded Group and our Company, in which more than 90% of the revenue is generated from the loan applicants with collaterals for a principal amount of no less than HK$400,000.

From our perspective, the revenue generated from the Duplicated Loan Range of the Unsecured Private Property Owner Loan business only contributed an insignificant portion of the Unsecured Property Owner Loan business. During the Track Record Period, the revenue generated from the Duplicated Loan Range of the Unsecured Property Owner Loan business are approximately HK$4.4 million, HK$3.6 million, HK$2.7 million and HK$2.2 million, respectively, representing 1.4%, 1.3%, 1.2% and 2.1% of the overall Unsecured Property Owner Loan portfolio. Therefore, the potential competition from the Duplicated Loan Range, if any, would not have a material impact on our Group's business and operation.

We expect the revenue generated by the Unsecured Private Property Owner Loan business will remain stable and will only contribute insignificant portion of our future revenue. Against such background, our Directors consider and the Joint Sponsors concur, that the potential competition arising from the Unsecured Private Property Owner Loan business is immaterial and there is an effective business delineation between our Group and the Excluded Group with the non-competition undertakings given by the Excluded Group and the Independent Business Opportunity Assessment Committee being established as discussed below.

Effective Business Referral Mechanism

In order to minimize any potential competition between the Excluded Group and our Group, the Excluded Group will offer the pre-emptive right for any lending business opportunity pursuant to the Excluded Group Non-Competition Undertaking (the "**Excluded Group NCU**"), to cover new business opportunities originating from applicants who are seeking to apply for a specified principal amount of secured private property loan which is within our typical loan range for Unsecured Private Property Owner Loan in the absence of collateral (the "**Referred Secured Loan Applicant**").

In the event that the First Mortgage Loan Applicants and Subordinated Mortgage Loan Applicants are willing to provide their property as collateral to make a Secured Loan application below the upper limit of the Duplicated Loan Range, which is within the range of loan principal amount generally provided by us, the Excluded Group has provided the Excluded Group NCU with reference to the upper limit of the Duplicated Loan Range, i.e. HK$400,000, covering these Unsecured Private Property Owner Loan business opportunities and shall grant the pre-emptive right to our Company who will be entitled to decide whether or not to take up such a business opportunity (the "**Referred Business Opportunity**"). A referral mechanism has been established, whereby if the Excluded Group receives a loan application from visiting the physical branches or online application from website or telephone hotline that is lower than the upper limit of the Duplicated Loan Range, i.e. HK$400,000, the Excluded Group will not process the secured private property loan application and invite the loan applicant to consider the Unsecured Property Owner Loan of the Group. Based on the unsecured credit assessment procedure, the Group will offer loan terms without security for the Referred Secured Loan Applicant for consideration. Should the Referred Secured Loan Applicant refuse to take up our offer, we will return the application to the Excluded Group for further processing.

Therefore, the Excluded Group will not take up such secured private property loan application under HK$400,000 unless (i) the Referred Secured Loan Applicant declines our loan offer; or (ii) our Group, after assessing the application of the Referred Secured Loan Applicant, declines the loan application in the absence of collateral. In the event that the Referred Secured Loan Applicant refuses to apply for the unsecured loans offered by our Group by virtue of, *inter alia*, (i) the interest rate offered; or (ii) the tenor offered by us is not in line with the Referred Secured Loan Applicant's expectation, the Excluded Group will be allowed to take over the business opportunity.

The Excluded Group has also undertaken to provide all information relating to the Referred Business Opportunity and all information necessary for the evaluation of the enforcement of the Excluded Group NCU as requested by the Independent Business Opportunity Assessment Committee from time to time, including the number of secured private property loan applications that fall within the ambit of the Referred Business Opportunity. The Excluded Group will also provide the Independent Business Opportunity Assessment Committee with the information relating to the Referred Business Opportunity in order for the Independent Business Opportunity Assessment Committee to observe the implementation status of the Excluded Group NCU. Therefore, the referral of the business opportunity and the pre-emptive right granted to our Group under the Excluded Group NCU will effectively minimize the potential competition of business between us and the Excluded Group and allow an objective numerical guideline to be implemented and to be enforced effectively.

Establishment of the Independent Business Opportunity Assessment Committee

In order to ensure that the Excluded Group NCU given by the Excluded Group will be implemented strictly and effectively, the Independent Business Opportunity Assessment Committee, a sub-committee of the Board is formed to review, assess and consider the matters related to the Excluded Group NCU. The Independent Business Opportunity Assessment Committee comprises 4 members, including 3 independent non-executive Directors and Ms. Wong Cheuk Sze, our executive Director and chief operating officer who does not have material interest in matters related to the Excluded Group NCU. The Independent Business Opportunity Assessment Committee is chaired by Mr. Mak Wing Sum Alvin, an independent non-executive Director. The independent non-executive Directors of the Independent Business Opportunity Assessment Committee will assess, among other things, whether or not our Group has taken up the Referred Business Opportunity and whether the Excluded Group NCU has been duly implemented.

Our Group will allow the independent non-executive Directors, upon receiving request, to appoint financial advisor or other professional expert to provide advice, at the cost of our Group, when necessary, in connection with the decision on whether to take on the Referred Business Opportunity.

Our Group will also adopt the following review and reporting procedures to ensure that the Excluded Group NCU is fully observed:

Periodic Review Mechanism: The Independent Business Opportunity Assessment Committee will be responsible for: (a) periodically reviewing the Referred Business Opportunities; and (b) periodically reviewing for the upward adjustment regarding the threshold of HK$400,000 based on the business development of our Group and other relevant factors; (c) reviewing the decision of our Company based on the pre-set criteria for taking the Referred Business Opportunities as referred in the pre-emptive right granted by the Excluded Group.

Periodic Reporting Mechanism: Our Group will report periodically matters related to the Excluded Group NCU to the Independent Business Opportunity Assessment Committee, including:

(i) our Company will prepare and provide report in relation to the information of the Referred Business Opportunities, *inter alia*, the decisions of our Company with details and analysis of the pre-set criteria and other matters as reported by our Company, to the Independent Business Opportunity Assessment Committee; and

(ii) the Independent Business Opportunity Assessment Committee will hold quarterly meeting to oversee, review, assess and discuss the non-competition undertakings related matters, the periodic report and other relevant matters relate to Excluded Group NCU.

Periodic Disclosure Mechanism: The Excluded Group will disclose periodically matters related to Excluded Group NCU, including:

(i) the Independent Business Opportunity Assessment Committee will report in the interim report and annual report (a) their findings on the compliance of the Excluded Group in relation to Excluded Group NCU; (b) any decision for not taking the Referred Business Opportunities, and the basis of such decision; and (c) the review for the upward adjustment regarding the threshold of HK$400,000 based on the business development of our Group and other relevant factors;

(ii) if the Independent Business Opportunity Assessment Committee has any recommendations in relation to the Excluded Group NCU governing matters, details of which will be included in our interim report and annual report; and

(iii) if any recommendations in relation to the non-competition undertakings governing matters have been provided by the Independent Business Opportunity Assessment Committee to our Group, our Group has undertaken to consider the recommendations and to implement such recommendations as soon as practicable in compliance with our Articles of Association as well as relevant laws and regulations, details and status of the implementations will also be included in the next available interim report and annual report so as to ensure transparency to the [**REDACTED**] public. Our Group will also disclose in our annual report and interim report for the said recommendations which have not been endorsed and implemented by the Board and provide the considered reasons and clear rationale for deviating from the recommendations (if applicable).

Reason for exclusion of the Secured Loan Business

Our Directors are of the view that it is commercially justifiable to exclude the Excluded Group and the businesses conducted by it due to the following reasons:

(i) it is in the interest of our Group to focus on Unsecured Loan Business, in which we have a relatively long operational history and are one of the major players in the market. Our Group does not and has no intention to engage in the secured loan business which is currently conducted by the Excluded Group;

(ii) given the differences in the assessment and approval processes involved in Secured Loan Business and Unsecured Loan Business in which that of the Secured Loan Business placed most of the emphasis on the provision of collaterals, whilst that of unsecured Loan Business is based on the overall credit assessment, focusing only on Unsecured Loan Business will allow our Group to gain direct access to the capital market for equity financing and to fund the existing operation and future expansion, such as the enhancement of technology by strengthening the credit risk control and management ability, thereby accelerating the expansion of and optimization of the operational and financial performance of the Unsecured Loan Business, which in turn will provide better return to the Shareholders;

(iii) our Group's management team will be able to focus on the Unsecured Loan Business with a clearly delineated business objective from the Secured Loan Business, namely with our Group focusing on the Unsecured Loan Business market, we will be able to improve our Group's ability to recruit, motivate and retain key management personnel as well as to expediently and effectively materialize on any business opportunities that may arise in the Unsecured Loan Business; and

(iv) there is no direct or indirect material competition between our business and those of the Excluded Group.

As required under Rule 8.10(1)(a)(iv), our Controlling Shareholders confirm that they do not intend to inject the Excluded Group or businesses conducted by it into our Group in the future.

Our Directors confirmed that, to the best of their knowledge, during the Track Record Period, the Excluded Group (i) had not been subject to any material claims or litigation (whether actual or threatened) or involved in any negative publicity or material non-compliance incidents of material importance; and (ii) had not been and is not under investigation by the competent governing authority for any material adverse operation regulatory issues that would have a material and adverse effect on the business and financial of the Excluded Group.

Save as disclosed above, as of the Latest Practicable Date, none of our Controlling Shareholders, any of their respective close associates, nor our Directors, had interests in other businesses that may, directly or indirectly, compete with our business and would require disclosure under Rule 8.10 of the Listing Rules.

NON-COMPETITION UNDERTAKINGS BY OUR CONTROLLING SHAREHOLDERS

To avoid any actual or potential competition between the business of the Controlling Shareholders and our Company, each of Chairman Lee, Mrs. Lee, Mr. Steven Lee, Mr. Edwin Lee, Konew Group and Konew Fintech, as a covenantor (each a "**Covenantor**", and collectively the "**Covenantors**") provided non-competition undertakings in favor of us, pursuant to which each of the Covenantors has, among other things, irrevocably and unconditionally undertaken with our Company that at any time during the Relevant Period (as defined below), subject to certain exceptions and except as disclosed in this document, each of the Covenantors shall not, and shall procure its close associates (other than members of our Group) not to, directly or indirectly, engage in, invest in, participate in, or attempt to participate in, whether on its own account or with each other or in conjunction with or on behalf of any person or company, any business directly or indirectly in competition with or likely to be in competition with the Unsecured Loan Business.

For the above purpose, the "Relevant Period" means the period commencing from the [**REDACTED**] and until the earlier of: (i) the date on which our Shares cease to be [**REDACTED**] on the Stock Exchange; and (ii) the date on which such Covenantors (together with their respective close associates) cease to be our Controlling Shareholders.

The aforesaid undertaking does not apply with respect to the holding of or being interested in, directly or indirectly, by the Covenantors and/or their respective close associates, any shares in any company which conducts or is engaged in, directly or indirectly, any business directly or indirectly in competition with or likely to be in competition with the Unsecured Loan Business, provided that:

(i) such shares are listed on a recognized stock exchange; and

(ii) the total number of such shares held by any of the Covenantors and/or their respective close associates does not amount to more than 10% of the issued shares of that class of such company in question.

Right of first refusal

Each of the Covenantors further undertakes with our Company that, if any new business opportunity relating to the Unsecured Loan Business arises (the "**Unsecured Loan Business Opportunity**"):

(i) the Covenantors shall direct to our Company any such Unsecured Loan Business Opportunity by serving our Company a written notice; and

(ii) such written notice shall include all information together with any documents possessed by it or its close associates in respect of the Unsecured Loan Business Opportunity to enable our Company to evaluate the merit of the Unsecured Loan Business Opportunity and all reasonable assistance as requested by our Company to enable our Group to secure the Unsecured Loan Business Opportunity.

Upon receipt of the written notice from the Covenantors, our Board (other than the interested Director, if any) will consider whether it is in the interest of our Company and our Shareholders as a whole to pursue the Unsecured Loan Business Opportunity. The Covenantors and their respective close associates (other than members of our Group) will not be entitled to pursue the Unsecured Loan Business Opportunity unless the Unsecured Loan Business Opportunity is declined by us, and the principal terms of which they and/or their close associates (other than members of our Group) invest or participate are no more favorable than those made available by our Company.

In addition, the non-competition undertakings provided by the Covenantors stipulate that if there is any disagreement between the Covenantors and our Company as to whether any Unsecured Loan Business Opportunity shall directly or indirectly compete or lead to competition with the Unsecured Loan Business, the matter shall be determined by our independent non-executive Directors whose decision shall be final and binding.

CORPORATE GOVERNANCE MEASURES

Our Company has adopted the following measures to manage the conflict of interest arising from competing businesses and to safeguard the interests of our Shareholders:

(i) the decision-making mechanism of the Board as set out in the Articles of Association will include provisions to avoid conflicts of interest by providing, among other things, that Directors who are connected with the Excluded Group and involved in matters of a connected nature to be resolved at the Board meeting shall neither vote on such a resolution nor vote on behalf of other Directors. The Board meeting may proceed if more than half of the Directors who have no such connected relations are present and resolutions of the Board meeting may be adopted if approved by more than half of the Directors who have no such connected relations. Where the number of the Directors who have no such connected relations attending the Board meeting is less than 3, then the matters to be discussed at such meeting shall be submitted to the Shareholders' general meeting for consideration. Our Company will formulate and implement procedures on the management of related party transactions and connected transactions in the event of a conflict of interest; and where potential and actual conflicts arising from the related party/connected transaction(s) are considered, our Company will also comply with the applicable requirements of the Listing Rules and the relevant Directors who are related to/connected with the Excluded Group shall abstain from voting, and shall not vote on behalf of other Directors;

(ii) the independent non-executive Directors shall give their independent opinions to the Shareholders on the relevant related party/connected transaction(s) pursuant to the Listing Rules;

(iii) Directors shall abstain from voting on any Board resolutions approving any contract or arrangement or any other proposal in which they or any of their close associates have a material interest. In such a situation, Directors who do not have any ongoing role with the Excluded Group shall vote and decide on such matters. In this context, a conflict, so far as our Company is concerned, will be taken to include any matter in which the Excluded Group has a direct or indirect interest;

(iv) Directors (including the independent non-executive Directors) will seek independent and professional opinions from external advisors at our cost as and in accordance with the Code on Corporate Governance Practices and Corporate Governance Report as set out in Appendix 14 of the Listing Rules;

(v) in accordance with Rule 3.10 of the Listing Rules, the Board will comprise of three independent non-executive Directors who are independent from the Excluded Group. The three independent non-executive Directors will be able to provide independent judgment on matters discussed by the Board, take the lead where potential conflicts of interests may arise and protect the interests of our Company and the Shareholders. All members of the audit committee (including the chairman), a majority of members of the nomination committee and a majority of the members of the remuneration committee of our Company will be independent non-executive Directors;

(vi) the conflicting Director shall abstain from voting and will not be counted in the quorum at any board meeting where a conflict of interest arises, and in the event where there is an equality of votes by the remaining Directors on a resolution, the chairman presiding at such a Board meeting shall have a second or casting vote. In this context, a conflict will be taken to include any matter in which the Excluded Group has an interest (direct or indirect). Such corporate governance measures will be incorporated in the Articles of Association;

(vii) all of the Directors will receive training on their responsibilities as directors, including on their fiduciary duties to act in the interests of our Company and the Shareholders as a whole;

(viii) instances of actual and potential conflict(s) will be identified, minimized and regulated in accordance with the Listing Rules. Where the Board is required to determine matters in relation to the potential conflict(s) of interest or any connected transaction(s), such matter(s) will be referred to the independent non-executive Directors and/or to those Directors who do not have an interest (directly or indirectly) in the matter(s); and

(ix) a regime for all of the continuing connected transactions will be established, with the on-going requirement that all such transactions (other than those qualifying for an exemption) shall be reviewed and reported on an annual basis to the independent non-executive Directors and the auditors of our Company in accordance with the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the matters described above and the following factors, the Directors believe and the Joint Sponsors concur, that our Group is and will remain to be capable of carrying on its business independently from our Controlling Shareholders and their respective close associates upon [**REDACTED**].

Management independence

Our Company has our own management team, of which most members are independent from our Controlling Shareholders. Our Board comprises two executive Directors, four non-executive Directors and three independent non-executive Directors.

Set out below is a table summarizing the positions held by our Director and senior management and their positions with the Excluded Group:

Name	Position with our Group	Position with Excluded Group
Mr. Lee Kun Tai Steven (李根泰)	executive Director and chief executive officer	director
Ms. Wong Cheuk Sze (黃卓詩)	executive Director and chief operating officer	none
Mr. Lee Sheung Shing (李常盛)	non-executive Director and chairman of the Board	director
Ms. Lee Pik Tsong (李碧葱)	non-executive Director	director
Ms. Chan Wing Sze (陳詠詩)	non-executive Director	chief operating officer
Ms. Kan Pui Yan (簡珮茵)	non-executive Director	chief financial officer
Prof. Hung Wai Man (洪爲民)	independent non-executive Director	none
Mr. Mak Wing Sum Alvin (麥永森)	independent non-executive Director	none
Mr. Leung Ka Cheung (梁家昌)	independent non-executive Director	none
Ms. Lin Ching Man (林靜敏)	chief financial officer	none
Ms. Leung Ka Yee (梁嘉兒)	chief commercial officer	none

Save as disclosed above, none of our Directors or senior management held any position in the Excluded Group. Our Company has maintained and will maintain our management independence, with full rights to make all decisions on, and to carry out, our own business operation independently. Mr. Steven Lee, our executive Director and chief executive officer of the Group, is responsible for overall management and operations, strategic planning and business development of our Group. Ms. Wong Cheuk Sze, our executive Director and chief operating officer of the Group, is responsible for overseeing and managing the daily operations and activities of our Unsecured Loan Business. The Company and the Excluded Group are managed by separate management teams. Ms. Lin Ching Man, our chief financial officer, is responsible for the overall financial management of our Group. Ms. Leung Ka Yee, our chief commercial officer, is responsible for overseeing and supervising the corporate business department of our Group and managing the SME Loans and corporate partnership projects. Hence, we have sufficient senior management team members who do not hold any position in the Excluded Group, and are independent and have the adequate relevant experience to ensure the daily operation and management of the Group.

Our Directors are of the view that our Board and the senior management of our Group are capable of managing its business independently of the Controlling Shareholders and the Excluded Group for the following reasons:

(i) our management personnel have clear reporting lines and ultimately the management team reports to our executive Directors who are responsible for reporting to the Board. The Board supervises and monitors the performance of our management team generally through the regular reports made by our executive Directors to the Board, regular meetings and interim meetings of the Board, and ad hoc meetings of the Board to consider, deliberate and approve major matters that exceed the delegated authorities of our management team, as well as the regular updates of operational and financial data and information that are provided to our Directors;

(ii) save as disclosed in this section, none of our Directors or members of the senior management has any shareholding interest in our Controlling Shareholders;

(iii) our non-executive Directors and independent non-executive Directors will not participate in our daily operations and management of our Company. Each of our Directors is aware of his/her fiduciary duties as a Director which require, among others, that he/she must act for the benefit and in the best interest of our Company and must not allow any conflict between his/her duties as a Director and his/her personal interest. If there is any potential conflict of interest arising out of any transactions to be entered into between our Group and our Directors or their respective close associates, the interested Director shall abstain from voting at the relevant Board meetings in respect of such transactions and shall not be counted in the quorum;

(iv) 3 out of 9 Directors, which is one third of our Board, are independent non-executive Directors. All 3 independent non-executive Directors are independently appointed to our Board, and none of the criteria affecting independence under Rule 3.13 of the Listing Rules applies to them. The independent non-executive Directors either have appropriate academic qualifications or extensive experience in their respectable specialty areas, or are appointed for the diversity in skills and background that they may add to our Board. Our independent non-executive Directors will be expected to bring impartial and independent judgment to our Board. In addition, the majority of the members of the audit committee, nomination committee, remuneration committee and the Independent Business Opportunity Assessment Committee of our Company are independent non-executive Directors;

(v) all independent non-executive Directors and Ms. Wong Cheuk Sze, our executive Director and chief operating officer, will become a member of the Independent Business Opportunity Assessment Committee. The Independent Business Opportunity Assessment Committee will be responsible for periodically reviewing (i) the New Business Opportunities that are referred by the Excluded Group; (ii) the upward adjustment of the threshold of HK$400,000 based on the business development of the Group and other relevant factors; and (iii) the decision of the Company based on the pre-set criteria as disclosed in this section for taking up New Business Opportunities; and

(vi) our Company will have in place the following arrangements and corporate governance measures to manage any actual or potential conflict of interest, ensure independent decision making, safeguard the protective measures stipulated in the non-competition undertakings provided by the Covenantors and, ultimately, protect the interests of our Shareholders. For details, see "Relationship with our Controlling Shareholders — Corporate Governance Measures" for further details.

Our Directors believe that the presence of directors and senior management from different backgrounds provides a balance of views and opinions and, having taking into account the above factors, our Company is satisfied that our Directors will be able to perform their roles in our Group independently.

Operational independence

We operate our business independently from our Controlling Shareholders and their close associates. We make operational decisions independently of our Controlling Shareholders and their close associates. We have our own organizational structure with self-governing departments, each with specific areas of responsibility. We also maintain a set of comprehensive internal control measures to facilitate the effective operation of our business. Our operating functions, such as cash and accounting management, invoices and bills, operate independently of our Controlling Shareholders and their close associates. We have our own employees to handle the day-to-day operation of our business and can independently manage our human resources. Taking into account of our independent corporate organs and departments and operation process from different perspectives, *inter alia*, (i) corporate structure and corporate governance; (ii) licenses and operation; (iii) customer portfolio; (iv) branding and deployment of promotion strategies; and (v) human resources and management team, our Directors believe that we can operate independently from our Controlling Shareholders and their close associates. Further details are listed as below:

In terms of corporate structure and corporate governance, our Company owns an organizational structure and departments independent from the Excluded Group. Our Company can make decisions and carry out our own business operations independently. We also maintain a comprehensive set of internal control procedures for promoting efficient business operation. With reference to relevant laws, regulations and rules, our Group developed and implemented a sound corporate governance practice and adopted the rules of procedure for the general meeting, board meeting, committee meeting and connected transactions regulations.

In terms of license and operation, our Company holds or enjoys the benefit of holding its own licenses necessary to exclusively operate the Unsecured Loan Business. Our loan management system has been designated to operate our Unsecured Loan Business. Our employees operate the loan management system with interfaces specifically designed for our business and with access to our set of loan information which is restricted to the operation of Unsecured Loan Business. For physical branches, explicit signs and logos have been erected for our branches to direct customers to our brands and loan products. Our Group has occupied designated areas of the physical branches to carry out our operations exclusively in which all client meetings, execution of agreements and contracts will only be done in our office and physical branches. Although we share the physical branch located at Shop A and Part of Shop B, Ground Floor, Shun Fat House, 54-66 Kau Yuk Road, Yuen Long, New Territories with the Excluded Group, the area in such branch is clearly divided and separated into two distinctive sections and areas with different shop entrances and logos. We will not share the same area to operate and carry out the Excluded Group's business. All of our VTMs are solely used and owned by us to carry out our operations.

In terms of customer portfolio, we have independent access to our own customers and are not dependent on our Controlling Shareholders and their close associates with respect to our business operations. Notwithstanding the Business Referral Mechanism will be adopted to minimize any potential competition between the Excluded Group and our Group pursuant to the Excluded Group NCU, our Group during the Track Record Period did not rely on any referral of customers or businesses from the Excluded Group. Accordingly, even though referrals by the Controlling Shareholders and/or their close associates represented one of the sources of business opportunities in our day-to-day operation, our business and financial performance did not and do not rely on the referral of clients by the Excluded Group, the contribution of which to the total revenue during the Track Record Period was insignificant. For the three years ended December 31, 2022 and five months ended May 31, 2023, 0, four, one and 46 client(s) were referred to us by the Excluded Group and subsequently signed with our Group and they accounted for very insignificant contribution to our Group's revenue. Save as disclosed above, during the Track Record Period, the Excluded Group did not refer other businesses to our Group.

In terms of branding and promotion strategies, our business has its independently owned logo and brand K Cash and K Cash Supreme to serve our exclusive unsecured loan customer base. Our Company has formulated marketing strategies by employing marketing teams and establishing sales channel for our business. With distinctive marketing strategies, K Cash and K Cash Supreme are operating independently with our own cost, material, brand and promotion direction. Our customers can reach K Cash through designated digital channels like its official website and mobile app or via customer touchpoints in branches of our Company. Exclusive hotlines and website has been set up for the promotion and operation of our business in which K Cash and K Cash Supreme own individual website with independent social media page. We also connect our prospective customers in other social media by using our brand K Cash. Our customer service team has been assigned to exclusively serve our Group's customers and to address enquiries from website, phone and physical branches. We have also engaged our own spokesmen and ambassadors to advertise our brand and business exclusively. We have made and created our own advertisements and marketing materials to promote our business solely which will not be used in conjunction to market and promote the Secured Loan Business of the Excluded Group. All our advertisements and promotional materials, including but not limited to television commercials, social media publications, online and offline advertisements focus solely on promoting our distinctive unsecured loan products as compared to the secured loan products and come with a clear display of our distinctive logo and brand. All these measures are highly effective to assist customers who wish to apply for our products in differentiating the Group's brands and loan products from those of the Excluded Group by connecting our own brands with our unsecured loan products and distinguishing them from the different nature of loan products and branding of the Excluded Group.

In terms of human resources and management team, we have adopted independent human resources system which is independent from that of the Excluded Group and our employees only exclusively work for our Group and the specific employment contracts have been entered by our [**REDACTED**] Group with the designated employees for the Unsecured Loan Business designated employees are assigned to exclusively handled the Unsecured Loan Business' work, *inter alia*, contact all existing customers, handle loan repayment enquiries and follow up on unsecured loan portfolio. Our Company has deployed an independent senior management team which is formed independently to carry out supervisory responsibilities in our business. Such senior management team will carry out the daily management and operations of our business independently and will be responsible for dealing with operational and financial matters, making general key decisions and handling the daily implementation of the business strategy of our Company. We have our technology support team to serve and meet our business needs exclusively. For details, see "Business — Our Technology Development and System Maintenance".

As regards the agreements entered into by our Company and our Controlling Shareholders and their close associates (see "Connected Transaction" for further details about these agreements), our Directors consider that, even if such agreements are terminated, our Company will be able to identify other suitable partners through fair consultation on terms and conditions in line with the market terms to meet our needs without causing any disruptions to our business.

Based on the above, our Directors believe that our Group will be able to operate independently from our Controlling Shareholders and their close associates.

Financial independence

Our Directors confirm that we have our own financial management system, internal control system, accounting system and as such the ability to operate independently from our Controlling Shareholders from a financial perspective. We have an independent finance department chaired by our chief financial officer. The independent finance department comprises our own staff and has established a sound independent audit system, a standard financial and accounting system, and a complete financial management system. We can make financial decisions independently and according to our own business needs and financial conditions and the Excluded Group will not and are not able to interfere the utilization of our funds. We have our own bank accounts and do not share any of our bank accounts with the Excluded Group, thus all operational fund flows are deposited and managed under these bank accounts. Furthermore, we carry out tax filing procedures and pay tax independently in accordance with the applicable laws and regulations and do not pay tax in conjunction with the Excluded Group.

Our Company will have sufficient capital and banking facilitates to operate the Unsecured Loan Business independently, and have adequate internal resources and a strong credit profile to support the Unsecured Loan Business. Our Group has access to independent third-party financing and will be capable of obtaining such financing without the need to rely on any guarantees or security provided by the Excluded Group. Our Company is capable of obtaining financing from external sources for its Unsecured Loan Business operations upon market terms and conditions without reliance on the Excluded Group and will be financially independent from the Excluded Group and/or their respective close associates upon the [**REDACTED**]. Securities provided by our Controlling Shareholders and their associates for our banking facilities will be released immediately prior to the [**REDACTED**]. All Connected Advances will be settled by cash and interest income received from our business operations and/or external funding prior to the [**REDACTED**]. Should there be any Connected Advances after [**REDACTED**], the Company will comply the applicable requirements under the Listing Rules (especially the requirements under chapters 14 and 14A of the Listing Rules).

Accordingly, our Directors believe that we are able to maintain financial independence from our Controlling Shareholders and their respective close associates.

Our Directors are of the view and the Joint Sponsors concur, that our Group is and will remain to be independent from our Controlling Shareholders and their close associates upon [**REDACTED**].

We have entered into certain transactions with our connected persons (as defined under Chapter 14A of the Listing Rules) which will continue following the [**REDACTED**] and will constitute continuing connected transactions under Chapter 14A of the Listing Rules.

CONNECTED PERSONS

Upon the [**REDACTED**], the following parties, with which our Group has entered into certain transactions in the ordinary and usual course of business, will become our connected persons:

AQ Communications	AQ Communications is wholly-owned by Ms. Amy Lee. Ms. Amy Lee is the daughter of Mr. Lee and Mrs. Lee and the sister of Mr. Steven Lee and Mr. Edwin Lee. AQ Communications is therefore an associate of Chairman Lee, Mrs. Lee, Mr. Steven Lee and Mr. Edwin Lee and our connected person. AQ Communications is principally engaged in marketing, advertising business and public relations.
Modern Creative	Modern Creative is held by Mr. Chan Ka Lok and Ms. Wong Kwan Ying in equal shares. Mr. Chan Ka Lok and Ms. Wong Kwan Ying are the brother and mother of Ms. Chan Wing Sze, respectively. Modern Creative is therefore an associate of Ms. Chan Wing Sze and our connected person. Modern Creative is principally engaged in debt collection business.
smartME	smartME is a company incorporated under the laws of Hong Kong with limited liability on November 21, 2018 and Chairman Lee and Mrs. Lee are indirectly interested in 56.8% of its shares. By virtue of being a majority-controlled company (as defined in the Listing Rules) of the Lee's Family, smartME is therefore an associate of the Lee's Family and our connected person. smartME is principally engaged in operating digital property transaction platform.

FULLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. Debt Collection Service from Modern Creative

Our Group has engaged Modern Creative to collect debts from our customers.

The aggregate amount of service fees paid by our Group to Modern Creative for the provision of debt collection services (exclusive of the collection fees borne by customers) for the years ended December 31, 2020, 2021 and 2022 and the five months ended May 31, 2023 are set out as follows:

	For the year ended December 31,			For the five months ended
	2020	2021	2022	May 31, 2023
	(HK$'000)			
Debt collection services	1,523	738	989	22

2. Advertising Services from AQ Communications

Our Group has engaged AQ Communications to provide advertising services, including (i) digital advertising services; (ii) television channels advertising services; (iii) media buy (advertisement through outdoor media, such as billboards, public transport, walls at tunnel entrances, Mass Transit Railway, etc.); and (iv) public relation services.

The aggregate amount of service fees paid by our Group to AQ Communications for the provision of advertising and marketing services (exclusive of the fees payable to the relevant licensed television broadcasters, digital media platforms and other media) for the years ended December 31, 2020, 2021 and 2022 and the five months ended May 31, 2023 are set out as follows:

	For the year ended December 31,			For the five months ended
	2020	2021	2022	May 31, 2023
	(HK$'000)			
Advertising and marketing services	2,367	1,744	990	334

Implications under the Listing Rules

Since the highest applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of each of the above transactions is expected to be less than 0.1% on an annual basis, each of the above transactions would constitute a *de minimis* connected transaction under Rule 14A.76(1) of the Listing Rules and would be fully exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules should our Company be [**REDACTED**] on the Stock Exchange at the time of the transactions.

Our Directors (including the independent non-executive Directors) are of the view that the fully-exempt continuing connected transactions set out above were conducted on arm's length basis and were entered into in our ordinary and usual course of business on normal commercial terms which are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

If the terms of any of the above fully-exempt continuing connected transactions are altered or if any of them triggers any disclosure requirements under Chapter 14A of the Listing Rules in the future, we will fully comply with the relevant requirements under Chapter 14A of the Listing Rules in a timely manner.

PARTIALLY-EXEMPT CONTINUING CONNECTED TRANSACTION

The following transaction has been entered into in the ordinary and usual course of business of the Group and on normal commercial terms or better, and our Directors expect that the highest applicable percentage ratios calculated under Rule 14.07 of the Listing Rules would be more than 0.1% but less than 5% on an annual basis. Such transaction will be exempt under Rule 14A.76(2) of the Listing Rules from the independent shareholders' approval requirement but subject to reporting, annual review and announcement requirements.

1. Occupation License with smartME

Parties

(i) smartME (as licensee); and

(ii) K Cash Express (as licensor).

Principal terms

On March 24, 2023, K Cash Express entered into an occupation license with smartME (the "**Occupation License**"), pursuant to which K Cash Express, as the assignee of 17/F, Wheelock House, 20 Pedder Street, Central (the "**17/F Office Premises**"), has agreed to grant smartME a contractual license to use and occupy a portion of the 17/F Office Premises (the "**17/F Office Premises Shared Portion**") from April 1, 2023.

The expected average gross floor area of the 17/F Office Premises to be occupied by smartME for the years ending December 31, 2023, 2024 and 2025, respectively, is set out below:

	Expected average gross floor area to be occupied by smartME and percentage area of the 17/F Office Premises year ending December 31,					
Transaction	**2023**		**2024**		**2025**	
	(in sq. ft.)	%	*(in sq. ft.)*	%	*(in sq. ft.)*	%
Occupation license	5,158.5	50%	5,158.5	50%	5,158.5	50%

Taking into account a month of rent-free period in June to July 2023 under the relevant tenancy agreement with the landlord, the aggregate amount of rental income paid by smartME to our Group for the use and occupancy of 17/F Office Premises Shared Portion for the ten months ending October 31, 2023 is HK$[2.9 million].

Reasons for the transaction

K Cash Express, as assignee, has entered into an assignment of tenancy with effect from April 1, 2023 with Money SQ, as assignor, and the landlord of the 17/F Office Premises, which is an Independent Third Party. Based on the agreed tenancy arrangement, K Cash Express has obtained a written consent from the landlord simultaneously to share the 17/F Office Premises Shared Portion with smartME.

Having considered that the monthly license fee payable by smartME under the Occupation License is comparable to the prevailing market rents of comparable properties in similar locations, we have granted a contractual license to smartME to use and occupy the 17/F Office Premises Shared Portion.

The entering into the Occupation License is consistent with normal commercial terms and can provide us with a stable income.

Pricing terms

The monthly license fee will be determined based on the gross floor area of the 17/F Office Premises occupied and used by smartME and the monthly rental, management fees and rates of the 17/F Office Premises payable by K Cash Express to the landlord under the relevant tenancy agreement.

Historically, our Group has not entered into any occupation license with smartME. There is no historical transaction amount for the license fee.

Annual caps and basis

The estimated aggregate amount of the license fee to be paid by smartME under the Occupation License for the two months ending December 31, 2023 and the two years ending December 31, 2024 and 2025 are set out as follows:

	For the 2 months ending December 31,	For the year ending December 31,	
Transaction	**2023**	**2024**	**2025**
		(HK$ in thousands)	
Occupation license	936	4,533	4,540

The aforesaid amounts are determined with reference to the total monthly rental, management fees and rates of the 17/F Office Premises payable by K Cash Express to the landlord under the relevant tenancy agreement, which are split evenly between K Cash Express and smartME, and the gross floor area of 17/F Office Premises occupied and used by smartME.

Implications under the Listing Rules

Since the highest applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the above transaction is expected to be more than 0.1% but less than 5% on an annual basis, the transaction would constitute a continuing connected transaction that is exempt under Rule 14A.76(2) of the Listing Rules from the independent shareholders' approval requirements but subject to the reporting, annual review and announcement requirements should our Company be [**REDACTED**] on the Stock Exchange at the time of the transaction.

APPLICATION FOR WAIVER

We expect the partially-exempt continuing connected transaction will be carried out on a continuing basis and to extend over a period of time. Our Directors therefore consider that strict compliance with the announcement requirements under the Listing Rules would be impractical and unduly burdensome and would impose unnecessary administrative costs upon us. Accordingly, we have applied for, and the Stock Exchange [has granted] in accordance with Rule 14A.105 of the Listing Rules, a waiver exempting us from strict compliance with the announcement requirement under Chapter 14A of the Listing Rules in respect of the continuing connected transaction as described in "— Partially-exempt Continuing Connected Transaction", subject to the condition that the aggregate amounts of the continuing connected transaction for the six months ending December 31, 2023 and the two financial years ending December 31, 2024 and 2025 shall not exceed the relevant amounts set forth in the respective annual caps (as stated above).

We will, however, comply at all times with the applicable provisions under Rules 14A.34, 14A.49, 14A.51 to 14A.59 and 14A.71 of the Listing Rules in respect of the partially-exempt continuing connected transaction in this section. If any terms of the partially-exempt continuing connected transaction are altered or if our Company enters into any new agreements with any connected persons in the future, we will fully comply with the relevant requirements under Chapter 14A of the Listing Rules unless we apply for and obtain a separate waiver from the Stock Exchange.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including the independent non-executive Directors) are of the view that the continuing connected transaction set out above has been entered into (i) in the ordinary and usual course of our business; (ii) on normal commercial terms or better; and (iii) the terms of which are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Our Directors (including the independent non-executive Directors) are also of the view that the proposed annual caps in respect of the above continuing connected transaction are fair and reasonable and are in the interests of our Company and the Shareholders as a whole.

CONFIRMATION FROM THE JOINT SPONSORS

Based on the documents, information and historical figures provided by our Company and the Joint Sponsors' participation in the discussion with our Company, including but not limited to the review of the documentation provided to the Joint Sponsors with respect to our partially-exempt continuing connected transaction, the Joint Sponsors are of the view that (i) the partially-exempt continuing connected transaction in this section has been and will be entered into in the ordinary and usual course of business of our Group, on normal commercial terms or better, and the terms are fair and reasonable and in the interests of our Company and the Shareholders as a whole; and (ii) the proposed annual caps set for the above partially-exempt continuing connected transaction are fair and reasonable and in the interests of our Company and the Shareholders as a whole.

RELATED PARTY TRANSACTIONS

Our Group entered into certain related party transactions with its related parties during the Track Record Period (the "**Related Party Transactions**"). Details of the Related Party Transactions are set out in "Appendix I — Accountant's Report — II. Notes to the Historical Financial Information — Note 26".

BOARD OF DIRECTORS

Our Board currently consists of nine Directors, comprising two executive Directors, four non-executive Directors and three independent non-executive Directors. The duties and powers conferred on our Board include, among other matters:

- performing corporate governance duties;
- convening Shareholders' meetings and reporting to Shareholders;
- implementing Shareholders' resolutions;
- formulating our Company's business plans and investment plans;
- formulating our Company's annual budget and final accounts;
- formulating our Company's proposals for profit distributions and recovery of losses;
- formulating our Company's proposals for the increase or reduction of registered capital; and
- exercising other duties and powers as conferred by the Articles of Association.

Our Board is responsible for and has general powers for the management and conduct of our business.

The following table sets forth certain information regarding the members of our Board:

Name	Age	Position(s)	Date of Joining our Group	Date of Appointment as our Director	Roles and Responsibilities	Relationship with Other Directors or Senior Management Members
Executive Directors						
Mr. Lee Kun Tai Steven (李根泰)	52	Executive Director and chief executive officer	December 2003	October 25, 2022	Responsible for overall management, operations and risk management in our daily operations, and strategic planning and business development of our Group	Son of Chairman Lee and Mrs. Lee
Ms. Wong Cheuk Sze (黃卓詩)	44	Executive Director and chief operating officer	January 2008	March 20, 2023	Responsible for overall management and operations, strategic planning and business development of our Group	None

Name	Age	Position(s)	Date of Joining our Group	Date of Appointment as our Director	Roles and Responsibilities	Relationship with Other Directors or Senior Management Members
Non-executive Directors						
Mr. Lee Sheung Shing (李常盛)	86	Non-executive Director and chairman of the Board	March 1999	March 20, 2023	Responsible for providing advice on overall strategic planning and business development of our Group	Spouse of Mrs. Lee; father of Mr. Steven Lee
Ms. Lee Pik Tsong (李碧葱)	82	Non-executive Director	March 1999	March 20, 2023	Responsible for providing advice on overall strategic planning and business development of our Group	Spouse of Chairman Lee; mother of Mr. Steven Lee
Ms. Chan Wing Sze (陳詠詩)	46	Non-executive Director	May 2007	March 20, 2023	Responsible for providing advice on strategies on overall management and operations, strategic planning and marketing of our Group	None
Ms. Kan Pui Yan (簡珮茵)	51	Non-executive Director	March 2008	March 20, 2023	Responsible for providing advice on strategies on general financial management of our Group	None
Independent non-executive Directors						
Prof. Hung Wai Man *JP* (洪爲民)	54	Independent non-executive Director	[●]	[●]	Responsible for overseeing the operations and management of our Group independently	None
Mr. Mak Wing Sum Alvin (麥永森)	71	Independent non-executive Director	[●]	[●]	Responsible for overseeing the operations and management of our Group independently	None
Mr. Leung Ka Cheung (梁家昌)	62	Independent non-executive Director	[●]	[●]	Responsible for overseeing the operations and management of our Group independently	None

Executive Directors

Mr. Lee Kun Tai Steven (李根泰), aged 52, was appointed as our executive Director and chief executive officer on March 20, 2023. Mr. Steven Lee is also a director of K Cash Express, K Cash, K Cash (BVI) and K Cash Express (BVI) since December 2003, April 2008, December 2019 and October 2022, respectively. He is responsible for the overall management, operations, and strategic planning and business development of our Group and risk management in our daily operations.

Mr. Steven Lee has over 22 years of experience in the licensed money lending business, with a wide focus on unsecured personal loans, loans to corporations, mortgage loans and finance leasing. Mr. Steven Lee is the chief executive officer of Trustme Chain Corporation Limited, principally engaged in the provision of financial technology services, primarily responsible for overall management, strategic planning and business development since 2018. He is the chief executive officer of MoneySQ, principally engaged in the provision of IT services, primarily responsible for overall management, strategic planning and business development since 2015. Mr. Steven Lee has also served as the director of Konew Fintech, principally engaged in providing mortgage and personal loans, primarily responsible for overall management, strategic planning and business development since December 2019.

Mr. Steven Lee has been the honorary chairman of the Internet Professional Association since 2015. Mr. Steven Lee was also the honorary chairman of the Hong Kong Software Industry Association (香港軟件行業協會) between 2016 and 2020. He was the president and founding president of the Youth Committee of the Hong Kong Overseas Chinese General Association, from 2012 to 2015.

Mr. Steven Lee obtained a bachelor's degree in business administration from the University of Southern California in the United States in August 1993 and a master's degree in construction project management from The University of Hong Kong in November 2001.

Mr. Steven Lee is the son of Chairman Lee and Mrs. Lee.

Ms. Wong Cheuk Sze (黃卓詩), aged 44, was appointed as our executive Director and chief operating officer on March 20, 2023. She is responsible for the overall management and operations, strategic planning and business development of our Group.

Ms. Wong has over 20 years of experience in the licensed money lending business. Ms. Wong joined the Group in January 2008 and has served different positions in the Group. Prior to joining our Group, she was a customer service officer of Big Development, principally engaged in money lending business, from June 2002 to January 2008 and was responsible for handling frontline sales and promoting different types of secured loans. She started to work in K Cash Express as Deputy Manager from January 2008 to February 2008, and was then promoted to Head of Customer Relationship in March 2008. Holding the same position until June 2017, she oversaw the aftersales service of secured loans and managing the daily operations of customer relations department. She served as Division Head of K Cash Express from July 2017 to September 2022, and as Chief Loan Officer of the unsecured loan department of K Cash from October 2022 until present in which she is responsible for monitoring the loan process and procedures and ensuring all aspects of workflow comply with the rules and guidelines.

Ms. Wong obtained a bachelor's degree of art in contemporary English from the Hong Kong Polytechnic University and a master's degree of business administration from the Chinese University of Hong Kong in November 2002 and November 2020, respectively.

Non-executive Director

Mr. Lee Sheung Shing (李常盛), aged 86, was appointed as the chairman of our Board and a non-executive Director on March 20, 2023. Chairman Lee is also a director of K Cash Express, K Cash and K Cash (BVI) since March 1999, April 2008 and December 2019, respectively. He is responsible for providing advice on overall strategic planning and business development of our Group.

Chairman Lee has over 21 years of experience in the licensed money lending business, with a wide focus on unsecured personal loans, loans to corporations, mortgage loans and finance leasing. From 1980 to 2001, Chairman Lee, together with Mrs. Lee, ventured into the real estate agency business, and ran 18 realty offices in various locations in Hong Kong, including Kwun Tong, Shau Kei Wan and Central. Chairman Lee was one of the founders of Guilin Xinsheng Real Estate Development Co., Ltd.* (桂林市新盛房地產發展有限公司), a company principally engaged in real estate development in China, in July 1992. Supported by the rich experience and knowledge of the real estate industry, Chairman Lee became a shareholder of Konew Credit in 1995, which is mainly engaged in the property loan business. He founded Konew Finance Leasing (Shenzhen) Company Limited (康業融資租賃(深圳)有限公司) in 2015 and Konew Capital Limited (康業資融股份有限公司) in 2013, which are mainly engaged in financial leasing business. Chairman Lee also served as director of MoneySQ since 2015 and a director of Konew Fintech since 2019. Chairman Lee has brought to our Group his extensive knowledge and experience in the property market and business operations.

Chairman Lee has been appointed as permanent honorary president of the Hong Kong Real Estate Agencies General Association (香港地產代理商總會) since 1995. From 2004 to 2008 and from 2014 to present, Chairman Lee was the chairman of the board and the director of the Hong Kong Lee Clansmen's Association (香港李氏宗親會), respectively. Chairman Lee received Guilin Real Estate 20 Year Service Award from Guilin Real Estate Association in recognition of his 20 years of service in January 2007. Chairman Lee was appointed as the honorary dean, the adjunct professor of the School of Economics and Management, Fujian Agriculture and Forestry University (福建農林大學) in January 2009. He was also appointed as the director of Tung Wah Group of Hospitals (東華三院) in 2009. From 2008 to 2014, he was the chairman of the 13th and 14th sessions of the World Headquarter of the Lee's Family (世界李氏宗親總會) and was conferred the datukship title of Dato' by the Sultan of Pahang, Malaysia in April 2014. Chairman Lee was awarded the Asian Chinese Business Leaders Award by the Asian College of Knowledge Management and the Open University of Hong Kong in April 2016, and was awarded the Asian Social Caring Leadership Award by the Social Enterprise Research Academy at the Belt and Road Leadership Summit in November 2017. Chairman Lee has been appointed as president of The Federation of Alumni Associations of Chinese Colleges and Universities in Hong Kong (中國高等院校香港校友會聯合會) since October 2018. He was appointed as permanent honorary president and chairman of the Bureau of the Hong Kong Overseas Chinese General Association (香港華僑華人總會) in 2012, and as permanent honorary president of the Hong Kong Federation of Overseas Chinese Associations (香港僑界社團聯會) in 2017. Chairman Lee founded the Hong Kong Qiao Jun Association (香港僑駿會) in 2009, which is a well-known Chinese society in Hong Kong. Chairman Lee was appointed as the consultant of Chinese Financial Association of Hong Kong (香港中國金融協會) and the permanent honorary committee member of the Hong Kong Chinese General Chamber of Commerce (香港中華總商會) in 1996 and 2002, respectively. Chairman Lee was appointed as the vice president and honorary president of The Hong Kong Island Federation (香港島各界聯合會) in 2003 and 2011 respectively. Chairman Lee was also appointed as the region chairperson, Hong Kong East president and chairman of the past Presidents of Lions Clubs International District, Hong Kong and Macau, in 1999, 1998 and 1998, respectively. He was appointed as the consultant of the General Association of Xiamen (H.K) Ltd (廈門聯誼總會) in 2003. Chairman Lee was appointed as a consultant and honorary president of Hong Kong Alumni Association of many famous Chinese universities including Huaqiao University, Fuzhou University, Fujian Normal University, Renmin University of China, University of Jinan and Central South University starting from 2003.

Chairman Lee graduated from China Zhangzhou Agriculture College* (中國漳州農學院) (currently known as Fujian Agriculture and Forestry University (福建農林大學)) in October 1962. Chairman Lee obtained a Certificate Programme in Property Valuation from The Hong Kong Management Association in February 1992 and an honorary Doctor of Philosophy degree in business administration from the International American University in the United States in February 2012.

Chairman Lee is the spouse of Mrs. Lee and the father of Mr. Steven Lee.

Ms. Lee Pik Tsong (李碧葱), aged 82, was appointed as our non-executive Director on March 20, 2023. She is also the director of K Cash Express, K Cash and K Cash (BVI) since March 1999, April 2008 and December 2019, respectively. She is responsible for providing advice on overall strategic planning and business development of our Group.

Mrs. Lee has over 21 years of experience in the licensed money lending business, with a wide focus on unsecured personal loans, loans to corporations, mortgage loans and finance leasing. Prior to co-founding our Group, from 1980 to 2001, Mrs. Lee had been engaged in the business of real estate agency with Chairman Lee. Supported by the rich experience and knowledge of the real estate industry, Mrs. Lee became a shareholder of Konew Credit in 1995, which is mainly engaged in the property loan business. She co-founded Konew Finance Leasing (Shenzhen) Company Limited (康業融資租賃(深圳)有限公司) in 2015 and Konew Capital Limited (康業資融股份有限公司) in 2013, which are mainly engaged in financial leasing business. Mrs. Lee also served as a director of MoneySQ since 2015 and a director of Konew Fintech since 2019.

Mrs. Lee has been the vice chairman of the board, an honorary dean of the School of Music and Dances and a president of Hong Kong Alumni Association of Huaqiao University (華僑大學) since December 2002, 2010 and from 2002 to 2005, respectively. Mrs. Lee has been the chairlady and president of The Hong Kong Overseas Chinese General Association (香港華僑華人總會) from 2012 to 2018. Mrs. Lee was appointed as an overseas general manager of the China Overseas Exchanges Association (中國海外交流協會), an honorary consultant to the All-China Federation of Returned Overseas Chinese (中華全國歸國華僑聯合會) and the deputy general officer of the Hong Kong Federation of Overseas Chinese Associations (香港僑界社團聯會) in 2009, 2018 and 2008, respectively. Mrs. Lee was appointed as the director of the Federation of Hong Kong Guangdong Community Organizations (香港廣東社團總會) and an executive director of the Hong Kong Federation of Fujian Associations (香港福建社團聯會) in 2005 and 2009, respectively. She was appointed as the honorary president and joint president of general affairs of the China Universities Alumni (H.K.) Association (中國高等院校香港校友會聯合會) in 2003. From 2011 to 2020, Mrs. Lee was the vice general manager of the World Headquarter of the Lee's Family (世界李氏宗親總會) and she was appointed as the honorary president of the Hong Kong Lee Clansmen's Association (香港李氏宗親會) in 2008.

Mrs. Lee graduated from Huaqiao University in China in July 1970 specializing in medicine. Mrs. Lee is the spouse of Chairman Lee and the mother of Mr. Steven Lee.

Ms. Chan Wing Sze (陳詠詩), aged 46, joined our Group in May 2007. Ms. Chan was appointed as our non-executive Director on March 20, 2023 and is responsible for providing advice on strategies on overall management and operations, strategic planning and marketing of our Group.

Ms. Chan has over 21 years of experience in the licensed money lending business. She served as a deputy general manager and executive director of K Cash Express from May 2007 to February 2008 and from March 2008 to December 2017, respectively. She was responsible for monitoring the overall operation, establishing organization structure, business development and exploring new market segments. Ms. Chan served as the group managing director of K Cash Express from January 2018 to November 2020, primarily responsible for managing overall human resources and market and operational risk. She was further promoted to be the chief operating officer of K Cash Express in December 2020 and held the office until July 2022, primarily responsible for leading and cooperating with department heads. Since August 2022, she was transferred internally as chief operating officer in Konew Capital until present, primarily responsible for monitoring the overall operation.

Prior to joining the Group, Ms. Chan has served as the customer service officer and head of customer service department, senior manager and head of business development and customer service department, assistant general manager, head of lending business, and deputy general manager of Big Development, principally engaged in money lending business, from February 2001 to February 2002, from March 2002 to February 2003, from March 2003 to February 2005, from March 2005 to May 2006, from June 2006 to February 2007 and from March 2007 to April 2007, respectively, in which she was responsible for devising and implementing strategic plan and system to enhance service quality and business effectiveness.

Ms. Chan was awarded the Asia Pacific Entrepreneurship Award by Enterprise Asia in September 2016. She obtained a bachelor's degree in commerce from the University of Manitoba in Canada in February 2001.

Ms. Kan Pui Yan (簡珮茵), aged 51, was appointed as our non-executive Director on March 20, 2023. She is responsible for providing advice on strategies on the general financial management of our Group.

Ms. Kan has over 32 years of experience in accounting. Ms. Kan joined the Group as head of the accounts department of K Cash Express, responsible for supervising all kinds of accounting and finance issues, from March 2008 to December 2017. Ms. Kan was promoted to chief financial officer of K Cash Express in January 2018 and has held the office until August 2022 in which she was responsible for supervising all kinds of accounting and finance issues.

Ms. Kan was internally transferred from K Cash Express to Konew Capital to be the chief financial officer in August 2022 and has held the office until present.

Prior to joining our Group, from August 1988 to March 2004, Ms. Kan had held various accounting positions in different companies. She served as a payroll clerk in a garment factory in August 1988, primarily responsible for payroll calculation. She worked as an accountant in a technical service company, primarily responsible for the supervision of accounting matters in April 1991. She acted as an accountant in an investment company and technical service company in November 1997 and October 2000 respectively, primarily responsible for supervising accounting related issues. She worked as a management accountant, assistant manager and deputy manager of Big Development, principally engaged in money lending business, from March 2004 to May 2006, from June 2006 to August 2006 and from September 2006 to February 2008, respectively, primarily responsible for supervising all kinds of accounting and finance issues.

Ms. Kan has been a member of The Association of Chartered Certified Accountants since June 2001, and a fellow of the same since June 2006. She has also been a certified public accountant of the Hong Kong Institute of Certified Public Accountants since March 2003.

Ms. Kan obtained a master's degree of accountancy and a master's degree of business administration from The Chinese University of Hong Kong in December 2005 and November 2012, respectively.

Independent non-executive Directors

Prof. Hung Wai Man ***JP*** **(洪爲民)**, aged 54, was appointed as our independent non-executive Director on [●]. He is responsible for overseeing the operations and management of our Group independently. He is the chairman of the Remuneration Committee and a member of the Audit Committee, the Nomination Committee and the Independent Business Opportunity Assessment Committee.

Prof. Hung has over 35 years of experience in management consulting, project management and outsourcing services. Prior to joining our Group, Prof. Hung worked as a manager at DataCheck Limited, principally engaged in software development, project management and customer service, primarily responsible for software development for approximately 2 years ending 1989. He was a director at Ever Idea Development Limited, from September 1989 to August 1991. He worked as an executive director of Wit's Consultant Limited, primarily responsible for strategical management from April 1991 to October 1996. He worked as system integration manager of AT&T Inc, primarily responsible for project management from 1996 to 1998. He served as the director of corporate market of Strategic Account, Outsourcing & Managed Services, Technologies Management & Sustainment of Jardine OneSolution (HK) Limited, primarily responsible for strategical management from March 2004 to March 2006. He was an independent non-executive director of VSTECS Holdings Limited, a company listed on the Stock Exchange (stock code: 856), primarily responsible for assisting in strategical recommendation from May 2016 to May 2021. He has been a director of Wit's Technology (HK) Company, since January 2017, and Shenzhen-Hong Kong Technology Startup Platform Limited, since November 2019, respectively. He has also been an independent non-executive director of LH Group Limited, a company listed on the Stock Exchange (stock code: 1978), principally engaged in the operation of full-service restaurants, primarily responsible for assisting in strategical recommendation since May 2018, Sino Hotels (Holdings) Limited, a company listed on the Stock Exchange (stock code: 1221), principally engaged in the operation and management of hotels, primarily responsible for providing recommendation to the business development since January 2019, and Sprocomm Intelligence Limited, a company listed on the Stock Exchange (stock code: 1401), principally engaged in manufacture and sale of technological products, primarily responsible for assisting in strategical recommendation since November 2019, respectively.

Notwithstanding his engagement as an independent non-executive director of three companies listed on the Stock Exchange as of the Latest Practicable Date, as advised and confirmed by Prof. Hung, he has sufficient time to act as our independent non-executive Director based on the following:

(i) all of Prof. Hung's directorships in the listed companies are non-executive in nature which do not require his full time involvement and participation in the daily management and operation thereof;

(ii) Prof. Hung's role in our Group is non-executive in nature, and while he is the chairman of the Remuneration Committee and a member of the Audit Committee, the Nomination Committee and the Independent Business Opportunity Assessment Committee, he will not be involved in the daily management and operation of our Group's business, thus his engagement as our independent non-executive Director will not require major time commitment;

(iii) Prof. Hung has demonstrated that he is capable of devoting sufficient time to discharge his duties owed to each of the listed companies he has directorship with. Based on the annual reports of the Hong Kong listed companies published in the most recent financial year, he had a high attendance rate for board meetings held;

(iv) Prof. Hung has sufficient knowledge, experience and qualifications in corporate governance and discharging directors' duties, as a result of which he is fully aware of the responsibilities and expected time involvements for his different directorships and he is confident that he can manage his time to meet the needs of multiple roles and discharge his duties as our independent non-executive Director;

(v) Prof. Hung has not found difficulties in devoting and managing his time for various listed companies, and none of the listed companies that he has directorship with has questioned or complained about his time devoted as their director; and

(vi) Prof. Hung has confirmed and undertaken to our Company that he has the capability and is committed to devoting sufficient time to discharge his duties and responsibilities as our independent non-executive Director.

Taking into account the foregoing and (i) that Prof. Hung's engagement in the other listed companies are non-executive in nature and on a part-time basis; (ii) the particular period that he is likely to be occupied by other appointments in relation to the other listed companies (e.g. after financial year ends of the other listed companies for preparation of financial statements); and (iii) his involvement in boards and/or board committees in the other listed companies, our Board believes that Prof. Hung will have sufficient time and ability to properly discharge his fiduciary duties as our independent non-executive Director, and our Board is not aware of any factors which would prevent Prof. Hung from devoting sufficient time to affairs of our Group.

During the period between January 15, 2019 and September 27, 2019, Prof. Hung served as an independent non-executive director of Hsin Chong Group Holdings Limited (新昌集團控股有限公司) ("**Hsin Chong**"). Hsin Chong defaulted on its US$150 million 8.5% bonds, certain bank loans and other borrowings prior to the cancelation of listing of its shares on the Stock Exchange on December 31, 2019. On January 20, 2020, the winding up of Hsin Chong was ordered by the Supreme Court of Bermuda.

In relation to the creation of the above-mentioned bonds and debts and the cancelation of listing of Hsin Chong's shares on the Stock Exchange, our Directors (including our independent non-executive Directors) are of the view that Prof. Hung is still suitable to act as a Director based on the following grounds:

(a) Prof. Hung acted as an independent non-executive director of Hsin Chong without involvement in the day-to-day management and business operations;

(b) no action has been taken against Prof. Hung by the Stock Exchange and he is not aware of any actual or potential investigation or claim which has been or will be made against him in connection with the above incidents;

(c) the above incidents did not involve any act of dishonesty or fraudulence or raise any concern on the character and integrity of Prof. Hung;

(d) Prof. Hung was not disqualified from acting as a director of Hsin Chong as a result of the above incidents; and

(e) Prof. Hung attended a directors' training session provided by our legal advisors as to Hong Kong law in connection with the [**REDACTED**] and relevant duties, obligations and responsibilities as a director of our Company as an issuer under the Listing Rules on March 20, 2023 and confirmed to us that after attending the said directors' training session, he has an enhanced understanding of the laws and regulations applicable to companies listed in Hong Kong and their directors and he will exercise the skill, care and diligence as reasonably expected of his appointment as an independent non-executive Director and will give due attention to ensure due compliance with the Listing Rules upon Listing.

Prof. Hung was a director of the following companies which were incorporated in Hong Kong prior to their dissolutions and were dissolved by way of (i) deregistration pursuant to Section 291AA of the Predecessor Companies Ordinance or Section 751 of the Companies Ordinance; or (ii) striking off by the Registrar of Companies in Hong Kong pursuant to Section 746 of the Companies Ordinance. The details of such companies are as follows:

Name of company	Principal business activity immediately prior to dissolution	Date of dissolution	Means of dissolution	Reason for deregistration
Bizconline Holding Limited (必確能控股有限公司)	No business operation	December 22, 2017	Striking off *(Note 2)*	Cessation of business
Ever Idea Development Limited (恒意發展有限公司)	Software development	February 21, 1997	Striking off *(Note 2)*	Cessation of business

Notes:

1. Each of the above companies has either never commenced business or ceased to carry on business for more than three months immediately before the respective applications for deregistration.

2. Under Section 746 of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong), (1) after publishing a notice under Section 744(3) or 745(2)(b), the registrar may, unless cause is shown to the contrary, strike the company's name off the Companies Register at the end of three months after the date of the notice; (2) the registrar must publish in the Gazette a notice indicating that the company's name has been struck off the Companies Register; and (3) on publication of the notice under subsection (2), the company is dissolved.

Prof. Hung confirmed that (i) the above companies were inactive and solvent at the time when dissolved; (ii) he is not aware of any actual or potential claim that has been or will be made against him as a result of such dissolutions; and (iii) there was no wrongful act on his part leading to the dissolutions.

He was elected as a member of the British Computer Society in March 2002, and was subsequently awarded Chartered Information Technology Professional Fellowship in July 2008. He was admitted as a fellow by The Hong Kong Institute of Directors and the Hong Kong Computer Society in July 2002 and February 2008, respectively.

Prof. Hung obtained a higher diploma in mathematics, statistics and computing from the Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in Hong Kong in November 1988. He obtained a bachelor's degree in business administration from the Bolton Institute of Higher Education in the United Kingdom in July 1997. He obtained a master's degree in business administration from the University of Hull in the United Kingdom in December 1995. He obtained a master's degree in arts from The Chinese University of Hong Kong in December 2006. He obtained a master's degree in laws and a doctor's degree in laws from the Renmin University of China in June 2011 and June 2020, respectively. He obtained a doctor's degree of philosophy in business administration from the Bulacan State University in the Philippines in December 2012 (through long distance learning). He obtained a master's degree in executive business administration from the City University of Hong Kong in October, 2021. He obtained a master's degree in public administration from Tsinghua University in January 2022.

Prof. Hung was awarded in the Secretary for Home Affairs' Commendation Scheme in 2007 and was elected as one of the Ten Outstanding Young Persons in Hong Kong in 2008. Prof. Hung was appointed as a Justice of the Peace by the Chief Secretary for Administration of Hong Kong in July 2015. He has become a Chartered IT professional, a Fellow member of the Hong Kong Institute of Directors (FHKIoD), a Fellow member of the Hong Kong Computer Society (FHKCS), and a Fellow member of the British Computer Society (FBCS), since July 2008, July 2002, February 2008, and March 2002, respectively.

Mr. Mak Wing Sum Alvin (麥永森), aged 71, was appointed as our independent non-executive Director on [●]. He is responsible for overseeing the operations and management of our Group independently. He is the chairman of the Independent Business Opportunity Assessment Committee and a member of the Audit Committee, the Remuneration Committee and the Nomination Committee.

Mr. Mak has nearly 26 years of experience in the banking and accounting industry. Mr. Mak has worked at Citibank, N.A. for over 26 years where he held various positions before he retired in 2012. He last served as the Head of Markets and Banking for Citibank Hong Kong.

Mr. Mak is an independent non-executive director of Luk Fook Holdings (International) Limited (stock code: 0590), principally engaged in sale of jewelries, Lai Fung Holdings Limited (stock code: 1125), principally engaged in property development business, Hong Kong Technology Venture Company Limited (stock code: 1137), principally engaged in provision of e-commerce business, Goldpac Group Limited (stock code: 3315), principally engaged in the production and sale of software and secure payment products, and Crystal International Group Limited (stock code: 2232), principally engaged in manufacture and distribution of clothes, all of which are listed on the Stock Exchange. Mr. Mak had also served as an independent non-executive director of IT Limited, principally engaged in fashion retails, from March 2012 to December 2019. Mr. Mak was appointed as an independent non-executive director of Habib Bank Zurich (Hong Kong) Limited, a Hong Kong based restricted-licence bank in April 2023. Mr. Mak was admitted as a member of Hong Kong Housing Society in May 2015 and is currently a member of its Supervisory Board, and a member of its various committees.

Notwithstanding his engagement as an independent non-executive director of five companies listed on the Stock Exchange as of the Latest Practicable Date, as advised and confirmed by Mr. Mak, he has sufficient time to act as our independent non-executive Director based on the following:

(i) all of Mr. Mak's directorships in the listed companies are non-executive in nature which do not require his full time involvement and participation in the daily management and operation thereof;

(ii) Mr. Mak's role in our Group is non-executive in nature, and while he is the chairman of the Independent Business Opportunity Assessment Committee and a member of the Audit Committee, the Remuneration Committee the Nomination Committee, he will not be involved in the daily management and operation of our Group's business, thus his engagement as our independent non-executive Director will not require major time commitment;

(iii) Mr. Mak has demonstrated that he is capable of devoting sufficient time to discharge his duties owed to each of the listed companies he has directorship with. Based on the annual reports of the Hong Kong listed companies published in the most recent financial year, he had a high attendance rate for board meetings held;

(iv) Mr. Mak has sufficient knowledge, experience and qualifications in corporate governance and discharging directors' duties, as a result of which he is fully aware of the responsibilities and expected time involvements for his different directorships and he is confident that he can manage his time to meet the needs of multiple roles and discharge his duties as our independent non-executive Director;

(v) Mr. Mak has not found difficulties in devoting and managing his time for various listed companies, and none of the listed companies that he has directorship with has questioned or complained about his time devoted as their director; and

(vi) Mr. Mak has confirmed and undertaken to our Company that he has the capability and is committed to devoting sufficient time to discharge his duties and responsibilities as our independent non-executive Director.

Taking into account the foregoing and (i) that Mr. Mak's engagement in the other listed companies are non-executive in nature and on a part-time basis; (ii) the particular period that he is likely to be occupied by other appointments in relation to the other listed companies (e.g. after financial year ends of the other listed companies for preparation of financial statements); and (iii) his involvement in boards and/or board committees in the other listed companies, our Board believes that Mr. Mak will have sufficient time and ability to properly discharge his fiduciary duties as our independent non-executive Director, and our Board is not aware of any factors which would prevent Mr. Mak from devoting sufficient time to affairs of our Group.

Mr. Mak obtained a bachelor's degree in commerce from the University of Toronto in Canada in June 1976. He is a member of the Canadian Institute of Chartered Accountants of Ontario.

Mr. Leung Ka Cheung (梁家昌), age 62, was appointed as our independent non-executive Director on [●]. He is responsible for overseeing the operations and management of our Group independently. He is chairman of the Audit Committee and a member of the Remuneration Committee, the Nomination Committee and the Independent Business Opportunity Assessment Committee.

Mr. Leung has over 38 years of experience in the accounting and finance industry. He served various positions at E. Bon Holdings Limited, a company listed on the Stock Exchange (stock code: 0599), principally engaged in the wholesales of architectural hardware and household equipment, primarily responsible for accounting and finance related management and office administration from September 1984 to November 2001 and his last position was executive director. He has worked as a partner of an accountant firm KCG & Co., primary responsible for accounting, audit assurance and tax compliance services since December 2001.

Mr. Leung was a director of the following companies which were incorporated in Hong Kong prior to their dissolutions and were dissolved by way of (i) striking off by the Registrar of Companies in Hong Kong pursuant to Section 291 of the Predecessor Companies Ordinance; or (ii) deregistration pursuant to Section 291AA of the Predecessor Companies Ordinance or Section 751 of the Companies Ordinance. The details of such companies are as follows:

Name of company	Principal business activity immediately prior to dissolution	Date of dissolution	Means of dissolution	Reason for registration
Cheong Ka Investment Limited (昌嘉投資有限公司)	Property investment	July 20, 2007	Striking off *(Note 1)*	Cessation of business
Aiou (ESUS) Students Association Limited (東大同學會有限公司)	Alumni association	December 31, 2009	Striking off *(Note 1)*	Cessation of business

Notes:

1. Under Section 291 of the Predecessor Companies Ordinance, a company will be struck off if the Registrar of Companies in Hong Kong has reasonable cause to believe that a company is not carrying on business or in operation.

2. Under Section 291AA of Predecessor Companies Ordinance, an application for deregistration can only be made if: (a) all members of the company agree to such deregistration; (b) the company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) the company has no outstanding liabilities.

Mr. Leung confirmed that (i) the above companies were inactive and solvent at the time when dissolved; (ii) he is not aware of any actual or potential claim that has been or will be made against him as a result of such dissolutions; and (iii) there was no wrongful act on his part leading to any of the dissolutions.

Mr. Leung served as a District Governor of Lions Clubs International District 303 Hong Kong and Macao, China from July 2007 to June 2008. He has been a serving volunteer member of the Auxiliary Medical Service since October 2012 and retired on July 1, 2022.

Mr. Leung obtained a bachelor's degree in business administration from the University of East Asia Macau in October 1991 (through distance learning). Mr. Leung obtained a master's degree in professional accounting from the Hong Kong Polytechnic University in Hong Kong in November 2002. Mr. Leung is a fellow of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England & Wales, the Association of International Accountants, and the Association of Chartered Certified Accountants. He has also been a member of the Chartered Institute of Marketing since September 1997 and was an associate member of the Taxation Institute of Hong Kong in 2003 and became a fellow member since December 2020.

None of our independent non-executive Directors has any position or role in the Excluded Group, and none of the criteria affecting independence under Rule 3.13 of the Listing Rules applies to them.

Save as disclosed above, none of our Directors holds or has held any other directorships in any other company listed in Hong Kong or overseas during the three years immediately preceding the date of this document. The particulars of our Directors' service contracts and remuneration, and details of the interests of our Directors in the Shares (within the meaning of Part XV of the SFO) has been included in this document. For more details, see "Appendix IV — Statutory and General Information". Save as disclosed herein, there is no other matter in respect of each of our Directors that is required to be disclosed pursuant to Rule 13.51(2)(a) to (v) of the Listing Rules and there is no other material matter relating to our Directors that needs to be brought to the attention of our Shareholders.

SENIOR MANAGEMENT

Our senior management consists of four members, namely, Mr. Steven Lee, Ms. Wong Cheuk Sze, Ms. Lin Ching Man and Ms. Leung Ka Yee. For details of biographies of Mr. Steven Lee and Ms. Wong Cheuk Sze, see "— Board of Directors — Executive Directors". Details of biographies of Ms. Lin Ching Man and Ms. Leung Ka Yee are set out below:

Ms. Lin Ching Man (林靜敏), aged 41, joined the Group in March 2012 and was appointed as our chief financial officer on March 20, 2023 in which she is responsible for general financial management of our Group. She has over 18 years of experience in accounting. She worked as a senior officer at the accounts department in K Cash Express (and was promoted as Deputy Manager later) from March 2012 to February 2017 in which she was responsible for monitoring the daily cash flow and reviewing financial reports of the company. Ms. Lin served as a senior manager in Konew Capital in August 2018 and was promoted as a director since July 2022 in which she was responsible for ensuring the submission of accurate and timely reports internally and externally, and monitoring cash flow and accounting policies. She was transferred to K Cash Express since October 2022.

Prior to joining the Group, Ms. Lin served as an accounts clerk at a trading firm, primarily responsible for month-end closing and management of payroll, from July 2004 to July 2006, an accountant at auditing firm, primarily responsible for maintaining accounting records for clients and performing statutory audit and tax computations from July 2006 to September 2007 and an associate at the overseas branch of a Japanese Bank, primarily responsible for financial reporting from October 2007 to August 2011. From August 2011 to March 2012, Ms. Lin served as the assistant accounting manager of a listed bank in Hong Kong, primarily responsible for financial reporting.

Ms. Lin graduated from the City University of Hong Kong in 2004 and obtained a bachelor's degree of business administration in accountancy with honors. She has been a member of The Association of Chartered Certified Accountants since November 2007, and a fellow of the same since November 2012.

Ms. Leung Ka Yee (梁嘉兒), aged 45, first joined the Group in July 2001 and was appointed as our chief commercial officer on March 20, 2023 in which she is responsible for overseeing and supervising the corporate business department of our Group and managing the SME Loans and corporate partnership projects. She served as the assistant manager and Head of Customer Service of customer service department of K Cash Express from July 2001 to September 2005 and from July 2007 to March 2012, respectively, primarily responsible for handling loan application and customers complaints, conducting frontline training and coordinating the operation of departments for the development of the company. She served as the director of prestige account department of Konew Capital between September 2018 and September 2022 and was transferred to K Cash Express with the same position in October 2022 in which she is responsible for formulating the long term development goals of the company and promoting the execution of company's policy. Ms. Leung has over 22 years of experience in customer services.

Prior to re-joining the Group in October 2022, Ms. Leung acted as the Senior Customer Relationship Officer of Citibank (Hong Kong) Limited, principally engaged in the provision of banking services, from September 2005 to December 2006, primarily responsible for assisting in administrative work and management training.

Ms. Leung also served as the director of prestige account department of Konew Capital from September 2018 to September 2022 in which she was responsible for formulating the long term development goals of the company and promoting the execution of company's policy.

Ms. Leung obtained a bachelor's degree of arts in hotel & catering management from the Hong Kong Polytechnic University in November 2000 and a master's degree of business and administration from the Chinese University of Hong Kong in November 2020. She was awarded Distinction in Accounting (Third Level) by the London Chamber of Commerce and Industry Examinations Board in 1997.

COMPANY SECRETARY

Ms. Lai Siu Kuen (黎少娟), was appointed as a company secretary of our Company on December 29, 2022.

Ms. Lai is a director of corporate services of Tricor Services Limited, an Asia's leading business expansion specialist specializing in the provision of integrated business, corporate and investor services. She has over 20 years of experience in the corporate secretarial field. She has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Lai is a Chartered Secretary and a fellow of both The Hong Kong Chartered Governance Institute (HKCGI) (formerly "The Hong Kong Institute of Chartered Secretaries") and fellow of The Chartered Governance Institute (CGI) (formerly "The Institute of Chartered Secretaries and Administrators"). Ms. Lai is currently the company secretary or joint company secretary of certain companies, including Shanghai Junshi Biosciences Co., Ltd. (stock code: 1877), Yangtze Optical Fibre and Cable Joint Stock Limited Company (stock code: 6869) and CGN Mining Company Limited (stock code: 1164), the shares of which are all listed on the Stock Exchange.

STAFF

We maintain good working relations with our staff. We have not experienced any significant problems with the recruitment and retention of experienced employees. In addition, we have not suffered from any material disruption of our normal business operations as a result of labor disputes or strikes.

Benefits

As required by the employment laws in Hong Kong, our Group participates in the MPF scheme to provide retirement benefits for our Hong Kong staff. Our Hong Kong staff are also entitled to medical welfare and discretionary bonuses provided by our Group.

Compensation

The aggregate amount of remuneration of our Directors for the years ended December 31, 2020, 2021 and 2022 and five months ended May 31, 2023 was approximately HK$20 million, HK$24 million, HK$15 million and HK$3 million, respectively. For more details of the arrangement for remuneration, see "Appendix I — Accountant's Report — II. Notes To The Historical Financial Information — Note 7".

The aggregate amount of salaries and other emoluments, discretionary bonuses and retirement scheme contributions paid by us to the five highest paid individuals of our Group, including Directors, during the years ended December 31, 2020, 2021 and 2022 and five months ended May 31, 2023 was approximately HK$20 million, HK$24 million, HK$15 million and HK$4.5 million, respectively.

Our Directors and senior management receive compensation in the form of salaries, benefits in kind and/or discretionary bonuses relating to the performance of our Group. We also reimburse them for expenses which are necessarily and reasonably incurred for providing services to us or executing their functions in relation to our operations. We regularly review and determine the remuneration and compensation packages of our Directors and senior management. After the Listing, our remuneration committee will review and determine the remuneration and compensation packages of our Directors and senior management with reference to salaries paid by comparable companies, time commitment and responsibilities of our Directors, and performance of our Group.

During the Track Record Period, no remuneration was paid by us to, or receivable by, our Directors or the five highest paid individuals as inducement to join or upon joining our Company, or as compensation for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. In addition, none of our Directors waived any emoluments.

BOARD COMMITTEES

Audit committee

Our Company established an audit committee on [●] with its written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise our financial reporting process and internal control and risk management systems, to nominate and monitor external auditors, to provide advice and comments to our Board on matters related to corporate governance, and to perform other duties and responsibilities as assigned by our Board.

Our audit committee consists of three members, namely Prof. Hung Wai Man *JP*, Mr. Mak Wing Sum Alvin and Mr. Leung Ka Cheung. Mr. Leung Ka Cheung currently serves as the chairman of our audit committee.

Remuneration committee

Our Company established a remuneration committee on [●] with its written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to establish, review and offer advice to our Board on our policy and structure concerning remuneration of our Directors and senior management and on the establishment of a formal and transparent procedure for developing policies concerning such remuneration, and to make recommendations to our Board on the terms of the specific remuneration package of each executive Director and senior management.

Our remuneration committee consists of five members, namely Mr. Steven Lee, Chairman Lee, Prof. Hung Wai Man *JP*, Mr. Mak Wing Sum Alvin and Mr. Leung Ka Cheung. Prof. Hung Wai Man *JP* currently serves as the chairman of our remuneration committee.

Nomination committee

Our Company established a nomination committee on [●] with its written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to review the structure, size and composition of our Board and make recommendations to our Board regarding any proposed changes to the composition of our Board, to identify, select or make recommendations to our Board on the selection of individuals nominated for directorships, to ensure diversity of our Board members, to assess the independence of our independence of our independent non-executive Directors and make recommendations to our Board on relevant matters relating to the appointment, re-appointment and removal of our Directors and succession planning for our Directors.

Our nomination committee consists of five members, namely Mr. Steven Lee, Chairman Lee, Prof. Hung Wai Man *JP*, Mr. Mak Wing Sum Alvin and Mr. Leung Ka Cheung. Chairman Lee currently serves as the chairman of our nomination committee.

Independent Business Opportunity Assessment Committee

Our Company established the Independent Business Opportunity Assessment Committee on [●]. The primary duties of the Independent Business Opportunity Assessment Committee are to, among other matters, ensure that the Excluded Group NCU given by the Excluded Group will be implemented strictly and effectively, review, assess and consider matters related to the Excluded Group NCU, and assess whether or not our Group has taken up the Referred Business Opportunities and whether the Excluded Group NCU has been duly implemented.

Our Independent Business Opportunity Assessment Committee consists of four members, namely Ms. Wong Cheuk Sze, Prof. Hung Wai Man *JP*, Mr. Mak Wing Sum Alvin and Mr. Leung Ka Cheung. Mr. Mak Wing Sum Alvin currently serves as the chairman of our Independent Business Opportunity Assessment Committee.

SHARE OPTION SCHEME

We conditionally adopted the Share Option Scheme on [●]. For details of the Share Option Scheme, see "Appendix IV — Statutory and General Information — D. Other Information — 1. Share Option Scheme".

COMPLIANCE ADVISOR

We have appointed China Everbright Capital Limited as our compliance advisor (the "**Compliance Advisor**") upon the [**REDACTED**] in compliance with Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Advisor will provide advice to us when consulted by us in the following circumstances:

- the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- where we propose to use the [**REDACTED**] of the [**REDACTED**] in a manner different from that detailed in this document or where our business activities, developments or results deviate from any forecast, estimate, or other information in this document; and
- where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the [**REDACTED**] of our Shares.

The term of the appointment shall commence on the [**REDACTED**] and end on the date on which our Company distributes its annual report in respect of its financial results for the first full financial year commencing after the [**REDACTED**], and this appointment may be subject to extension by mutual agreement.

BOARD DIVERSITY POLICY

In order to enhance the effectiveness of our Board and to maintain the high standard of corporate governance, we have adopted the board diversity policy which sets out the objective and approach to achieve and maintain diversity of our Board. Pursuant to the board diversity policy, we seek to achieve Board diversity through the consideration of a number of factors when selecting the candidates to our Board, including but not limited to gender, age, culture, education background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to our Board.

Our Board comprises nine Directors, including two executive Directors, four non-executive Directors and three independent non-executive Directors. Our Directors have a balanced mix of knowledge and skills, including knowledge and skills in the business of licensed money lending industry, finance and accounting. They obtained degrees in various majors including commerce, accounting and audit and business administration. We have three independent non-executive Directors with different industry backgrounds, representing one-third of the members of our Board. Furthermore, our Board comprises Directors of a wide range of age, ranging from 44 years old to 87 years old. As of the Latest Practicable Date, we had four female Directors on our Board. We will continue to apply the principles of appointments based on merits with reference to our board diversity policy as a whole.

Our nomination committee is responsible for ensuring the diversity of our Board members. After the [**REDACTED**], our nomination committee will review the board diversity policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of the board diversity policy on an annual basis.

Taking into account our existing business model and specific needs as well as the different background of our Directors, our Directors consider that the composition of our Board satisfies our board diversity policy.

CORPORATE GOVERNANCE CODE

The Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders. To accomplish this, the Company intends to comply with the corporate governance requirements under the Corporate Governance Code set out in Appendix 14 to the Listing Rules after the [**REDACTED**].

The Company has adopted the code provisions stated in the Corporate Governance Code. Our Company is committed to the view that the Board should include a balanced composition of executive Directors and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgment.

Our Directors are aware that upon [**REDACTED**], we are expected to comply with such code provision. Any such deviation shall however be carefully considered, and the reasons for such deviation shall be given in our interim report and annual report in respect of the relevant period. We are committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders as a whole.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the [**REDACTED**] and the [**REDACTED**] and without taking into account any Shares which may be issued pursuant to the exercise of the [**REDACTED**] or any Shares that may be issued pursuant to the exercise of options which may be granted under the Share Option Scheme, the following persons will have an interest or a short position in Shares or underlying Shares which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Group:

		Shares held as of the date of this document		Immediately after the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised)	
Name of shareholder	**Nature of interest**	**Number of Shares(1)**	**Approximate percentage of interest in our Company**	**Number of Shares(1)**	**Approximate percentage of interest in our Company**
Konew Fintech(2)	Beneficial owner	10,000 (L)	100.0%	[**REDACTED**]	[**REDACTED**]
Konew Group(2)	Interest in controlled corporation	10,000 (L)	100.0%	[**REDACTED**]	[**REDACTED**]
Chairman Lee(3)(4)	Interest in controlled corporation and interest jointly held with other persons	10,000 (L)	100.0%	[**REDACTED**]	[**REDACTED**]
Mrs. Lee(3)(4)	Interest in controlled corporation and interest jointly held with other persons	10,000 (L)	100.0%	[**REDACTED**]	[**REDACTED**]
Mr. Steven Lee(3)(4)	Founder of a discretionary trust, interest in controlled corporation and interest jointly held with other persons	10,000 (L)	100.0%	[**REDACTED**]	[**REDACTED**]
SW Lee Limited(2)	Interest in controlled corporation	2,850 (L)	28.5%	[**REDACTED**]	[**REDACTED**]
World Wealth Investment Development Limited(4)	Interest in controlled corporation	2,850 (L)	28.5%	[**REDACTED**]	[**REDACTED**]
East Asia International Trustees Limited(4)	Trustee of a trust	2,850 (L)	28.5%	[**REDACTED**]	[**REDACTED**]
Mr. Edwin Lee(3)(4)	Interest in controlled corporation and interest jointly held with other persons	10,000 (L)	100.0%	[**REDACTED**]	[**REDACTED**]

Notes:

(1) The letter "L" denotes a person's long position in our Shares.

(2) The entire issued share capital of Konew Fintech is owned by Konew Group, which is in turn owned as to 28.5%, 25.0%, 25.0% and 21.5% by SW Lee Limited, Chairman Lee, Mrs. Lee and Mr. Edwin Lee respectively.

(3) Chairman Lee, Mrs. Lee, Mr. Steven Lee and Mr. Edwin Lee are family member of one another. Therefore, pursuant to the SFO, they are deemed to be interested in any Shares in which one another is interested through their controlled corporation, Konew Group.

(4) East Asia International Trustees Limited as the trustee of the Lee Trust (through its direct wholly-owned company World Wealth Investment Development Limited) holds the entire issued share capital of SW Lee Limited. The Lee Trust is a discretionary trust established by Mr. Steven Lee (as the settlor) and East Asia International Trustees Limited (as the trustee), for the benefit of Mr. Steven Lee and his family members. Accordingly, each of Mr. Steven Lee, World Wealth Investment Development Limited and East Asia International Trustees Limited is deemed to be interested in the equity interests held by SW Lee Limited. Chairman Lee, Mrs. Lee and Mr. Edwin Lee, being family members of Mr. Steven Lee, will also be deemed to be interested in the equity interests of Mr. Steven Lee in SW Lee Limited.

For further details of the relationship among our substantial shareholders, see "History, Reorganization and Corporate Structure" and "Relationship with our Controlling Shareholders".

Save as disclosed above and in "Appendix IV — Statutory and General Information — C. Further Information about Our Directors and Substantial Shareholders" and persons having deemed interest under Section 316(1)(a) of the SFO, our Directors are not aware of any person who will, immediately following the completion of the [**REDACTED**] and assuming that the [**REDACTED**] is not exercised, have an interest or a short position in the Shares or underlying Shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid upon the completion of the [**REDACTED**] and the [**REDACTED**]:

Authorized share capital:		**Nominal value**
		(HK$)
3,900,000,000	Shares of HK$0.0001 each	390,000

Assuming the [**REDACTED**] is not exercised at all, the issued share capital of our Company immediately following the completion of the [**REDACTED**] and the [**REDACTED**] will be as follows:

Issued and to be issued share capital:		**Nominal value**
		(HK$)
10,000	Shares in issue as of the date of this document	1.00
[**REDACTED**]	Shares to be issued under the [**REDACTED**]	[**REDACTED**]
[**REDACTED**]	Shares to be issued under the [**REDACTED**]	[**REDACTED**]
[**REDACTED**]	**Shares in total**	[**REDACTED**]

Assuming the [**REDACTED**] is exercised in full, the issued share capital of our Company immediately following the completion of the [**REDACTED**] and the [**REDACTED**] will be as follows:

Issued share capital:		**Nominal value**
		(HK$)
10,000	Shares in issue as of the date of this document	1.00
[**REDACTED**]	Shares to be issued under the [**REDACTED**]	[**REDACTED**]
[**REDACTED**]	Shares to be issued under the [**REDACTED**]	[**REDACTED**]
[**REDACTED**]	**Shares in total**	[**REDACTED**]

ASSUMPTIONS

The above tables assume that the [**REDACTED**] becomes unconditional.

The above tables take no account of (a) Shares which may be allotted and issued upon the exercise of the options granted or to be granted under the Share Option Scheme, or (b) any Shares which may be allotted and issued or repurchased by our Company pursuant to the General Mandate and the Repurchase Mandate as described below.

RANKING

The [**REDACTED**] and our Shares that may be issued pursuant to exercise of the [**REDACTED**] will rank *pari passu* in all respects with all other existing Shares in issue as mentioned in this document, and, in particular, will be entitled to all dividends and other distributions hereafter declared, paid or made on our Shares after the date of this document save for entitlements under the [**REDACTED**].

SHARE OPTION SCHEMES

We conditionally adopted the Share Option Scheme on [●]. For details of the Share Option Scheme, see "Appendix IV — Statutory and General Information — D. Other Information — 1. Share Option Schemes".

GENERAL MANDATE

Our Directors have been granted a general unconditional mandate (the "**General Mandate**") to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for allotment of Shares in lieu of the whole or in part of any dividend in accordance with the Articles, or pursuant to the exercise of the options granted or to be granted under the Share Option Scheme, or under the [**REDACTED**] or the [**REDACTED**] or upon the exercise of the [**REDACTED**], an aggregate number of Shares not exceeding the sum of (a) 20% of the aggregate number of issued Shares immediately following the completion of the [**REDACTED**] and the [**REDACTED**] (but excluding any Shares which may be allotted and issued upon exercise of the [**REDACTED**] or the options granted or to be granted under the Share Option Scheme); and (b) the aggregate number of Shares which may be repurchased by our Company under the Repurchase Mandate.

This General Mandate will expire:

(i) at the conclusion of our Company's next annual general meeting; or

(ii) upon the expiry of the period within which our Company is required by any applicable law or the Memorandum and Articles of Association to hold its next annual general meeting; or

(iii) when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting;

whichever occurs first.

For details of the General Mandate, see "Appendix IV — Statutory and General Information — A. Further Information about our Group — 3. Resolutions in writing of our Shareholders passed on [●]".

REPURCHASE MANDATE

Our Directors have been granted a general unconditional mandate (the "**Repurchase Mandate**") to exercise all of the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal amount of the share capital of our Company in issue, as enlarged by the [**REDACTED**] and the [**REDACTED**] (but excluding any Shares which may be allotted, issued or sold upon exercise of the [**REDACTED**] or the options granted or to be granted under the Share Option Scheme).

This Repurchase Mandate relates only to repurchases made on the Stock Exchange or on any other stock exchange on which our Shares are [**REDACTED**] (and which is recognized by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and the requirements of the Listing Rules. Further information required by the Stock Exchange to be included in this document regarding the repurchase of Shares is set out in "Appendix IV — Statutory and General Information — A. Further Information about our Group — 6. Repurchases of our own securities".

This Repurchase Mandate will expire:

(i) at the conclusion of our Company's next annual general meeting; or

(ii) upon the expiry of the period within which our Company is required by any applicable law or the Memorandum and Articles of Association to hold its next annual general meeting; or

(iii) when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting;

whichever occurs first.

For further information about this Repurchase Mandate, see "Appendix IV — Statutory and General Information — A. Further Information about our Group — 6. Repurchases of our own securities".

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS AND CLASS MEETINGS ARE REQUIRED

Our Company currently only has one class of shares in issue, namely ordinary shares, each of which ranks *pari passu* with the other shares.

Pursuant to the Cayman Islands Companies Act and the terms of the Memorandum and the Articles, our Company may from time to time by ordinary resolution of Shareholders: (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into several classes; (iv) sub-divide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may, subject to the provisions of the Cayman Islands Companies Act, reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution. For further details, see "Appendix III — Summary of the Constitution of our Company and Cayman Islands Company Law — 2. Articles of Association — (a) Shares — (iii) Alteration of capital".

Pursuant to the Cayman Islands Companies Act and the terms of the Memorandum and the Articles, all or any of the special rights attached to our Shares or any class of our Shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of our Shares of that class. For further details, see "Appendix III — Summary of the Constitution of our Company and Cayman Islands Company Law — 2. Articles of Association — (a) Shares — (ii) Variation of rights of existing shares or classes of shares".

The following discussion and analysis should be read in conjunction with our consolidated financial statements included in "Appendix I — Accountant's Report," together with the accompanying notes. Our consolidated financial statements have been prepared in accordance with HKFRS.

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis that we make in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed in "Risk Factors" and "Forward-Looking Statements" and elsewhere in this document.

OVERVIEW

We are a licensed money lender in Hong Kong focusing on providing unsecured loans through adopting various technologies while offering a convenient customer experience. We target subprime customers with financial hardship, emergency or unexpected spending for which they do not have money budgeted. Our customers enjoy the benefits of the unsecured credit access by using technology for our lending services, including but not limited to loan application, credit assessment, drawdown and loan repayment. During the Track Record Period, we mainly offered the following types of unsecured loans:

- ***Unsecured Property Owner Loans:*** unsecured loans offered to borrowers who are property owners in Hong Kong, including owners of HOS Properties, without the need to provide any collaterals;
- ***Personal Loans:*** unsecured loans offered to individuals, including "7x24 AI Loan"; and
- ***SME Loans:*** unsecured loans offered to SMEs, with a personal guarantee typically provided by a director or a shareholder of the SME borrower.

Our net interest income was HK$267.7 million, HK$234.1 million, HK$211.0 million and HK$95.0 million in 2020, 2021 and 2022 and five months ended May 31, 2023, respectively, while our profit for the year or period was HK$91.0 million, HK$77.1 million and HK$67.9 million and HK$22.9 million for the relevant period, respectively.

BASIS OF PRESENTATION

Our combined financial information has been prepared in accordance with HKFRS issued by the HKICPA. The net assets of the combining companies were combined using the existing book values, and no amount is recognized in consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of business combination under common control, to the extent of the continuation of the controlling party's interest. Accordingly, the Reorganization is regarded as a business combination under common control, and for the purpose of this report, the historical financial information has been prepared on a combined basis.

The combined financial statements of the Group have been prepared under the historical cost convention. For more information on the basis of presentation and preparation of the historical financial information, see note 2.1 of the Accountant's Report in Appendix I.

The preparation of our combined financial information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to our consolidated financial information are disclosed in note 4 of the Accountant's Report in Appendix I.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, materially affected by a number of factors, including the following:

Net interest margin and cost of funding

Our operational results and profitability depend on the net interest margin of our loan products. As such, our operating results and financial condition will rely heavily on the ability to maintain our net interest margin. In 2020, 2021 and 2022 and five months ended May 31, 2023, our overall net interest margin was approximately 23.8%, 22.9%, 23.2% and 9.2%, respectively. For a discussion on the fluctuation of our net interest margin during the Track Record Period, see "— Results of Operations — Year ended December 31, 2020 compared to year ended December 31, 2021 — Net interest margin", "— Results of Operations — Year ended December 31, 2021 compared to year ended December 31, 2022 — Net interest margin" and "— Results of Operations — Five Months Ended May 31, 2022 Compared to Five Months Ended May 31, 2023 — Net interest margin".

Capital base and source of funding

Our capital base and our ability to raise adequate and timely funds affect the successful execution of our business expansion and other strategies. During the Track Record Period, our operations and capital requirements were financed principally through (i) cash flow from our operating activities; (ii) funding from loans or facilities provided by banks; and (iii) loans from Controlling Shareholders and their close associates. Our borrowings (tax loans excluded) remained stable at approximately HK$306.0 million, HK$291.0 million, HK$282.0 million and HK$252.0 million as of December 31, 2020, 2021 and 2022 and May 31, 2023, respectively, which were for our working capital. Based on our current and anticipated levels of operations and barring any unforeseen circumstances in market conditions, our source of funding following our [**REDACTED**] will also include the [**REDACTED**] from the [**REDACTED**] and loans from banks in Hong Kong. Our loan portfolio and the expansion of our business rely principally on the sufficiency of our source of funding. The size of our loan portfolio has historically been directly correlated to the amount of funding available to us. As such, the expansion of our business will be limited by our ability to obtain adequate funding.

Risk management capability

Our business is inherently subject to various risks, in particular, credit risk. We implement a comprehensive credit risk management methodology to control our credit risk exposure throughout the loan cycle of our loan products. On the front-end, we leverage various tools to automate and digitalize our credit cycle from loan application to loan repayment, which continuously enhance user experience. Meanwhile, on the back-end, we utilize applications to build on well-established technologies, including but not limited to AI, blockchain and business process automation technology, to automate and streamline our risk management systems and entire business process. Our hybrid cloud K Cash GO Platform supports all these technologies, allowing us to achieve optimal operational efficiency.

We utilize our IDCM model for credit review and approval, which comprises Credit Modelling System and AQM System for our Personal Loans. For Unsecured Property Owner Loans, we collect and review information of the properties owned by borrowers, and use the AVS Methodology to assess the value of such properties, so that our credit intelligence department is able to have a more accurate valuation and closely monitor changes in the valuation. In respect of our SME Loans, we rely on financial performance and operational data of our borrowers for ongoing risk monitoring. We will also utilize our SME dashboard for pre-loan credit assessment and post-loan monitoring. A comprehensive and effective risk management system can help mitigate our risk exposure and control our bad debt ratios, and enable us to reduce bad debt and thus manage impairment cost. Any significant deficiency or ineffectiveness in our risk management system will directly or indirectly result in an increase in our bad debt ratio or failure of our debt collection agent to collect overdue loans, which may in turn impact our results of operation and financial condition.

Competition

Competition across our business line is intense. According to Frost & Sullivan, there were over 2,000 licensed money lenders in Hong Kong as of December 31, 2022. We compete primarily on capital base, source of fundings, efficiency, pricing, and accessibility. To effectively compete with our competitors and maintain or increase our market share, we may need to continue enhancing our competitive strengths, in particular, our ability to offer cost-effective and speedy financial solutions to our customers. If we fail to maintain our competitive strengths, we may lose market share and our interest income may decrease.

Macroeconomic and market conditions in Hong Kong

Our business activities are based in Hong Kong and we are directly affected by any change or development in the local economic, social, political and legal situations as well as government policies in Hong Kong. Such changes or developments are subject to numerous factors, such as the global economy and political conditions which are beyond our control. Events with adverse impact on borrowers' confidence and risk appetites, such as unemployment, COVID-19 related restrictions and anything that will cause the Hong Kong economy to deteriorate, may lead to a reduction in borrowings and in turn affect our business performance. Poor economic conditions also reduce our borrowers' ability to repay their obligations to us which reduces our interest income, size of our loan portfolio and increases our credit losses. Any adverse change in the local economic, social and political environment may lead to a prolonged period of sluggish market activities and a deterioration in investment and trading activities, which may in turn adversely affect our business, results of operations, financial conditions and prospects.

CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

Judgments and Estimates

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

We make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Impairment of loan receivables

We assess expected credit losses on loan receivables based on assumptions about risk of default based on probability of default, loss given default and exposure at default discussed in "Appendix I — Accountant's Report — II. Notes to the Historical Financial Information — 3. Financial, Risk and Capital Risk Management — Note 3.1(b)". Management judgment will be involved in making assumptions and selecting the inputs to its expected credit losses calculation, based on our past history, present market conditions as well as forward looking information at the end of each reporting period. For details of the estimation techniques, key assumptions and inputs used, see "Appendix I — Accountant's Report — II. Notes to the Historical Financial Information — 3. Financial, Risk and Capital Risk Management — Note 3.1(b)".

Accounting Policies

We have identified certain accounting policies that are significant to the preparation of our financial information. These significant accounting policies are important for an understanding of our financial condition and results of operations and are set forth in "Appendix I — Accountant's Report — II. Notes to the Historical Financial Information — Note 2". The following paragraphs discuss certain significant accounting policies applied in preparing the Financial Information.

Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost. Any difference between the [**REDACTED**] (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of banking facilities are recognized as transaction costs of the borrowings to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Repossessed assets

Upon derecognition of related loan receivables, foreclosed assets are recognized as "Repossessed assets" on the consolidated balance sheets. Repossessed assets are measured at the lower of the carrying amount and the fair value less cost to sell at the end of each reporting period. When the fair value less cost to sell is lower than the carrying amount, impairment loss is recognized in profit or loss.

Gain or loss on disposal of repossessed assets is recognized in profit or loss within "other (losses)/gain, net".

Impairment of non-financial assets

Assets that are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Financial assets

Classification

The classification depends on our business model for managing the financial assets and the contractual terms of the cash flows.

Where our business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, we assess whether the financial instruments' cash flows represent solely payments of principal and interest ("**SPPI**"). In making this assessment, we consider whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Debt instruments are those instruments that meet the definition of a financial assets from our perspective. During the years ended December 31, 2020, 2021 and 2022 and five months ended May 31, 2023, we only hold debt instruments, including cash and cash equivalents, loan receivables, other receivables and deposit, amount due from a director, amounts due from fellow subsidiaries, and amounts due from related parties, which are held for collection of contractual cash flows where those cash flows represent SPPI thus measured at amortized cost.

We reclassify debt investments when and only when our business model for managing those assets changes.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which we commit to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and we has transferred substantially all the risks and rewards of ownership.

Measurement

Initial measurement

At initial recognition, we measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Subsequent measurement

The amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition: (i) minus the principal repayments; (ii) plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount; (iii) for financial assets, adjusted for any loss allowance.

Interest income from these financial assets is included in "Interest income" using the effective interest rate method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e., its amortized cost before any impairment allowance) or to the amortized cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate. Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets and is included in our interest income, except for:

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets and is included in "Interest income", except for:

- purchased or originated credit-impaired financial assets, whose interest income is calculated, since initial recognition, by applying the credit-adjusted effective interest rate to their amortized cost; and

- financial assets that are not purchased or originated credit-impaired but have subsequently become credit-impaired, whose interest income is calculated by applying the effective interest rate to their amortized cost (i.e. net of the expected credit loss provision). If, in a subsequent period, the financial assets improve their qualities so that they are no longer credit-impaired and the improvement in credit quality is related objectively to a certain event occurring after the application of the above-mentioned rules, then the interest income is calculated by applying the effective interest rate to their gross carrying amount.

Impairment of financial assets

We assess on a forward-looking basis the expected credit losses associated with our debt instruments carried at amortized cost. We recognize a loss allowance for such losses at the end of each reporting period. The measurement of expected credit losses reflect:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcome;

- The time value of money; and

- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

For details of how our provision for impairment is measured, see "Appendix I — Accountant's Report — II. Notes to the Historical Financial Information — 3. Financial, Risk and Capital Risk Management — Note 3.1(b)".

PRINCIPAL COMPONENTS OF OUR CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The following table sets forth our consolidated statements of comprehensive income for the years or periods indicated:

	Year ended December 31,			Five months ended May 31,	
	2020	2021	2022	2022	2023
			(HK$'million)		
				(Unaudited)	
Interest income	304.3	270.1	234.0	99.5	104.7
Interest expenses	(36.6)	(36.0)	(23.0)	(9.3)	(9.7)
Net interest income	267.7	234.1	211.0	90.2	95.0
Other income	5.7	3.9	10.1	3.8	1.1
Other (losses)/gains, net	(0.3)	0.2	(0.2)	0.1	0.8
Selling expenses	(39.9)	(35.1)	(34.4)	(9.5)	(12.1)
General and administrative expenses	(57.7)	(68.4)	(66.1)	(27.6)	(33.5)
Expected credit losses, net	(69.7)	(41.9)	(37.7)	(17.7)	(21.3)
Operating profit	105.8	92.8	82.7	39.3	30.0
Other finance cost	(0.3)	(0.5)	(0.8)	(0.3)	(0.2)
Profit before income tax	105.5	92.3	81.9	39.0	29.8
Income tax expense	(14.5)	(15.2)	(14.0)	(6.5)	(6.9)
Profit and total comprehensive income for the year/period	**91.0**	**77.1**	**67.9**	**32.5**	**22.9**

Non-HKFRS Measure

We believe the non-HKFRS measure set out below provides useful information to investors about our operating performance, and enhances the overall understanding of our past performance and future prospects in the same manner as our management. We define adjusted net profit (non-HKFRS measure) as profit for the year or period adjusted by expenses for the [**REDACTED**]. Given such expenses were incurred for the purpose of the [**REDACTED**], the adjustment has been consistently made during the Track Record Period.

The non-HKFRS measure shall not be considered in isolation from, or as substitute for analysis of, our consolidated statement of profit or loss or financial condition as reported under HKFRS. In addition, the non-HKFRS measure may be defined separately from similar terms used by other companies and therefore may not be comparable to similar measures presented by other companies.

The table below sets forth our adjusted net profit (non-HKFRS measure) during the Track Record Period:

	Year ended December 31,			Five months ended May 31,	
	2020	**2021**	**2022**	**2022**	**2023**
			(HK$'million)		
				(Unaudited)	
Profit for the year/period	91.0	77.1	67.9	32.5	22.9
Adjustment for:					
[**REDACTED**]	–	–	[**REDACTED**]	–	[**REDACTED**]
Adjusted net profit for the year/period (non-HKFRS measure)	91.0	77.1	73.2	32.5	34.1

Our adjusted net profit (non-HKFRS measures) increased by approximately HK$1.6 million from approximately HK$32.5 million for the five months ended May 31, 2022 to approximately HK$34.1 million for the five months ended May 31, 2023 primarily due to the growth of our loan portfolio as a result of the gradual recovery of economy after COVID-19. Nonetheless, the growth is rather stagnant due to the cautious market sentiment in the property market, price pressures on major goods and services as a result of inflation and increase in pressure faced by our SME borrowers due to increase in domestic business cost.

Interest income

During the Track Record Period, we derived revenue through interest income generated from our money lending business. We mainly offer unsecured loans, comprising unsecured property owner, personal and SME loans. In 2020, 2021 and 2022 and five months ended May 31, 2023, we generated interest income of HK$304.3 million, HK$270.1 million, HK$234.0 million and HK$104.7 million, respectively.

The following table sets out the breakdown of our interest income by loan type and its percentage of our interest income during the Track Record Period:

	Year ended December 31,						Five months ended May 31,			
	2020		2021		2022(2)		2022		2023	
	(HK$'million)	*%*	*(HK$'million)*	*%*	*(HK$'million)*	*%*	*(HK$'million)* (Unaudited)	*%*	*(HK$'million)*	*%*
Unsecured property owner loans										
– HOS property	176.7	58.1	161.3	59.7	140.1	59.9	59.5	60.0	65.4	62.5
– Private property	9.9	3.2	8.3	3.1	6.7	2.8	3.0	2.9	4.2	4.0
	186.6	61.3	169.6	62.8	146.8	62.7	62.5	62.9	69.6	66.5
Personal loans	106.4	35.0	87.1	32.2	74.6	31.9	32.0	32.2	30.0	28.7
SME loans	10.5	3.4	12.9	4.8	12.1	5.2	4.7	4.7	5.1	4.8
Others(1)	0.8	0.3	0.5	0.2	0.5	0.2	0.2	0.2	–	–
Total	**304.3**	**100.0**	**270.1**	**100.0**	**234.0**	**100.0**	**99.4**	**100**	**104.7**	**100.0**

(1) Others comprise of subordinated mortgage loan business during the Track Record Period. We have already ceased to provide any new loans under subordinated mortgage business and will only focus on providing unsecured loans.

(2) On December 31, 2022, we acquired a loan portfolio from the Excluded Group at its carrying amount of approximately HK$150.1 million. For details, see "Business — Key Financial and Operating Metrics — Receivables of Loan Principal".

Our interest income was primarily affected by us becoming more prudent to the risk of defaults since the COVID-19 outbreak; and the temporary deterioration of Hong Kong economy and imposition of social distancing measures and travel restrictions caused by the persistence of COVID-19 throughout most of the Track Record Period. These factors are partially attributable to precautionary measures that we took out on our own volition to prevent ourselves from being exposed to additional risk instead of deterioration of the viability of our operations due to reasons such as changes in the market environment or demand for our services, hence our Directors are of the view that the COVID-19 outbreak has not materially affected our business during the Track Record Period. For details of the tightening of our credit risk management policy during the COVID-19 outbreak and the impact of COVID-19 on our operations, see "Summary — Impact of outbreak of COVID-19 on our business" and "Business — Risk management and internal control — Credit risk management".

After the COVID-19 outbreak, we believe that the repayment pattern of our borrowers was further disrupted as their day-to-day cash flow has been affected by the interruption of business activities caused by the COVID-19 outbreak, hence to balance-out the impact on our financial performance if a single borrower defaults, we became more conservative in granting loans, especially High Value Loans, as compared to the pre-COVID-19 period, and the terms of loans we offered to the same borrower were less favorable in aspects such as interest rate and the principal amount. We also increased scrutiny on loan applications received, especially for applicants who were involved in industries which were most affected by COVID-19 due to social distancing measures or travel restrictions imposed by the Hong Kong Government, such as catering, retail or tourism, by requiring borrowers to achieve higher credit rating, further analyzed the applicants' outstanding financial obligations or the property owned, or put more emphasis on alternative data such as payroll method and consumption habits, in addition to conventional attributes offered by a credit reference agency, which all affected the terms of our loan offers provided to borrowers. Hence there is an increasing trend in the proportion of turned down loan applications, in terms of the number of applications received, from 2019 to 2021 and remained at a high level in 2022, as well as in terms of the loan principal requested for High Value Loans, throughout the Track Record Period.

Further, we from time to time received requests from borrowers seeking to repay their loan principal in advance when they have surplus cash, or when they receive more competitive loan offers from other market players because they may seek to consolidate their debts including the loan provided by us at more favorable terms offered by other market players. We believe early redemptions made by borrowers increased particularly in 2020 because they were able to obtain more competitive loan offers elsewhere or were more cautious in financial management. Upon receiving such requests from our borrowers, we may re-assess the existing terms of their loan and negotiate with them amicably with a view of retaining them as our customer if they still required our loans. However, throughout the Track Record Period, given the uncertain outlook on the economy, we remained conservative when negotiating with borrowers regarding their existing loans with us by adjusting our terms for borrowers that we continue to perceive as high risk when they request for early repayment. As less efforts were made to retain our borrowers, the amount of early redemption received by us from our borrowers has remained at a relatively high level since the COVID-19 outbreak which adversely affected our interest income in subsequent periods and led to a decrease in our loan portfolio.

Interest expenses

During the Track Record Period, our interest expenses mainly comprised interest expenses on bank borrowings, to a related party, a fellow subsidiary and the immediate holding company. In 2020, 2021 and 2022 and five months ended May 31, 2023, our interest expenses were HK$36.6 million, HK$36.0 million, HK$23.0 million and HK$9.7 million, respectively. The loan from the immediate holding company was relating to the interest-bearing loans originally from Konew Credit which was fully repaid in June 2020, and we simultaneously borrowed from Konew Fintech instead. Such loan from Konew Fintech was fully settled in January 2022. The loan from a related party refers to the loan from Big Development. Both of these loans are used for our working capital.

The table below sets forth a breakdown of our interest expenses for the years or periods indicated:

	Year ended December 31,			Five months ended May 31,	
	2020	**2021**	**2022**	**2022**	**2023**
			(HK$'million)		
				(Unaudited)	
Interest expenses on bank borrowings	19.1	18.5	19.7	8.3	8.7
Interest expenses on bank overdraft	0.0	0.0	0.0	–	0.0
Banking facilities handling fees	1.0	0.9	1.0	–	0.0
Interest expenses to the immediate holding company	7.2	14.5	0.1	0.1	–
Interest expenses to a fellow subsidiary	7.1	–	–	–	–
Interest expenses to a related party	2.2	2.1	2.2	0.9	0.9
	36.6	36.0	23.0	9.3	9.6
Other finance cost					
Interest expenses on lease liabilities	0.3	0.5	0.8	0.3	0.2

Other income

We generate other income primarily from rental income from a related party and fellow subsidiaries as well as government grant. In 2020, 2021 and 2022 and five months ended May 31, 2023, our other income was HK$5.7 million, HK$3.9 million, HK$10.1 million and HK$1.1 million, respectively. During the Track Record Period, we mainly derived our rental income from MoneySQ Limited which is a related party, and fellow subsidiaries mainly including Konew Capital, Honip Credit and Maxcolm Finance, which we received from sub-leasing office premise to them. Government grant received was mainly a subsidy provided by the Hong Kong Government in 2020 and 2022 in light of the outbreak of COVID-19.

The following table sets forth a breakdown of our other income for the years or periods indicated.

	Year ended December 31,			Five months ended May 31,	
	2020	2021	2022	2022	2023
			(HK$' million)		
				(Unaudited)	
Rental income from fellow subsidiaries	1.1	3.9	8.3	3.5	0.1
Rental income from a related party	0.1	0.0	0.0	0.0	1.0
Government grant	4.5	–	1.8	0.3	–
Others	–	0.0	0.0	0.0	0.0
	5.7	3.9	10.1	3.8	1.1

Note: The increase in rental income from fellow subsidiaries in 2022 was due to the subleasing of 4/F Wheelock House to Konew Capital since June 15, 2021.

General and Administrative Expenses

The breakdown of our general and administrative expenses during the Track Record Period are set out as follows:

	Year ended December 31,			Five months ended May 31,	
	2020	2021	2022	2022	2023
			(HK$'million)		
				(Unaudited)	
Employee benefit expenses (1)	38.8	47.6	37.1	17.1	12.5
Depreciation of right-of-use assets (2)	2.2	5.9	9.6	4.0	1.7
Depreciation of property equipment	2.6	2.6	2.3	1.0	0.7
Office expenses	2.7	2.3	1.9	0.8	1.2
IT services fee	1.5	1.6	0.8	0.7	–
Expenses related to short-term lease (2)	2.7	1.4	1.0	0.2	1.5
Subscription fee	1.1	1.1	1.1	0.4	0.5
Collection fee	1.5	0.7	1.0	0.7	0.0
Search fee and valuation	1.0	0.9	1.1	0.4	0.5
[**REDACTED**]	–	–	[**REDACTED**]	–	[**REDACTED**]
Legal and professional fees	0.5	0.6	1.1	0.9	0.4
Auditor's remuneration	0.4	0.2	0.2	0.1	0.1
Others (3)	2.7	3.5	3.6	1.3	3.2
Total	**57.7**	**68.4**	**66.1**	**27.6**	**33.5**

(1) Only comprise (i) salaries and bonus; (ii) pension and retirement benefits; and (iii) other staff benefits and welfare related to employees excluding frontline staffs who are responsible for our sales and marketing. For employee benefit expenses related to frontline staffs who are responsible for our sales and marketing, see "— Principal Components of our Consolidated Statement of Comprehensive Income — Selling expenses".

(2) Only includes depreciation of right-of-use assets related to, and short-term lease where the premises are used for, our general operation and administration. For depreciation of right-of-use assets and for short term lease related to our sales and marketing, see "— Principal Components of our Consolidated Statement of Comprehensive Income — Selling expenses".

(3) Others comprise, among others, bank charges, donations, repair and maintenance, motor vehicle expenses, recruitment and trading expenses, utility expenses and building management fee.

During the Track Record Period, our general and administrative expenses mainly comprised employee benefit expenses, office expenses as well as depreciation of right-of-use assets and property equipment. Particularly, our employee benefit expenses are consisted of (i) salaries and bonus; (ii) pension and retirement benefits; and (iii) other staff benefits and welfare.

Selling expenses

The following table sets forth the breakdown of selling expenses for the years or periods indicated:

	Year ended December 31,			Five months ended May 31,	
	2020	**2021**	**2022**	**2022**	**2023**
			(HK$'million)		
				(Unaudited)	
Advertising and marketing expenses	20.8	19.2	18.8	3.6	6.1
Employee benefit expenses(1)	14.2	10.6	10.5	4.0	3.9
Depreciation of right-of-use assets(2)	2.1	2.4	2.7	0.9	1.5
Expenses related to short-term lease(2)	2.7	2.9	1.9	1.0	0.6
Sales Commission(3)	–	–	0.4	–	–
Referral Fee(3)	0.1	0.0	0.1	0.0	0.1
Total	**39.9**	**35.1**	**34.4**	**9.5**	**12.1**

(1) Only comprise (i) salaries and bonus; (ii) pension and retirement benefits; and (iii) other staff benefits and welfare related to frontline staffs who are responsible for our sales and marketing. This item, together with the line item of employee benefit expenses under the "General and Administrative Expenses", constitute the total amount of employee benefit expenses set out in Note 6 in the Appendix I.

(2) Only includes depreciation of right-of-use assets and short term lease related to our sales and marketing. This item, together with the line item of depreciation of right-of-use assets and short term lease under the "General and Administrative Expenses", constitute the total amount of depreciation of right-of-use assets and short term lease set out in Note 6 in the Appendix I.

(3) Sales commission and referral fee are categorized as "Others" in "Appendix I — Accountant's Report — II. Notes to the Historical Financial Information — Note 6".

During the Track Record Period, our selling expenses mainly comprised (i) advertising and marketing expenses such as TV commercials fees, online search engines and social media advertising expenses; (ii) employee benefit expenses for frontline sales staffs; (iii) depreciation of right-of-use assets related to leases of branches; and (iv) expenses related to short-term lease of branches.

Technology related expenses

In 2020, 2021 and 2022 and five months ended May 31, 2023, our technology related expenses, comprising IT staff costs and IT service fee, was approximately HK$7.8 million, HK$6.8 million, HK$7.1 million and HK$3.4 million, respectively. The following table sets forth a breakdown of our technology related expenses for the years or periods indicated:

	Year ended December 31,			Five months ended May 31,	
	2020	**2021**	**2022**	**2022**	**2023**
			(HK$'million)		
				(Unaudited)	
IT staff costs[1]	4.6	4.2	5.3	2.2	2.7
IT service fees	1.5	1.6	0.8	0.7	–
IT service fees for services provided by Independent third parties	1.7	1.0	1.0	0.3	0.7
Total	**7.8**	**6.8**	**7.1**	**3.2**	**3.4**

(1) Such costs are included in the employment benefit expenses under the "General and Administrative Expenses".

Our IT service fees are paid to MoneySQ Limited for their IT support. The decrease in 2022 was because we started to bring IT support functions in-house and no longer required the IT support from MoneySQ Limited in June 2022.

Expected credit losses, net

In 2020, 2021 and 2022 and five months ended May 31, 2023, we recorded net expected credit losses of HK$69.7 million, HK$41.9 million, HK$37.7 million and HK$21.3 million, respectively. The decrease of our net expected credit loss from HK$69.7 million in 2020 to HK$41.9 million in 2021 was mainly due to decrease in loan receivables from HK$1,094.6 million as of December 31, 2020 to HK$946.1 million as of December 31, 2021 which reduced our exposure of credit loss in 2021. The decrease of our net expected credit loss from HK$41.9 million in 2021 to HK$37.7 million in 2022 was because our loan portfolio continued to decrease before taking into account the Transferred Loans, and we acquired an unsecured loan portfolio which consists of 454 loan accounts with fair values of HK$146.8 million of Unsecured Property Owner Loans and four loan accounts with fair values of HK$3.3 million of Personal Loans from the Excluded Group in 2022, which led to an increase in the proportion of Unsecured Property Owner Loans and the decrease in the proportion of Personal Loans in our loan portfolio in 2022. Since the relevant loan portfolio acquired mainly comprised of Unsecured Property Owner Loans which requires less provisions to be made, the impact of these Transferred Loans on expected credit loss is minimal. We perform regular review of our loan receivables and assess provision for impairment by taking into account the underlying risk profile, historical loss experience, historical loss rate of loans with similar attributes and forward-looking information.

Income tax expenses

Our principal tax liability arises from Hong Kong profits tax as our operation is based in Hong Kong. We were subject to a profits tax at a rate of 16.5% on our estimated assessable profits during the Track Record Period. In 2020, 2021 and 2022 and five months ended May 31, 2023, our income tax expenses amounted to HK$14.5 million, HK$15.2 million, HK$14.0 million and HK$6.9 million, respectively, and the effective tax rate was 13.7%, 16.5%, 17.1% and 23.2%, respectively. The lower effective income tax rate for 2020 compared to that in 2021 was mainly due to over-provision of tax from previous years and certain non-taxable government subsidies of HK$4.5 million we received in 2020. The higher effective income tax rate for 2022 compared to that in 2021 was because of the [**REDACTED**] incurred in 2022, which were not subject to tax deduction.

During the Track Record Period and as of the Latest Practicable Date, we had fulfilled all our tax obligations and did not have any unresolved tax disputes with the applicable tax authorities.

The following table sets forth a breakdown of our income tax expenses for the years or periods indicated.

	Year ended December 31,			Five months ended May 31,	
	2020	**2021**	**2022**	**2022**	**2023**
			(HK$'million)		
				(Unaudited)	
Current income tax					
– Hong Kong profits tax	20.1	14.3	14.6	6.6	7.4
– (Over)/under-provision in prior years	(2.2)	(0.0)	(0.1)	–	–
Deferred income tax	(3.4)	0.9	(0.5)	(0.0)	(0.5)
	14.5	15.2	14.0	6.6	6.9

Net interest margin

The table below sets forth the net interest margin of our loans products for the years or periods indicated:

	Year ended December 31,			Five months ended May 31,	
	2020	**2021**	**2022**	**2022**	**2023**
				(Unaudited)	
Unsecured Property Owner Loans	22.8%	21.6%	21.6%	8.9%	8.6%
– HOS Property	22.7%	21.5%	21.5%	8.8%	8.6%
– Private Property	24.5%	25.8%	24.1%	10.4%	8.3%
Personal Loans	26.6%	26.5%	27.9%	11.7%	11.2%
SME Loans	18.2%	20.3%	20.7%	8.1%	8.2%
Overall	23.8%	22.9%	23.2%	9.6%	9.2%

Note: The figures for the five months ended May 31, 2022 and 2023 were not annualized.

RESULTS OF OPERATIONS

Five Months Ended May 31, 2023 Compared to Five Months Ended May 31, 2022

Interest income

Our interest income increased by 5.2% from HK$99.5 million in the five months ended May 31, 2022 to HK$104.7 million in the five months ended May 31, 2023 due to the increase in our loan portfolio as we no longer implemented the Restrictive Aggregate Loan Out Policy and the Tightened Credit Assessment Policy after the local economy is gradually recovering from the COVID-19 outbreak.

Unsecured Property Owner Loans

Our interest income from Unsecured Property Owner Loans increased by 11.4% from HK$62.5 million in the five months ended May 31, 2022 to HK$69.6 million in the five months ended May 31, 2023. The increase was primarily due to the increase in our average loan balance to HK$733.9 million for the five months ended May 31, 2023 from HK$634.0 million for the corresponding period in the previous year.

Personal Loans

Our interest income from Personal Loans decreased by 6.3% from HK$32.0 million in the five months ended May 31, 2022 to HK$30.0 million in the five months ended May 31, 2023. The decrease was primarily due to the decrease in our average loan balance to HK$248.0 million for the five months ended May 31, 2023 from HK$252.6 million for the corresponding period in the previous year as our focus was to grant more Unsecured Property Owner Loans which has a lower bad debt ratio as the likelihood for us to recover the borrower's overdue amount is higher.

SME Loans

Our interest income from SME Loans increased from HK$4.7 million in the five months ended May 31, 2022 to HK$5.1 million in the five months ended May 31, 2023. The increase was primarily due to the increase in our average loan balance to HK$55.6 million for the five months ended May 31, 2023 from HK$51.6 million for the corresponding period in the previous year because business activities of SMEs were stalled following a major COVID outbreak in early 2022.

Interest expenses

Our interest expenses increased by 4.3% from HK$9.3 million in the five months ended May 31, 2022 to HK$9.7 million in the five months ended May 31, 2023. The increase was primarily due to the increase in interest rate of our major banking facility.

Interest expenses on bank borrowings

Our interest expenses on bank borrowings increased by 4.8% from HK$8.3 million in the five months ended May 31, 2022 to HK$8.7 million in the five months ended May 31, 2023. The increase was primarily due to the increase in interest rate of our major banking facility.

Net interest margin

Our overall net interest margin slightly decreased from 9.6% in five months ended May 31, 2022 to 9.2% in five months ended May 31, 2023. The decreases in the overall net interest margins were primarily due to the decrease in net interest margin of Unsecured Property Owner Loans to 8.6% for the five months ended May 31, 2023 from 8.9% for the corresponding period in the previous year; and the decrease in net interest margin of Personal Loans to 11.2% for the five months ended May 31, 2023 from 11.7% for the corresponding period in the previous year.

Other income

Our other income decreased by 69.9% from HK$ 3.8 million in five months ended May 31, 2022 to HK$1.1 million in five months ended May 31, 2023. The decrease was primarily due to termination of the sub-lease arrangement of an office premise to Konew Capital and Maxcolm Finance, hence we ceased to receive rental income under such arrangement.

General and administrative expenses

Our general and administrative expenses increased by 21.4% from HK$27.6 million in five months ended May 31, 2022 to HK$33.5 million in five months ended May 31, 2023. The increase was mainly due to the increase in [**REDACTED**], which was offset by the decrease in employee benefit expense and depreciation of right-of-use assets as certain staff member of our Group were transferred to the Excluded Group in mid 2022 and we ceased to occupy one of the office premises in 2023.

Selling expenses

Our selling expenses increased by 28.4% from HK$9.5 million in five months ended May 31, 2022 to HK$12.1 million in five months ended May 31, 2023, primarily due to the launch of a new advertising campaign.

Expected credit losses, net

Our net expected credit losses increased by 20.3% from a net loss of HK$17.7 million in five months ended May 31, 2022 to a net loss of HK$21.3 million in five months ended May 31, 2023, primarily due to the increase in our exposure at default as a result of the increase in amount of overdue repayments.

Profit before income tax

As a result of the foregoing, our profit before income tax decreased by 23.6% from HK$39.0 million in five months ended May 31, 2022 to HK$29.8 million in five months ended May 31, 2023.

Income tax expense

Our income tax expenses increased by 4.5% from HK$6.6 million in five months ended May 31, 2022 to HK$6.9 million in five months ended May 31, 2023, primarily due to increases in our taxable income which was in line with the increase of our loan portfolio.

Profit for the Period

As a result of the foregoing, our profit and total comprehensive income for the period decreased by 29.5% from HK$32.5 million in five months ended May 31, 2022 to HK$22.9 million in five months ended May 31, 2023.

Year ended December 31, 2021 compared to year ended December 31, 2022

Interest income

Our interest income decreased by 13.4% from HK$270.1 million in 2021 to HK$234.0 million in 2022 due to the decreases in the interest income from our three types of unsecured loans resulting from the combined effect of our more tightened credit approval policy which led to a decrease in our loan portfolio as a result of COVID-19, which impacted our interest income in 2022.

Unsecured Property Owner Loans

Our interest income from Unsecured Property Owner Loans decreased by 13.4% from HK$169.6 million in 2021 to HK$146.8 million in 2022. The decrease was primarily due to the decrease in average loan balance (i.e. the average of our gross loan receivables at the beginning and the end of the year) by 9.8% from HK$674.1 million in 2021 to HK$607.9 million in 2022.

This was the result of us remaining prudent and selective in granting loans to borrowers through the adoption of more stringent credit risk management measures since the COVID-19 outbreak. In 2020 and 2021, less efforts were also made to retain our borrowers upon receiving their request for early redemption, hence the amount of early redemption received by us has remained at a high level. The amount of loan principal repaid in advance by borrowers of Unsecured Property Owners Loans increased from approximately HK$88.7 million in the second half of 2019 to HK$111.6 million and HK$101.2 million in the first half and second half of 2020, respectively, which contributed to the decrease in our loan portfolio, and these early redemptions significantly impacted our interest income in subsequent periods. Coupled with the high proportion of turned down loan applications for High Value Loans, our loan portfolio has been constantly under pressure of contraction.

Personal Loan

Our interest income from Personal Loans decreased by 14.4% from HK$87.1 million in 2021 to HK$74.6 million in 2022. The decrease was primarily attributable to a decrease in average loan balance by 15.4% from HK$289.9 million in 2021 to HK$245.2 million in 2022.

Our loan portfolio for Personal Loans decreased as our credit approval process remained tightened because our assessment on how Personal Loans borrowers' ability to payback loans were affected by COVID-19 outbreak; and we continued to adopt a more tightened credit risk management policy under the principle that the growth of our loan portfolio for Personal Loans shall be restricted given borrowers' higher risk of default as compared to borrowers of our other loan products. Demand for our Personal Loans based on the applications received and the amounts requested remained steady, yet we were unable to satisfy such demand due to our tightened credit risk management policy, and the amount of loan principal approved by us as compared to those requested by applicants decreased from approximately 56.2% in 2021 to 45.6% in 2022, which restricted the potential growth of the loan portfolio of our personal loans in such years. The number of new loan accounts for Personal Loans was also affected by the partial suspension of our 7x24 AI Loans since February 2022, which was one of our means to attract new customers given its efficiency and accessibility.

SME Loan

Our interest income from SME Loans decreased by 6.2% from HK$12.9 million in 2021 to HK$12.1 million in 2022. The decrease was primarily due to a decrease in average loan balance by 4.1% from HK$54.1 million to HK$51.9 million in 2022. This was the result of the economic recession caused by the Hong Kong Government's social distancing restrictions, particularly during the 5th wave of COVID-19 outbreak in Hong Kong from January to May 2022, resulting in the shortening of business hours, reduction in business activities, continuously low number of visitors which seriously impacted the operation activities of SMEs, and the number of SMEs in sectors such as retail and catering demonstrated a year-on-year decrease in 2020 and 2021. Based on the operational and financial data that we were able to retrieve from borrowers of our SME Loans, we also noticed a downward trend of their performance, and our SME borrower and its guarantor failed to repay its debt. In view of the deterioration of the overall economy in Hong Kong and in line with our tightened credit risk policy during the COVID-19 outbreak, we became more cautious in approving SME loans especially those in industries which were adversely affected by COVID-19.

Interest expenses

Our interest expense decreased from HK$36.0 million in 2021 to HK$23.0 million in 2022. The decrease was primarily due to a decrease in the interest expenses to the immediate holding company, offset by a slight increase in our interest expenses on bank borrowings.

Interest expenses on bank borrowings

Our interest expenses on bank borrowings increased slightly from HK$18.5 million for the year ended December 31, 2021 to HK$19.7 million for the year ended December 31, 2022. The increase was mainly due to the increase in the Hong Kong dollar prime rate at authorized financial institutions from which we obtained fundings from 5.375% per annum to 5.875% per annum, offset by a decrease in our bank borrowings balance from HK$328.1 million as of December 31, 2021 to HK$303.1 million as of December 31, 2022.

Interest expenses to the immediate holding company

Our interest expenses to the immediate holding company decreased from HK$14.5 million in 2021 to HK$0.07 million in 2022, because the interest-bearing loan from Konew Fintech was repaid in full in January 2022.

Interest expenses to a related party

Our interest expenses to a related party remain relatively stable at HK$2.1 million in 2021 and HK$2.2 million in 2022.

Net interest margin

Our overall net interest margin slightly increased from 22.9% in 2021 to 23.2% in 2022, which generally reflects the increases in the net interest margins across most of our loan types. During 2021 and 2022, the net interest margins of our Unsecured Property Owner Loans, Personal Loans and SME Loans remained stable at 21.6%, increased from 26.5% to 27.9% and 20.3% to 20.7%, respectively. The increases in our net interest margins were primarily due to the decrease in our average loan receivables which outpaced the decrease in net interest income in 2022. The closing balance of the loan receivables in 2022 did not take into account the loan portfolio transferred to us from the Excluded Group.

Other income

Our other income increased significantly from HK$3.9 million in 2021 to HK$10.1 million in 2022, primarily due to the significant increase in the rental income from fellow subsidiaries from HK$3.9 million in 2021 to HK$8.3 million in 2022 resulting from our receipt of rental income of office premise sub-leased to Konew Capital and Maxcolm Finance since June 2021, where income was recognized for the whole year in 2022 as compared to the same income which was only received and recognized during the second half of 2021.

Other (losses)/gain, net

We recorded net other gains of HK$0.2 million in 2021, while we had net other losses of HK$0.2 million in 2022. The change was primarily due to a decrease in the reversal of impairment of repossessed assets in 2022 and a loss on disposal resulted from a termination of a lease for one of our branches in 2022.

General and administrative expenses

Our general and administrative expenses decreased slightly from HK$68.4 million in 2021 to HK$66.1 million in 2022. The decrease was primarily due to a decrease in employee benefit expenses offset by an increase in depreciation of right-of-use assets and [**REDACTED**].

Our employee benefit expenses decreased by 22.1% from HK$47.6 million in 2021 to HK$37.1 million in 2022. The decrease was primarily due to (1) the distribution of a one-time special bonus in 2021 to reward our employees for their performance, which did not recur in 2022; and (2) our staff and those of the Excluded Group were designated based on their responsibilities and duties in us or the Excluded Group since mid-2022 and new employment contracts were entered into with the respective company. Our depreciation of right-of-use assets increased from HK$5.9 million in 2021 to HK$9.6 million in 2022 due to K Cash Express's rental of office premise commenced in June 2021 and depreciation of 12 months in 2022 as compared to 6 months in 2021. The increase in the [**REDACTED**] was mainly due to our preparation of [**REDACTED**] in 2022.

Selling expenses

Our selling expenses remain stable at HK$35.1 million in 2021 and HK$34.4 million in 2022.

Expected credit losses, net

Our net expected credit losses decreased from a net loss of HK$41.9 million in 2021 to a net loss of HK$37.7 million in 2022. The decrease was because our loan portfolio continued to decrease before taking into account the Transferred Loans, and we acquired an unsecured loan portfolio which consists of 454 loan accounts with fair values of HK$146.8 million of Unsecured Property Owner Loans and four loan accounts with fair values of HK$3.3 million of Personal Loans from the Excluded Group in 2022, which led to an increase in the proportion of Unsecured Property Owner Loans and the decrease in the proportion of Personal Loans in our loan portfolio in 2022. Since the relevant loan portfolio acquired mainly comprised of Unsecured Property Owner Loans which requires less provisions to be made, the impact of these Transferred Loans on expected credit loss is minimal.

Other finance cost

Our other finance cost represents interest expenses incurred on lease liabilities. Our other finance cost increased by 60.0% from HK$0.5 million in 2021 to HK$0.8 million in 2022. The increase was primarily due to a new lease entered into by K Cash Express in June 2021, resulting in an increase in interest expenses for 12 months in 2022 compared to 6 months in 2021 incurred on the lease liability.

Profit before income tax

As a result of the foregoing, our profit before income tax decreased by 11.3% from HK$92.3 million in 2021 to HK$81.9 million in 2022.

Income tax expense

Our income tax expense slightly decreased by 7.9% from HK$15.2 million in 2021 to HK$14.0 million in 2022. The decrease was primarily due to the decrease in profit before tax in 2022.

Profit for the year

As a result of the foregoing, our profit and total comprehensive income decreased by 11.9% from HK$77.1 million in 2021 to HK$67.9 million in 2022.

Year ended December 31, 2020 compared to year ended December 31, 2021

Interest income

Our interest income decreased by 11.2% from HK$304.3 million in 2020 to HK$270.1 million in 2021 due to the decreases in the interest income from Personal Loans and Unsecured Property Owner Loans which were attributable to our decision to tighten our credit approval policy, and such decreases were offset by an increase in our interest income from SME Loans.

Unsecured Property Owner Loan

Our interest income from Unsecured Property Owner Loans decreased by 9.1% from HK$186.6 million in 2020 to HK$169.6 million in 2021. The decrease was primarily due to decrease in average loan balance by 5.8% from HK$715.6 million in 2020 to HK$674.1 million in 2021, and attributable to the deterioration of Hong Kong economy and imposition of social distance measures caused by the persistence of COVID-19; and us becoming more prudent to the risk of defaults. We immediately took actions to tighten our credit risk management policy after the COVID-19 outbreak, especially towards borrowers who intend to take out High Value Loans with us, and such measures remained in place throughout 2020 and 2021, which led to an increase in proportion of turned down loan applications for High Value Loans, and adversely affected the growth of our loan portfolio. Given our consistently tightened credit risk management policy, our performance in 2021 demonstrates the combined effect of such tightening in both 2020 and 2021. The increase in early redemption amount in 2020 and the relatively high level sustained in 2021 also reduced the size of our loan portfolio.

Personal Loan

Our interest income from Personal Loans decreased by 18.1% from HK$106.4 million in 2020 to HK$87.1 million in 2021. The decrease was primarily attributable to the decrease in average loan balance by 18.6% from HK$356.1 million in 2020 to HK$289.9 million in 2021, which was attributable to our tightened approval policy on Personal Loans; and restricted the growth of our loan portfolio despite having more cash on hand to rejuvenate our loan portfolio.

The demand for quick financing remains strong amid the COVID-19 outbreak, and number of Personal Loan applications received by us, and the loan principal requested by loan applicants of Personal Loans has increased by 6.4% from approximately HK$916 million in 2020 to HK$973 million in 2021. Nevertheless, the proportion of turned down loan applications for Personal Loans had a year-to-year increase in 2020 and 2021 since (i) the loan offers approved by us may not be considered attractive by loan applicants, especially when the loan principal approved by us may be lower than their desired amount or not sufficient for their purpose, hence more loan applicants declined our loan offers even when after receiving our offer; and (ii) our additional scrutiny on Personal Loan applications received, especially for applicants who were involved in industries which were most affected by COVID-19 outbreak.

SME Loan

Our interest income from SME Loans increased by 22.9% from HK$10.5 million in 2020 to HK$12.9 million in 2021. The increase was primarily due to the continuous development of our SME Loan in 2020 since its commencement in 2019, which resulted in an increase of average loan balance by 10.7% from HK$48.9 million in 2020 to HK$54.1 million in 2021.

Interest expenses

Our interest expense slightly decreased from HK$36.6 million in 2020 to HK$36.0 million in 2021. The decrease was primarily due to a decrease in the interest expenses on bank borrowings and interest expenses to a fellow subsidiary, offset by an increase in our interest expenses to the immediate holding company.

Interest expenses on bank borrowings

Our interest expenses on bank borrowings slightly decreased from HK$19.1 million in 2020 to HK$18.5 million in 2021. The decrease was primarily due to a decrease in the average balance of our bank borrowing during 2021.

Interest expenses to the immediate holding company

Our interest expenses to the immediate holding company significantly increased from HK$7.2 million in 2020 to HK$14.5 million in 2021. The loan from the immediate holding company was relating to the interest-bearing loans originally from Konew Credit which was fully repaid in June 2020 and we simultaneously borrowed from Konew Fintech instead. The increase was primarily due to the transfer in June 2020, resulted in interest expenses payable to Konew Fintech for 6 months in 2020 comparing to interest expenses payable for 12 months in 2021.

Interest expenses to a related party

Our interest expenses to a related party remain stable at HK$2.2 million in 2020 and HK$2.1 million in 2021. The loan from a related party refer to the loan from Big Development, which is unsecured, interest bearing at a range from 6.25% to 6.88% per annum, repayable on demand, and is used for our working capital.

Interest expenses to a fellow subsidiary

Our interest expenses to a fellow subsidiary decreased from HK$7.1 million in 2020 to nil in 2021. The loan from a fellow subsidiary refers to the loan from Konew Credit which was fully repaid in June 2020, and we simultaneously borrowed from Konew Fintech instead. Therefore, the decrease in 2021 was primarily due to no interest expense was payable to Konew Credit subsequent to the full repayment to it by Konew Fintech in June 2020.

Net interest margin

Our overall net interest margin slightly decreased from 23.8% in 2020 to 22.9% in 2021. The decreases in the overall net interest margins were primarily due to the decrease in the net interest margin for Unsecured Property Owner Loans from 22.8% in 2020 to 21.6% in 2021, partially offset by the increase in the net interest margin for SME Loans from 18.2% in 2020 to 20.3% in 2021, as the interest income from Unsecured Property Owner Loan was the largest component of our interest income, representing 61.3% and 62.8% of our interest income in 2020 and 2021, respectively, while the interest income from SME Loans was the smallest component of our interest income, representing 3.4% and 4.8% of our interest income in 2020 and 2021, respectively. Our net interest margin for Personal Loans remained stable at 26.6% in 2020 and 26.5% in 2021. The decrease in the net interest margin for Unsecured Property Owner Loans was mainly due to the decrease in interest income from Unsecured Property Owner Loans from 2020 to 2021, which outpaced the decrease in the average loan receivables of Unsecured Property Owner Loans during the same year.

Other income

Our other income decreased by 31.6% from HK$5.7 million in 2020 to HK$3.9 million in 2021, primarily due to a one-off government grant of HK$4.5 million in 2020 which did not recur in 2021, offset by the increase in rental income by HK$3.9 million in 2021 as part of the office leased by K Cash Express and sub-leased to Konew Capital and Honip Credit Limited.

Other (losses)/gain, net

We recorded net other losses of HK$0.3 million in 2020 but net other gains of HK$0.2 million in 2021. The change was mainly due to increase in provision made to repossessed assets in 2020 and increase in reversal of provision on repossessed assets in 2021.

General and administrative expenses

Our general and administrative expenses increased by 18.5% from HK$57.7 million in 2020 to HK$68.4 million in 2021. The increase in 2021 was mainly due to an increase in employee benefit expense and an increase in depreciation of right-of-use assets. Our employee benefit expenses increased by 22.7% from HK$38.8 million in 2020 to HK$47.6 million in 2021, which was primarily due to the distribution of a one-time special bonus in 2021 to reward our employees for their performance. Our depreciation of right-of-use assets sharply increased from HK$2.2 million in 2020 to HK$5.9 million in 2021 as K Cash Express leased a new office premise in June 2021.

Selling expenses

Our selling expenses decreased by 12.0% from HK$39.9 million in 2020 to HK$35.1 million in 2021, primarily due to the decrease in employee benefit expenses and the advertising and marketing expenses. The decrease in the employee benefit expenses from HK$14.2 million to HK$10.6 million was mainly due to a decrease in the number of frontline sales staffs in 2021 resulting from the normal employee turnover and our decision to optimize our organization structure in light of the uncertainties in the local economy. The decrease in the advertising and marketing expense was mainly due to the adoption of precision marketing measures, which resulted in a reduced level of mass media advertisement.

Expected credit losses, net

Our net expected credit losses decreased by 39.9% from a net loss of HK$69.7 million in 2020 to a net loss of HK$41.9 million in 2021. The decrease was primarily due to the decrease in our loan receivables before provision for impairment from HK$1,094.6 million as of December 31, 2020 to HK$946.1 million as of December 31, 2021.

Other finance cost

Our other finance cost increased from HK$0.3 million in 2020 to HK$0.5 million in 2021. The increase was primarily due to our lease of new office premise in 2021, resulting in an increase in interest expenses incurred on the lease liability.

Profit before income tax

As a result of the foregoing, our profit before income tax decreased by 12.0% from HK$105.5 million in 2020 to HK$92.3 million in 2021.

Income tax expense

Our income tax expense slightly increased by 4.8% from HK$14.5 million in 2020 to HK$15.2 million in 2021. The increase was primarily due to an increase in our deferred income tax despite the decrease in current income tax. Our deferred income tax increased from negative HK$3.4 million to HK$0.9 million due to the decrease in expected credit loss charged to the income statement in 2021. Our current income tax decreased from HK$17.9 million in 2020 to HK$14.3 million in 2021 due to a decrease in operating income available and a decrease in non-taxable income arising from government grants.

Profit for the year

As a result of the foregoing, our profit and total comprehensive income decreased by 15.3% from HK$91.0 million in 2020 to HK$77.1 million in 2021.

DISCUSSION OF CERTAIN LINE ITEMS ON THE CONSOLIDATED BALANCE SHEETS

The following table sets forth line items from our consolidated balance sheets as of the dates indicated.

	As at December 31,			As at May 31,
	2020	2021	2022	2023
	(HK$'million)			
ASSETS				
Cash and cash equivalents	29.2	28.9	24.1	34.5
Amounts due from fellow subsidiaries	213.4	374.6	90.2	1.7
Amounts due from other related parties	0.3	0.3	0.6	1.0
Amount due from a director	0.9	0.7	0.6	–
Loan receivables	986.0	844.5	913.8	948.2
Prepayments, deposits and other receivables	2.8	5.6	12.1	12.3
Repossessed assets	4.2	6.6	5.8	9.4
Income tax recoverable	–	6.1	0.1	–
Deferred income tax assets	17.8	16.9	17.4	17.9
Property, plant and equipment	6.3	4.7	3.6	3.6
Right-of-use assets	4.2	20.2	19.0	15.0
Total assets	**1,265.1**	**1,309.1**	**1,087.3**	**1,043.6**
EQUITY				
Equity attributable to the owners of the Company				
Share capital	0.0	0.0	0.0	0.0
Reserves	593.4	652.7	720.5	643.4
Total equity	**593.4**	**652.7**	**720.5**	**643.4**
LIABILITIES				
Amount due to the ultimate holding company	–	0.0	0.0	0.0
Amount due to the immediate holding company	250.8	263.0	10.5	10.5
Amounts due to fellow subsidiaries	37.2	9.6	–	68.5
Amounts due to other related parties	35.6	33.3	28.5	26.5
Accruals and other payables	1.7	1.8	5.5	7.9
Income tax payable	12.7	–	–	7.3
Bank borrowings	329.2	328.1	303.1	265.4
Lease liabilities	4.5	20.6	19.1	14.1
Total liabilities	**671.7**	**656.4**	**366.8**	**400.2**
Total equity and liabilities	**1,265.1**	**1,309.1**	**1,087.3**	**1,043.6**

The following discussion compares certain key line items on our consolidated balance sheets during the Track Record Period.

Loan receivables

Our loan receivables arise mainly from our money lending business. They are interest bearing and repayable on fixed terms agreed with our customers. During the Track Record Period, our loan receivables mainly comprised unsecured loan receivables.

The following table sets forth a breakdown of our loan receivables by loan type as of the dates indicated.

	As of December 31,			As of May 31,
	2020	2021	2022	2023
	(HK$'million)			
Loan receivables				
– Unsecured Property Owner Loans	713.4	634.9	730.0	737.8
– Personal Loans	320.1	259.7	234.5	261.5
– SME Loans	58.7	49.6	54.3	57.0
– Others(1)	2.4	1.9	–	–
	1,094.6	946.1	1,018.8	1,056.3
Less: Provision for impairment	(108.6)	(101.6)	(105.0)	(108.1)
	986.0	**844.5**	**913.8**	**948.2**
Expected loss rates	9.9%	10.8%	10.3%	10.2%

(1) Others comprise of subordinated mortgage loan business prior to the [**REDACTED**]. We have already ceased to provide any new loans under subordinated mortgage business and will only focus on providing unsecured loans.

The increase of our expected loss rate from 9.9% as of December 31, 2020 to 10.8% as of December 31, 2021 was mainly due to increase in expected credit loss rate adopted in 2021 as we expected an increase in probability of default in 2021 due to the negative impact of COVID-19. The decrease of our expected loss rate from 10.8% as of December 31, 2021 to 10.3% as of December 31, 2022 was because the positive impact of the Transferred Loans we acquired in 2022 outweighed the negative impact of the COVID-19 outbreak. We acquired the Transferred Loans in 2022, which predominantly consisted of Unsecured Property Owners Loans and led to an increase in the proportion of Unsecured Property Owners Loans and the decrease in the proportion of Personal Loans in our loan portfolio as of December 31, 2022. The higher proportion of Unsecured Property Owner Loans with a lower expected loss rate in the entire loan portfolio consequentially lowered, the overall expected credit loss rate of our entire loan portfolio. Our expected loss rate as of May 31, 2023 has remained stable as the decrease in expected credit loss rate adopted for Unsecured Property Owner Loans. Such effect was offset by increase in proportion of Personal Loans, typically with much higher expected credit loss rate, in our loan portfolio.

The following table sets forth an aging analysis of loan receivables for our loan products based on instalments by due date:

	As of December 31,						As of May 31,	
	2020		2021		2022		2023	
	Loan Receivables	ECL	Loan Receivables	ECL	Loan Receivables	ECL	Loan Receivables	ECL
	(HK$'000)							
Unsecured Property Owner Loans								
Current	625,804	9,116	528,811	8,289	568,368	8,315	566,093	5,635
Overdue 1-30 days	6,471	298	6,099	275	9,091	318	8,191	221
Overdue 31-60 days	3,999	270	3,972	242	5,744	288	5,732	197
Overdue 61-90 days	3,563	246	3,620	223	5,299	273	5,540	193
Overdue over 90 days	73,520	5,142	92,416	5,718	141,458	7,365	152,268	5,337
	713,357	15,072	634,918	14,747	729,960	16,559	737,824	11,583
Personal Loans								
Current	300,171	66,386	242,515	55,852	212,120	50,347	234,061	57,886
Overdue 1-30 days	3,330	2,143	2,428	1,507	3,009	2,159	6,084	2,741
Overdue 31-60 days	2,205	1,970	1,468	1,370	2,191	2,067	2,099	1,984
Overdue 61-90 days	2,022	1,854	1,295	1,216	1,963	1,881	1,893	1,802
Overdue over 90 days	12,427	11,655	11,974	11,317	15,270	14,944	17,354	16,585
	320,155	84,008	259,680	71,262	234,553	71,398	261,491	80,998
SME Loans								
Current	57,912	9,209	45,461	11,764	48,675	12,298	52,774	11,903
Overdue 1-30 days	576	132	668	564	1,703	932	955	544
Overdue 31-60 days	70	58	547	504	782	752	443	423
Overdue 61-90 days	65	53	454	423	811	780	443	423
Overdue over 90 days	45	42	2,462	2,328	2,332	2,282	2,345	2,242
	58,668	9,494	49,592	15,583	54,303	17,044	56,960	15,535

As of December 31, 2020, 2021 and 2022 and May 31, 2023, our total loan receivables that were past due were HK$108.3 million, HK$127.4 million, HK$189.7 million and HK$203.3 million, respectively, accounting for 9.9%, 13.5%, 18.6% and 19.3% of our total loan receivables (excluding loan receivables of the subordinated mortgage loans as of December 31, 2020 and 2021), respectively, as of the same dates, respectively.

As of December 31, 2020, 2021 and 2022 and May 31, 2023, our loan receivables over 90 days past due were HK$86.0 million, HK$106.9 million, HK$159.1 million and HK$172.0 million, respectively, accounting for 7.9%, 11.3%, 15.6% and 16.3% of our total receivables (excluding loan receivables of the subordinated mortgage loans as of December 31, 2020 and 2021), respectively, as of the same dates. The increase in our loan receivables overdue over 90 days was mainly due to the acquisition of the Transferred Loans from the Excluded Group (among which 125 accounts were over 90 days past due with overdue loan receivables of approximately HK$58.6 million), and the roll-over effect of overdue loan receivables for loan accounts which we have already took legal proceedings.

As of December 31, 2020, 2021 and 2022 and May 31, 2023, our loan receivables over 60 days past due were HK$91.8 million, HK$112.4 million, HK$167.1 million and HK$179.8 million, respectively, accounting for 8.4%, 11.9%, 16.4% and 17.0% of our total receivables (excluding loan receivables of the subordinated mortgage loans as of December 31, 2020 and 2021), respectively, as of the same dates. Apart from the reasons mentioned above, the increase in our loan receivables overdue over 60 days was mainly due to the subsiding effect of COVID-19.

As of December 31, 2020, 2021 and 2022 and May 31, 2023, our loan receivables over 30 days past due were HK$98.1 million, HK$118.4 million, HK$175.9 million and HK$188.1 million, respectively, accounting for 9.0%, 12.5%, 17.3% and 17.8% of our total receivables (excluding loan receivables of the subordinated mortgage loans as of December 31, 2020 and 2021), respectively, as of the same dates. Apart from the reasons mentioned above, the increase in our loan receivables overdue over 30 days was mainly due to the subsiding effect of COVID-19.

As of May 31, 2023, 132 and 210 charging orders that we have obtained against overdue loan receivables of approximately HK$43.9 million and HK$72.8 million were rolled-over from December 31, 2021 and December 31, 2022, respectively. There may be uncertainties as to when we could recover delinquent loans via selling the repossessed property as the market for repossessed property may be less liquid and repossessed properties may be sold at a discount. Hence, we will not immediately enforce charging orders obtained, which led to accumulation of loans overdue over 90 days. The increase in our 30+ delinquency ratio and 60+ delinquency ratio are in line with that of our 90+ delinquency ratio.

In addition, the Temporary Protection Measures for Business Tenants (COVID-19 Pandemic) Ordinance (Cap. 644) that came into effect in 2022 barred lenders, including licensed money lender like us, from taking certain actions in respect of a repayment default where certain conditions are satisfied. Despite such ordinance only applies to secured loans, in order to play our part in supporting the local community while it is facing temporary difficulties, we have also eased up enforcement actions which are not encouraged, including but not limited to, taking possession order of the property. As we were less aggressive in taking enforcement actions during 2022, the repayment pattern of our borrowers were affected, which led to an increase in loan receivable over 90 days past due in 2022.

As of August 31, 2023, HK$185.3 million, or 17.5%, of our total loan receivables as of May 31, 2023 had been subsequently settled.

The following table sets forth an analysis of the expected credit loss rate for our loan products in as of the dates indicated:

	Stage 1	Stage 2	Stage 3	Overall
As of December 31, 2020				
Unsecured Property Owner Loans	0.4%	5.4%	7.0%	2.1%
Personal Loans	14.5%	65.0%	93.8%	26.2%
SME Loans	14.5%	65.0%	93.8%	16.2%

	Stage 1	Stage 2	Stage 3	Overall
As of December 31, 2021				
Unsecured Property Owner Loans	0.5%	5.3%	6.2%	2.3%
Personal Loans	18.2%	88.4%	94.5%	27.4%
SME Loans	18.2%	88.4%	94.5%	31.4%

	Stage 1	Stage 2	Stage 3	Overall
As of December 31, 2022				
Unsecured Property Owner Loans	0.3%	3.2%	5.2%	2.3%
Personal Loans	16.5%	84.3%	97.9%	30.4%
SME Loans	16.5%	84.3%	97.9%	31.4%

	Stage 1	Stage 2	Stage 3	Overall
As of May 31, 2023				
Unsecured Property Owner Loans	0.2%	2.3%	3.5%	1.3%
Personal Loans	18.9%	89.2%	95.6%	29.4%
SME Loans	18.9%	89.2%	95.6%	27.3%

Our management reviews the expected credit loss rate on a quarterly basis and based on our borrowers' historical repayment patterns. For details of how our ECL rate is measured, please see "— Definition of default and credit-impaired — Measurement of ECL". The increase in the expected credit loss rate for Personal Loans and SME Loans from 65.0% in 2020 to 88.4% in 2021 was due to the disruption of our borrowers' repayment pattern when the impact of COVID-19 outbreak just emerged. The expected credit loss rate for Unsecured Property Owner Loans slightly decreased during the Track Record Period due to a decrease in the likelihood of us being unable to recover the overdue loans and the decrease in expected losses that we will incur in the event of a default. Fewer loans were also granted to borrowers which we perceived as high risk, and the expected credit loss rate for our Unsecured Property Owner Loans also took into account the value of properties owned by our borrowers which was relatively stable during the Track Record Period.

Loans Assigned

The following table sets forth an aging analysis of the Transferred Loans as of December 31, 2022:

	As at December 31, 2022	
	Loan Receivables	**ECL**
	HK$	*HK$*
Unsecured Property Owner Loans		
Current	119,217,893	1,385,972
Overdue 1-30 days	2,267,752	36,315
Overdue 31-60 days	1,307,042	29,484
Overdue 61-90 days	1,195,184	28,749
Overdue over 90 days	25,020,836	731,123
	149,008,707	2,211,643
Personal Loans		
Current	3,685,320	367,788
Overdue 1-30 days	10,223	7,502
Overdue 31-60 days	10,223	7,502
Overdue 61-90 days	10,223	7,502
Overdue over 90 days	40,365	29,621
	3,756,354	419,914

The expected credit loss rates applied to the Transferred Loans represented the expected credit loss rates previously adopted by the Excluded Group prior to the year end date which was due to a longer deemed default period assumed when measuring the expected credit loss over the relevant loan portfolios, while the expected credit loss rates applied by us represented the expected credit loss rates following the measurement of the expected credit loss under the HKFRS 9 model after consideration of overall relevant information. Hence, the expected credit loss rates applied on the Transferred Loans in the corresponding period resulted is different from that applied on our overall loan receivables.

Discussion on our loan provision policy, credit control procedures and sufficiency of loan provision made

We apply the "three-stage" approach on loan receivables to provide for expected credit loss. The maximum period considered when measuring expected credit loss is the maximum contractual period over which we are exposed to credit risk. The "three-stage" approach is summarized as follows:

- Stage 1: financial instruments that are not credit-impaired on initial recognition and have their credit risk continuously monitored by us. Provision for impairment is measured at an amount equal to the portion of lifetime expected credit loss that result from default events possible within the next 12 months;

- Stage 2: financial instruments with significant increase in credit risk since initial recognition, but are not yet deemed to be credit-impaired. Provision for impairment is measured based on expected credit losses on a lifetime basis ("**lifetime expected credit loss**"); and

- Stage 3: financial instruments that are credit impaired where provision for impairment is measured based on lifetime expected credit loss.

We use various criteria to determine whether credit risk has increased significantly, and we presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are past due for more than 30 days for Unsecured Property Owner Loans, Personal Loans and SME Loans, unless identified at an earlier stage.

We take into account the following factors when assessing whether credit risk has increased significantly:

- significant deterioration in external market indicators of credit risk;
- any actual or expected significant deterioration in operating results or financial conditions of customers;
- existing or forecast adverse changes in business, financial economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations; and
- an actual or expected significant adverse change in the regulatory economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Definition of default and credit-impaired

We determine that a financial instrument is credit-impaired and in Stage 3 by considering relevant objective evidence, primarily whether:

- contractual payments of either principal or interest are past due for more than 90 days;
- there are other indications that the borrower is unlikely to pay; or
- the loan is otherwise considered to be in default. If such unlikeliness to pay is not identified at an earlier stage, it is deemed to occur when an exposure is 90 days past due.

Therefore, the definitions of credit-impaired and default are aligned as far as possible so that Stage 3 represents all loans that are considered defaulted or otherwise credit-impaired.

For more details, see "Appendix I — Accountant's Report — II. Notes to the Historical Financial Information — 3. Financial, Risk and Capital Risk Management — Note 3.1".

The grouping by exposure into loan portfolios is performed on the basis of shared risk characteristics, such that the risk exposures in a group of financial instruments are homogeneous. The Unsecured Property Owner Loans are grouped for collective measurement taking into account the type of product, loan-to-value ratio and repayment pattern. Personal Loan is grouped for collective measurement based on industry of principal activities of customer and repayment pattern. The appropriateness of grouping of loan portfolio for assessment is monitored and regularly reviewed.

Unsecured Property Owner Loans

We perform regular review on the value of properties owned by our borrowers when (i) there is a significant change in the property price index in Hong Kong; or (ii) when the Unsecured Property Owner Loans are renewed. We generally consider that default has occurred when it is necessary to execute the order for sale on the property owned by the borrower, which is also the point of time that we would not expect to receive full repayments (including interests on deferred payments) from customers. The following qualitative factors would be considered in determining whether default has occurred:

- the customer is deceased;
- the customer is insolvent;
- the customer is experiencing significant financial difficulties; or
- it is becoming probable that the customer will enter bankruptcy.

Personal Loans

We have a set of loan approval procedures that takes into account the external credit data and behavioral patterns to assess the creditworthiness of prospective borrowers. These assessments focus on the individual credit reports obtained from a credit reference agency, occupation and background of the customers, proof of ownership of property by customers, the general business and economic conditions at the time of application and corroborate with the supporting documents provided by the customers.

We also engage debt collection agents to handle the collection of outstanding repayments of overdue loans. The debt collection agents would then perform various procedures to approach and follow up with the customers on the outstanding repayments. When we and our debt collection agents fail to get in touch with customers and have exhausted all other possible means to recover the outstanding loan receivables, we will then consider the procedures performed are not effective and initiate legal proceedings against the customers to recover the outstanding amounts if necessary. We continuously monitor the behavior of our customers and work closely with debt collection agents on the outstanding repayments of overdue loans.

We also perform back-testing of our provision on a regular basis and assesses whether the drivers of increase in credit risk that led to default were accurately and timely reflected in our credit assessment procedures.

The following qualitative factors would also be considered in determining whether default has occurred:

- the customer is deceased;
- the customer is insolvent;
- the customer is experiencing significant financial difficulties; or
- it is becoming probable that the customer will enter bankruptcy.

Write off policy

We write off financial assets, in whole or in part, when we have exhausted all practical recovery efforts and have concluded there is no reasonable expectation of recovery. Indications that there is no reasonable expectation of recovery include (i) ceasing enforcement activity; and (ii) where recovery method is through collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

We may write-off financial assets that are still subject to enforcement activity. The outstanding loan receivables written off during the years ended December 31, 2020, 2021 and 2022 and five months ended May 31, 2023 were HK$51.3 million, HK$51.0 million, HK$40.2 million and HK$19.3 million, respectively. We still seek to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

While cash and cash equivalents, deposits and other receivables, amount due from a director, amounts due from fellow subsidiaries and amounts due from related parties are also subject to impairment assessment required by HKFRS 9, we make periodic assessments on their recoverability based on historical settlement records and past experience, and considered the relevant expected credit losses are immaterial.

Measurement of ECL

We measure expected credit losses, net of financial assets under HKFRS 9 ECL model. The ECL is measured on either a 12-month or lifetime basis, depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. The estimation of ECL are unbiased and probability weighted and incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at each of the reporting date. The measurement of ECL is a function of PD, EAD and LGD that are defined below:

- Probability of Default ("**PD**"): The PD represents the likelihood of a customer defaulting on the corresponding loan and interest receivable (as per "Definition of default and credit-impaired" above), either over the next 12 months or over the remaining lifetime of the loan;

- Exposure at Default ("**EAD**"): The EAD represents the expected balance at default, taking into account the repayment of principal and interest from the balance sheet date to the default event together with any expected drawdowns of committed facilities. EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime; and

- Loss given Default ("**LGD**"): The LGD represents expected losses on the EAD given the event of default, taking into account, among other attributes, the mitigating effect of collateral value at the time it is expected to be realized and the time value of money. LGD is calculated on either 12-month or lifetime basis, representing the percentage of loss expected to be made if the default occurs in the next 12 months or over the remaining expected lifetime of the loan respectively.

We determine the ECL by projecting the PD, EAD and LGD of each individual exposure for each future month. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not been prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month and further aggregated.We measure ECL from the initial recognition of the financial assets. The maximum period considered when measuring ECL should either be on a 12-month or a lifetime basis is the maximum contractual period over which we are exposed to credit risk.

The lifetime PD is calculated by applying a maturity profile to the 12-month PD. The maturity profile set out how defaults develop on a loan portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical data and is assumed to be the same across all loans in a portfolio supported by historical analysis. The 12-month and lifetime EADs are determined based on the expected payment profile that varies by different loan products.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made after default occurs:

- For Unsecured Property Owner Loans, this is based on the type and expected fair value of assets owned by our borrowers, time to repossession and estimated recovery costs. The LGD is minimal if the outstanding loan and interest receivable could be substantially recovered through repossession and forced sales of assets owned by our borrowers;

- For Personal Loans and SME loans, this is influenced by our collection strategies.

The 12-month ECL is calculated by multiplying the 12-month PD, LGD and EAD, whereas the lifetime ECL is calculated using the lifetime PD.

Forward-looking information incorporated in the ECL model

The assessment of ECL incorporates forward-looking information based on economic forecasts, apply these assumption to the ECL model to estimate future credit losses and probability weight the result to determine an unbiased ECL estimate and is performed on a quarterly basis at a portfolio level. The criteria used in the assessment are monitored and reviewed periodically for appropriateness by the management. We consider forward-looking information with reference to the local gross domestic products; and unemployment rates.

For sensitivity analysis which provides an indication of the sensitivity of the result to the application of different weightings being applied to different economic assumptions, see "Appendix I — Accountant's Report — II. Notes to the Historical Financial Information — 3. Financial, Risk and Capital Risk Management — Note 3.1(b)(vii)".

Amounts due from fellow subsidiaries

Our amounts due from fellow subsidiaries increased from HK$213.4 million as of December 31, 2020 to HK$374.6 million as of December 31, 2021, and decreased to HK$90.2 million as of December 31, 2022. Amounts due from fellow subsidiaries as of December 31, 2020, 2021 and 2022 and May 31, 2023 was mainly non-interest-bearing fund transferred between related companies for the purpose of working capital needs. During the Track Record Period, our amounts due from fellow subsidiaries were of a non-trade nature and any outstanding amounts will be settled immediately prior to our proposed [**REDACTED**]. The increase in the amount in 2021 was because of the increased need of working capital by the Excluded Group as they focused on providing secured loans which are less risky than those provided by us, while our surplus cash increased as we tightened our credit risk management policy and were less active in granting new loans. The substantial decrease in the amount in 2022 was mainly due to settlement of amounts payable pursuant to the transfers of loans among us and the Excluded Group with amount due to immediate holding company and fellow subsidiaries in 2022. Our amounts due from fellow subsidiaries decreased from HK$90.2 million as of December 31, 2022 to HK$1.7 million as of May 31, 2023, primarily due to declaration of a special dividend of HK$100 million in February 2023 which was settled through current account with Konew Credit.

Prepayments, deposits and other receivables

During the Track Record Period, our prepayments, deposits and other receivables primarily represent prepayments for rental and advertising, deposits and other receivables, mainly including advances made to staffs and rental deposits. As of December 31, 2020, 2021 and 2022 and May 31, 2023, our prepayments, deposits and other receivables amounted to HK$2.8 million, HK$5.6 million, HK$12.1 million and HK$12.3 million, respectively. The increase in 2021 was primarily attributable to increase in deposits from HK$1.7 million to HK$3.9 million as of December 31, 2020 and 2021, respectively, and other prepayments from HK$0.5 million to HK$1.0 million as of December 31, 2020 and 2021, respectively, as a result of rental deposits paid for our newly leased office and payable arising from the new office lease. The increase in 2022 was primarily attributable to increase in prepaid [**REDACTED**] from nil as of December 31, 2021 to HK$3.8 million as of December 31, 2022 and prepayments for advertising from HK$0.1 million as of December 31, 2021 to HK$1.1 million as of December 31, 2022 as a result of a prepayment for a new advertisement in 2022. Our prepayment, deposit and other receivables increased from HK$12.1 million as of December 31, 2022 to HK$12.3 million as of May 31, 2023, primarily due to increase in prepaid [**REDACTED**] which was partially offset by decrease in other receivables such as novation of staff advance.

Right-of-use assets

During the Track Record Period, our right-of-use assets mainly represent properties and office equipment leased by us. As of December 31, 2020, 2021 and 2022 and May 31, 2023, our right-of-use assets amounted to HK$4.2 million, HK$20.2 million, HK$19.0 million and HK$15.0 million, respectively. The increases of right-of-use assets from December 31, 2020 to 2021 were primarily due to our entering into a lease agreement for the new office in 2021. The decrease of right-of-use assets in 2022 were primarily due to depreciation. Our right-of-use assets decreased from HK$19.0 million as of December 31, 2022 to HK$15.0 million as of May 31, 2023, primarily due to depreciation of right-of-use assets over the five months ended May 31, 2023 and the termination of lease of an office premise which we no longer used.

Repossessed assets

Repossessed assets represent amounts of foreclosed loan receivables to be recovered by us through sales of properties as a result of default. We held six, seven and eight repossessed assets as of December 31, 2020, 2021 and 2022, respectively. In 2020, 2021 and 2022 and May 31, 2023, our repossessed assets amounted to HK$4.2 million, HK$6.6 million, HK$5.8 million and HK$9.4 million, respectively, all of which were due to default by Unsecured Property Owner Loan customers who defaulted on repayment, which had led to legal action being taken by us to repossess relevant assets. Further details of the repossessed assets have been disclosed in "Appendix I — Accountant's Report — II. Notes to the Historical Financial Information — Note 18". The reason for the increase of our repossessed assets in 2021 is that there were only two loan receivables with an outstanding balance of over HK$1.0 million in 2020. The reason for the decrease of our repossessed assets in 2022 is that the average balance of our repossessed assets decreased from HK$946,000 in 2021 to HK$724,000 in 2022 and the number of loans with balance over HK$1.0 million decreased from four in 2021 to three in 2022. The reason for the increase of our repossessed assets as of May 31, 2023 is due to the increase in number of repossessed assets from eight on December 31, 2022 to 13 on May 31, 2023.

INDEBTEDNESS

Borrowings

The following table sets forth our borrowings as of the respective dates indicated:

	As of December 31,			As at May 31,	As at August 31,
	2020	2021	2022	2023	2023
			(HK$' million)		
					(Unaudited)
Bank borrowings	329.2	328.1	303.1	265.4	293.3
Amount due to the ultimate holding company	–	0.0	0.1	0.1	0.1
Amount due to the immediate holding company	250.8	263.0	10.5	10.5	10.5
Amounts due to fellow subsidiaries	37.2	9.6	–	68.5	116.3
Amounts due to other related parties	35.6	33.3	28.5	26.5	13.1
Lease liabilities	4.5	20.6	19.1	14.1	11.0
Total	**657.3**	**654.6**	**361.3**	**385.1**	**444.4**

Bank borrowings

Our bank borrowings consist of loans from DBS Bank (Hong Kong) Limited and The Bank of East Asia, Limited which amounted to HK$329.2 million, HK$328.1 million and HK$303.1 million and HK$265.4 million as of December 31, 2020, 2021 and 2022 and May 31, 2023, respectively. In particular, during the Track Record Period, our bank loans and bank overdrafts were secured by (i) unlimited joint guarantees provided by the Controlling Shareholders and certain of our related parties; (ii) a floating charge against all assets duly executed by K Cash Express; and (iii) a property held by a related party. Our Directors confirm that, the guarantees provided by our Controlling Shareholders and related parties will be released upon [**REDACTED**] and replaced by corporate guarantees provided by our Company. As of December 31, 2020, 2021 and 2022 and May 31, 2023, all bank borrowings are denominated in the Hong Kong dollar and their carrying amounts approximate their fair values. We have complied with the relevant covenants of our banking facilities and borrowing during the Track Record Period.

As of August 31, 2023, being the latest practicable date for the purpose of indebtedness statement, we had aggregate banking facilities of approximately HK$331.3 million, of which approximately HK$38.0 million was unutilized. We are not committed to draw down the unutilized amount.

Amounts due to ultimate holding company

As of December 31, 2020, 2021 and 2022 and May 31, 2023, our amounts due to the ultimate holding company mainly represent secretarial and filing fees made on behalf of us by our ultimate holding company, and was approximately nil, HK$30,000, HK$84,000 and HK$97,000, respectively. The increase from December 31, 2020 to 2021 was mainly because no such payment incurred in 2020. During the Track Record Period, our amounts due to the ultimate holding company were of a non-trade nature and any outstanding amounts will be settled prior to our [**REDACTED**]. As of August 31, 2023, being the latest practicable date for the purpose of the indebtedness statement, our amounts due to the ultimate holding company was approximately HK$97,000.

Amounts due to the immediate holding company

As of December 31, 2020, 2021, 2022, May 31, 2023 , our amounts due to the immediate holding company were HK$250.8 million, HK$263.0 million, HK$10.5 million, HK10.5 million, respectively. During the Track Record Period, our amounts due to the immediate holding company represent advances from the ultimate holding company in respect of loan provided by Konew Fintech. The proceeds were lent to us for our working capital. Other payment representing IT service fees also contributed to our amounts due to the immediate holding company. Our amounts due to immediate holding company remained stable in 2020 and 2021. The significant decrease in 2022 compared to 2021 was mainly due to the expiry of the aforementioned loan facility in January 2022 and there were no such advances for the remainder of 2022. During the Track Record Period, our amounts due to the immediate holding company were of a non-trade nature and any outstanding amounts will be settled prior to our [**REDACTED**]. For more information, see "Appendix I — Accountant's Report — II. Notes to the Historical Financial Information — Note 25". As of August 31, 2023, being the latest practicable date for the purpose of the indebtedness statement, our amounts due to the immediate holding company was HK$10.5 million.

Amounts due to fellow subsidiaries

As of December 31, 2020, 2021, 2022, May 31, 2023 , our amounts due to fellow subsidiaries was HK$37.2 million, HK$9.6 million, nil and HK$68.5 million, respectively, all of which, were non-trade nature. Any outstanding amounts will be settled prior to our [**REDACTED**]. The decrease in 2021 and 2022 are mainly due to repayment to fellow subsidiaries. Our amount due to Honip Credit was HK$9.5 million, nil and nil in 2020, 2021 and 2022, respectively. Our amount due to Konew Capital was HK$27.7 million, HK$9.6 million and nil in 2020, 2021 and 2022, respectively. The balance with Honip Credit and Konew Capital are non-interest-bearing funds for our working capital. For more information, see "Appendix I — Accountant's Report — II. Notes to the Historical Financial Information — Note 25". As of August 31, 2023, being the latest practicable date for the purpose of the indebtedness statement , our amounts due to fellow subsidiaries was HK$116.3 million.

Amounts due to other related parties

As of December 31, 2020, 2021, 2022, May 31, 2023, our amounts due to related parties was HK$35.6 million, HK$33.3 million, HK$28.5 million and HK$26.5 million, respectively among which HK$35.7 million, HK$32.9 million, HK$27.4 million and HK$26.5 million, respectively, were non-trade nature, and nil, HK$0.4 million, HK$1.1 million and nil, respectively, were trade nature, primarily being payable for advertising agency fee. Any outstanding amounts will be settled prior to our [**REDACTED**]. The decrease in 2021 and 2022 are mainly due to repayment to related parties. Our amount due to Big Development was HK$35.6 million, HK$32.9 million and HK$27.4 million in 2020, 2021 and 2022, respectively. The loan from Big Development was provided to us as working capital, and was unsecured, interest bearing from 6.25% to 6.88% per annum, and repayable on demand. Our amount due to AQ Communications represents advertising expenses and was nil, HK$0.4 million and HK$1.1 million in 2020, 2021 and 2022, respectively. For more information, see "Appendix I — Accountant's Report — II. Notes to the Historical Financial Information — Note 25". As of August 31, 2023, being the latest practicable date for the purpose of the indebtedness statement, our amounts due to related parties was HK$13.1 million.

Save as disclosed above, we did not have any outstanding mortgages, charges, debentures or other loan capital (issued or agreed to issue), bank overdrafts, loans, liabilities under acceptance or acceptance credits, or other similar indebtedness, finance leasing commitments, hire purchase commitments, any guarantees or other material contingent liabilities.

LIQUIDITY AND CAPITAL RESOURCES

We have historically funded our working capital principally from (i) cash flow from our operating activities; (ii) funding from loans or facilities from local banks; and (iii) loans from Controlling Shareholders and their close associates.

Based on our current and anticipated levels of operations and barring any unforeseen circumstances in market conditions, our source of funding following our [**REDACTED**] will include our cash and cash equivalents, the [**REDACTED**] from the [**REDACTED**] and bank borrowings.

We had cash and cash equivalents of HK$29.2 million, HK$28.9 million, HK$24.1 million and HK$34.5 million as of December 31, 2020, 2021 and 2022 and May 31, 2023, respectively. Our cash and cash equivalents primarily consist of cash at bank and cash on hand.

Taking into account the estimated [**REDACTED**] from the [**REDACTED**] and the financial resources presently available to us, including our cash and cash equivalents, cash flows from operating activities and our available loan facilities, our Directors are of the opinion that we have sufficient funds to meet our working capital requirements for at least the next 12 months from the date of this document.

Cash Flow

The following table sets forth a summary of our cash flows for the periods indicated:

	Year ended December 31,			Five months ended May 31,	
	2020	2021	2022	2022	2023
			(HK$'million)		
				(Unaudited)	
Cash flows from operating activities					
Cash generated from operations	227.3	276.1	200.8	74.2	10.1
Interest paid	(36.6)	(36.0)	(23.0)	(9.3)	(9.7)
Income tax paid	(26.2)	(33.1)	(8.5)	–	–
Net cash generated from operating activities	164.5	207.0	169.3	64.9	0.4
Net cash used in investing activities	(316.4)	(162.0)	(111.4)	(10.1)	(6.5)
Net cash generated from/(used in) financing activities	160.3	(45.3)	(62.7)	(17.5)	16.5
Net increase/(decrease) in cash and cash equivalents	8.4	(0.3)	(4.8)	37.3	10.4
Cash and cash equivalents at the beginning of year/period	20.8	29.2	28.9	28.9	24.1
Cash and cash equivalents at the end of year/period	**29.2**	**28.9**	**24.1**	**66.2**	**34.5**

Net cash generated from operating activities

During the Track Record Period, our cash generated from operations were principally from interest income received from our loans and proceeds from disposal of repossessed assets, and our cash used in operations were mainly in connection with the loans granted by us.

During the five months ended May 31, 2022 and 2023, we recorded net cash generated from operating activities of HK$64.9 million and HK$0.4 million, respectively. The decrease was mainly due to the increase of our loan receivables by HK$52.2 million from the corresponding period of the previous year.

In 2020 and 2021, we recorded net cash generated from operating activities of HK$164.5 million and net cash generated from operating activities of HK$207.0 million, respectively. The increase in cash generated from operating activities from 2020 to 2021 was mainly due to an increase in changes in loan receivables by HK$91.5 million offset by decrease in profit for the year by HK$13.2 million. The decrease in changes in loan receivables was resulted from a more prudent approach adopted by us during the pandemic.

In 2021 and 2022, we recorded net cash generated from operating activities of HK$207.0 million and HK$169.3 million, respectively. The decrease was mainly due to a decrease in changes in loan receivables by HK$56.5 million offset by decrease in profit for the year of HK$10.4 million. The decrease in changes in loan receivables was resulted from a more prudent approach adopted by us during the pandemic.

Net cash used in investing activities

During the Track Record Period, our net cash used in investing activities primarily related to the amounts used to procure property, plant and equipment. In 2020 and 2021, we recorded net cash used in investing activities of HK$316.4 million and HK$162.0 million, respectively. The decrease in net cash used in investing activities was mainly due to the decrease in advances to fellow subsidiaries by HK$154 million. In 2022, we recorded net cash used in investing activities of HK$111.4 million. The decrease in 2022 compared to 2021 in net cash used in investing activities was mainly due to decrease in advances of fellow subsidiaries by HK$51 million during 2022. During the five months ended May 31, 2022 and 2023, we recorded net cash used in investing activities of HK$10.1 million and HK$6.6 million, respectively. The decrease was mainly due to decrease in advances to fellow subsidiaries.

Net cash used in financing activities

During the Track Record Period, our cash generated from and used in financing activities primarily represent repayments of bank borrowings, advances to related parties and to fellow subsidiaries, advances from the immediate holding company and the ultimate holding company and proceeds from bank borrowings.

In 2020, we recorded net cash generated from financing activities of HK$160.3 million, and net cash used in financing activities of HK$45.3 million and HK$62.7 million in 2021 and 2022, respectively. The decrease in cash generated from financing activities in 2021 was mainly due to the additional drawing made from one of the banking facilities in 2020. The increase in cash used in financing activities in 2022 was mainly due to increase in repayment of bank borrowings in 2022 when compared to 2021. During the five months ended May 31, 2022 and 2023, we recorded net cash used in financing activities of HK$17.5 million and net cash generated from financing activities of HK$16.5 million, respectively. The increase was mainly due to increase in advances from fellow subsidiaries of HK$63.1 million during the five months ended May 31, 2023 to repayments to fellow subsidiaries of HK$6.5 million during the five months ended May 31, 2022, offset by increase in repayment on bank borrowings from HK$6.3 million during the five months ended May 31, 2022 to HK$37.7 million during the five months ended May 31, 2023.

CONTINGENT LIABILITIES

As of the Latest Practicable Date, we did not have any material contingent liabilities, guarantees or any other litigations or claims of material importance, pending or threatened against us that is likely to have a material and adverse effect on our business, financial condition or results of operations.

CAPITAL EXPENDITURE

We have no significant commitment for capital expenditure in the near future.

RELATED PARTY TRANSACTIONS

With respect to the related party transactions set out in this document, our Directors are of the opinion that these transactions were conducted on normal commercial terms or terms more favorable to us. Save for the sharing of IT services provided by trustME with the Excluded Group and portion of office premises that we shared with smartME and/or the Excluded Group, as well as miscellaneous office equipment, our Directors are not aware of other allocation or non-allocation of material common expenses between us and other companies held or businesses ran by the Lee's Family in which such other allocation or non allocation of common expenses, if any, taken as a whole, would not impose any material impact on the business, financial or trading position or condition of the Group, and such common expenses were allocated on a reasonable basis. For analysis of related party transactions, see "Appendix I — Accountant's Report" in addition to the transactions detailed elsewhere in this document.

OFF BALANCE SHEET TRANSACTIONS

We did not enter into any material off balance sheet transactions or arrangements during the Track Record Period.

DIVIDENDS

In 2020, 2021 and 2022 and five months ended May 31, 2023, we declared a dividend of HK$121.0 million, HK$17.8 million, nil and HK$100.0 million, respectively. The dividends were non-cash transactions settled through current account with related parties.

Following completion of the [**REDACTED**], our Shareholders will be entitled to receive dividends only when declared by our Board. The payment and amount of dividends declared by our Board will depend on our (i) overall results of operation; (ii) financial position; (iii) capital requirements; (iv) Shareholders' interests; (v) prospects; and (vi) other factors which our Board deems relevant. We cannot assure our Shareholders that we will be able to declare or distribute dividends in any amount each year or in any year. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and Companies Act, including, amongst others, the approval of the Shareholders. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

DISTRIBUTABLE RESERVES

As of May 31, 2023, the Company had no distributable reserves available for distribution to our shareholders.

SELECTED FINANCIAL RATIOS

The following table sets forth our selected financial ratios during the Track Record Period or as of the dates indicated.

	As of/year ended December 31,			As of/five months ended May 31,	
	2020	2021	2022	2022	2023
				(Unaudited)	
Gearing ratio(1)	1.06	0.96	0.47	0.50	0.54
Return on Assets(2)	7.0%	6.0%	5.7%	2.4%	2.2%
Return on Equity(3)	14.8%	12.4%	9.9%	4.7%	2.2%
Interest coverage ratio(4)	3.9 times	3.6 times	4.6 times	5.2 times	4.1 times

(1) Gearing ratio is calculated by dividing net debts (being total debts including borrowings, amounts due to the ultimate holding company, the immediate holding company and related parties and lease liabilities less cash and cash equivalents) by total equity as of the respective year-end or period-end dates.

(2) Return on assets is calculated by dividing net profit for the year or period by the average total assets as of the beginning and end of the corresponding year/period.

(3) Return on equity is calculated by dividing net profit for the year or period by the average total equity as of the beginning and end of the corresponding year/period.

(4) Interest coverage ratio is calculated by dividing profit before tax and interest (excluding interest expenses on lease liabilities) by the interest expenses for the corresponding year or period.

Gearing ratio

As of December 31, 2020, 2021 and 2022 and May 31, 2023, our gearing ratio was 1.06, 0.96, 0.47 and 0.54, respectively. The decrease of our gearing ratio from 1.06 as of December 31, 2020 to 0.96 as of December 31, 2021 was mainly due to the increase in equity available to us while the reliance on debt remains the same. The decrease from 0.96 in 2021 to 0.47 in 2022 was mainly due to the substantial decrease in amount due to the immediate holding company. The increase of our gearing ratio to 0.54 as of May 31, 2023 was mainly due to the decrease in our retained earnings.

Return on Assets

In 2020, 2021 and 2022 and five months ended May 31, 2023, our return on assets was 7.0%, 6.0%, 5.7% and 5.2% (annualized), respectively. The decrease of our return on assets from 7.0% in 2020 to 6.0% in 2021 was mainly due to a decrease in interest income in 2021. The decrease of our return on assets from 6.0% in 2021 to 5.7% in 2022 was mainly due to a decrease in net profit, partly offset by a decrease in average total assets for the year. The decrease in assets was a result of settlement on amounts due from fellow subsidiaries in 2022. The decrease of our return on assets to 5.2% (annualized) as of May 31, 2023 was mainly due to the decrease in our profit for the period and the increase in our [**REDACTED**].

Return on Equity

In 2020, 2021 and 2022 and five months ended May 31, 2023, our return on equity was 14.8%, 12.4%, 9.9% and 8.1% (annualized), respectively. The decrease of our return on equity from 14.8% in 2020 to 12.4% in 2021 was mainly due to a decrease in interest income in 2021. The decrease of our return on equity from 12.4% in 2021 to 9.9% in 2022 was mainly due to an increase in equity and decrease in profit for the year. The decrease in profit for 2022 was mainly due to the decrease in interest income resulted from decrease in loan receivables for the year (without taking into account the loan portfolio transferred from the Excluded Group on December 31, 2022). The decrease of our return on equity to 8.1% (annualized) as of May 31, 2023 was mainly due to the larger proportion of decrease in our profit as compared to the decrease in our equity.

Interest coverage ratio

In 2020, 2021 and 2022 and five months ended May 31, 2023, our interest coverage ratio was 3.9 times, 3.6 times, 4.6 times and 4.1 times, respectively. The decrease of our interest coverage ratio from 3.9 times in 2020 to 3.6 times in 2021 was mainly due to a decrease in interest income in 2021. The increase of our interest coverage ratio from 3.6 times in 2021 to 4.6 times in 2022 was mainly due to a decrease in interest expenses in 2022 as a result of reduced borrowings. The decrease of our interest coverage ratio to 4.1 times as of May 31, 2023 was mainly due to the decrease in our profit for the period and the increase in our interest expense as a result of interest rate hikes.

UNAUDITED [REDACTED] ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following statement of our unaudited [**REDACTED**] adjusted consolidated net tangible assets is prepared in accordance with Rule 4.29 of the Listing Rules and is set out below to illustrate the effect of the [**REDACTED**] on our consolidated net tangible assets as of December 31, 2022 as if the [**REDACTED**] had taken place on that date.

Our unaudited [**REDACTED**] adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of our consolidated net tangible assets as of May 31, 2023 or at any future dates following the [**REDACTED**]. No adjustment has been made to reflect any trading result or other transactions of our Group entered into subsequent to May 31, 2023.

	Audited consolidated net tangible assets of the Group attributable to the owners of the Company as of May 31, 2023	Estimated [REDACTED] from the [REDACTED]	Unaudited [REDACTED] adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as of May 31, 2023	Unaudited [REDACTED] adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share
		HK$'000		*HK$*
	Note 1	*Note 2*		*Note 3*
Based on an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**]	643,414	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Based on an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**]	643,414	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

1. The audited consolidated net tangible assets of the Group attributable to the owners of the Company as of May 31, 2023 is extracted from the Accountant's Report set out in Appendix I to this document, which is based on the audited consolidated net assets of the Group attributable to the owners of the Company as of May 31, 2023 of approximately HK$643,414,000.

2. The estimated [**REDACTED**] from the [**REDACTED**] are based on the indicative [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] and HK$[**REDACTED**] per [**REDACTED**], being the low end and high end of the indicative [**REDACTED**], respectively, after deduction of the [**REDACTED**] fees and other related expenses (excluding HK$[**REDACTED**] which have been accounted for in the consolidated statement of comprehensive income up to May 31, 2023), without taking into account of any Shares which may be allotted and issued upon the exercise of the [**REDACTED**], or (a) any Shares which may be allotted and issued upon the exercise of the options granted or to be granted under the Share Option Scheme, or (b) any Shares which may be allotted and issued or repurchased by the Company pursuant to the General Mandate and the Repurchase Mandate.

3. The unaudited [**REDACTED**] adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that [**REDACTED**] Shares were in issue assuming the [**REDACTED**] and [**REDACTED**] had taken place on May 31, 2023, without taking into account of any Shares which may be allotted and issued upon the exercise of the [**REDACTED**], or (a) any Shares which may be allotted and issued upon the exercise of the options granted or to be granted under the Share Option Scheme, or (b) any Shares which may be allotted and issued or repurchased by the Company pursuant to the General Mandate and the Repurchase Mandate.

4. No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to May 31, 2023.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Our business activities expose us to various types of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. Our overall risk management framework seeks to minimize potential adverse effects to our financial performance.

Credit risk

Credit risk is the risk that our customers or counterparties will default on their respective contractual obligations resulting in financial loss to us. Our main income generating activity is lending to customers and therefore credit risk is a principal risk. Our credit risk arises from cash and cash equivalents, amounts due from fellow subsidiaries, amounts due from related parties, amount due from a director, loan receivables, and deposits and other receivables. We have a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. For more details, see "Appendix I — Accountant's Report — II. Notes to the Historical Financial Information — 3. Financial, Risk and Capital Risk Management — Note 3.1(b)".

Cash flow and fair value interest rate risk

Our interest rate risk arises from our cash and cash equivalents, loan receivables, bank borrowings and amounts due from/to related parties. Cash and cash equivalents and bank borrowings are entitled to interest at variable rates that expose us to cash flow interest rate risk. Loan receivables and amounts due to the immediate holding company, fellow subsidiary and related party are entitled to interest at fixed rates.

For the years ended December 31, 2020, 2021 and 2022 and five months ended May 31, 2023, if market interest rates had been 1% higher or lower with all other variables held constant, our profit before income tax in 2020, 2021 and 2022 and five months ended May 31, 2023 would have been HK$3.3 million, HK$3.3 million, HK$3.0 million and HK$1.1 million lower or higher as a result of an increase in net interest expense on the borrowings netted with loan receivables, respectively.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facility. Our management team performs cash flow forecasting. We monitor rolling forecasts of our liquidity requirements based on cash flow forecasting to ensure we have sufficient cash to meet operational needs, while maintaining sufficient headroom on our undrawn committed borrowing facilities at all times so that we do not breach borrowing limits or covenants (where applicable) on any of our borrowing facilities. Such forecasting takes into consideration our debt financing plans, covenant compliance, compliance with internal financial position ratio targets and, if applicable, legal requirements.

As of December 31, 2020, 2021 and 2022 and May 31, 2023, we have undrawn banking facilities of HK$16.0 million, HK$31.0 million, HK$40.0 million and HK$70.0 million, respectively. All the undrawn borrowing facilities expire within one year and are subject to annual review by bank. Our primary cash requirements, apart from granting loans to customers, are for payment of bank and other borrowings and for operating expenses. For more details, see "Appendix I — Accountant's Report — II. Notes to the Historical Financial Information — 3. Financial, Risk and Capital Risk Management — Note 3.1(c)".

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospect since May 31, 2023 (being the date on which the latest audited consolidated financial information of us was prepared) and there is no event since May 31, 2023 that would materially affect the information shown in our consolidated financial statements included in "Appendix I — Accountant's Report".

DISCLOSURE REQUIREMENT UNDER THE LISTING RULES

Our Directors confirmed that, as of the Latest Practicable Date, they were not aware of any circumstances which would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

[**REDACTED**]

The [**REDACTED**] primarily represent fees paid to professional parties for our [**REDACTED**]. Based on the mid-point [**REDACTED**] of HK$[**REDACTED**] and assuming [**REDACTED**] not exercised, the total estimated [**REDACTED**] in relation to the [**REDACTED**] is HK$[**REDACTED**] million including estimated [**REDACTED**] expenses of HK$[**REDACTED**] million, and [**REDACTED**] expenses consisting of (i) estimated fees and expenses of legal advisor(s) and accountant(s) of HK$17.3 million, (ii) estimated other fees and expenses of HK$[16.0] million, and (iii) miscellaneous fees of HK$[0.4] million. During the Track Record Period, [**REDACTED**] of HK$[**REDACTED**] million were incurred of which HK$[**REDACTED**] million were charged to our consolidated statement of comprehensive income and HK$[**REDACTED**] million were recognized to our consolidated balance sheet. We estimate that we will further incur [**REDACTED**] of HK$[**REDACTED**] million of which HK$[**REDACTED**] million will be charged to our consolidated statement of comprehensive income and HK$[**REDACTED**] million, which mainly includes [**REDACTED**], is expected to be accounted for as a deduction from equity upon the completion of [**REDACTED**] and the [**REDACTED**]. Our [**REDACTED**] as a percentage of gross [**REDACTED**] is [**REDACTED**], assuming an [**REDACTED**] of HK$[**REDACTED**] per Share and that the [**REDACTED**] is not exercised.

FUTURE PLANS

For a detailed description of our future plans, see "Business — Our Business Strategies".

[REDACTED]

The table below sets forth the estimated [**REDACTED**] of the [**REDACTED**] which we will receive after deduction of [**REDACTED**] fees and commissions and estimated expenses payable by us in connection with the [**REDACTED**] (assuming the [**REDACTED**] is not exercised):

Assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the mid-point of the [**REDACTED**])	HK$[**REDACTED**] million
Assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the high end of the [**REDACTED**])	HK$[**REDACTED**] million
Assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the low end of the [**REDACTED**])	HK$[**REDACTED**] million

In line with our strategies, we intend to use the [**REDACTED**] from the [**REDACTED**] for the purposes and in the amounts set forth below:

Enrichment of our technology capabilities

We will continue to grow and expand the technology department and invest continuously in building our core technology capabilities during our operation process. In particular, we plan to continue enhancing and upgrading our technology capabilities by developing platform for our BNPL service, establishing and enhancing our CDP and improving our K Cash GO Platform. To achieve the above, approximately [**REDACTED**] of the [**REDACTED**] or approximately HK$[**REDACTED**] million will be used for enrichment of our technology capabilities.

Development of platform for our BNPL service

Approximately [**REDACTED**] or approximately HK$[**REDACTED**] million of the [**REDACTED**] will be used to develop a platform to support our BNPL services, which will be built by our in-house technology department. In particular,

(i) we plan to use [**REDACTED**] or approximately HK$[**REDACTED**] million of the [**REDACTED**] to attract talents for designing IT solutions in order to fulfill the Payment Card Industry Data Security Standard (PCI DSS) as a mandatory requirement of a global credit card network provider who we cooperate with. PCI DSS is a set of security standards applied by major credit card companies to help protect against credit card fraud and data breaches. Hence, consumers can make payments through our BNPL services by utilizing the issued credit cards. These new talents are also responsible for building our cloud-based platform supporting our BNPL service. Details of our recruitment plan are as follows:

Role	Responsibilities	Headcount	Relevant Experience	Expected range of annual salary
				(HK$'000)
Project manager	Overall project planning, including feasibility study, project research, project schedule and implementation	1	At least 4 years	420–700

Role	Responsibilities	Headcount	Relevant Experience	Expected range of annual salary
				(HK$'000)
Payment platform delivery leader	Lead development team to implement the Payment processor platform and integrate with various components	1	At least 6 years	720–1,200
Frontend developer	Design, build and maintain applications for iOS platform and Android platform	2	At least 4 years	480–720
Backend and payment developer	Design and build the credit card payment backend, and work with the project team to deliver the backend application	2	At least 3 years	360–600

(ii) we plan to use [**REDACTED**] or approximately HK$[**REDACTED**] million of the [**REDACTED**] to invest in different kinds of cybersecurity tools and measures to ensure that our platform supporting our BNPL service complies with PCI DSS. In particular, we plan to subscribe the following security tools:

a. Approximate HK$[**REDACTED**] million will be used to subscribe the network firewalls and web application firewalls and penetration testing tools, which are used to protect and identify potential vulnerabilities in the cardholder data environment.

b. Approximate HK$[**REDACTED**] million will be used to subscribe the customer identity and access management solutions to manage the identity and access of customers.

c. Approximate HK$[**REDACTED**] million will be used to subscribe the application protection and application security testing tools and services, ensuring that applications are built securely, reducing the risk of security vulnerabilities. It also protects against attacks that target the container infrastructure.

(iii) we plan to use [**REDACTED**] or approximately HK$[**REDACTED**] million of the [**REDACTED**] to settle the service fees payable to payment infrastructure, including but not limited to payment processor platform, digital token service provider service and other risk manager and authentication related services. We will also acquire other miscellaneous software components to build the backend and mobile application to the platform supporting our BNPL service. The estimated subscription fees to be charged by payment infrastructure will be approximately HK$[**REDACTED**] million each year.

Enhancement of our customer engagement technology capabilities

Approximately [**REDACTED**] or approximately HK$[**REDACTED**] million of the [**REDACTED**] will be used to establish our CDP, a customer data platform for managing customer data, allowing us to (i) deliver personalized customer experience by using the data to create targeted marketing campaigns, personalized product recommendations, and tailored content that matches the customer's interest and needs, which optimizes our customer acquisition effort; (ii) engage customers across multiple channels; (iii) make data driven decisions around marketing personalization, product development, sales optimization and customer support activity; (iv) collect and analyze customer data, allowing us to respond to changing customer needs and market trends; and (v) manage customer data accurately and securely and mitigating the risk of data breaches. In particular,

(i) we plan to use [**REDACTED**] or approximately HK$[**REDACTED**] million of the [**REDACTED**] to procure certain technical services from a market leading service provider. These services mainly include implementation guidance, strategic planning support and technical tools which assist us setting up and developing our own CDP solutions. With these technical support, we will use our in-house resources to build, develop and maintain our own CDP solutions, which aims to help us collect, organize, and analyze customer data from multiple sources, such as our mobile app, website, social media pages and email campaigns. Our CDP will include functions to track user behavior, analyze and categorize our customers into different segmentation based on their characteristics and attributes. With these information, we would be able to formulate personalized marketing approach to our customers, for example, sending automated text messages and promotional emails to them.

(ii) we plan to use [**REDACTED**] or approximately HK$[**REDACTED**] million of the [**REDACTED**] to subscribe for a cloud-based unified data analytics platform to support our CDP, and run data analysis. The estimated subscription fees to be charged by such platform will be approximately HK$[**REDACTED**] each month.

Improvement of our operating system — K Cash GO Platform

Approximately [**REDACTED**] or approximately HK$[**REDACTED**] million will be used to improve and upgrade our K Cash GO Platform to better suit our business growth and to meet dynamic demand of our existing customers and attract new customers. Our existing K Cash GO Platform can automate and streamline the entire lending process with our modular loan application system and loan management system. To constantly improve our efficiency in credit approval and provide latest and customized services and products to retain and attract customers in order to meet the future demand, we intend to revamp our K Cash GO Platform by merging our various systems, including the payment processor system under our BNPL services, the eAML and our CDP systems, and enhancing the existing modules to include new functions to support our ongoing operation. The revamped K Cash GO Platform enables us to enhance our operation flow through enhancing the sharing of information and instant communication between various stages of our loan process, and collecting and storing data from our business activities using a common database, thereby increasing our efficiency and productivity, making our whole loan lifecycle more efficient and enriching our customer experience. By building our application on top of cloud computing infrastructure and incorporating the latest digital customer servicing technologies, our revamped K Cash GO Platform is expected to remain competitive in an increasingly digital and fast-paced business environment and can provide the best experience to our customers. To upgrade our K Cash GO Platform, we intend to implement the following:

(i) we plan to use [**REDACTED**] or approximately HK$[**REDACTED**] million to enhance our technology infrastructure to support our future business via the following:

   a. Subscribing to the cloud computing infrastructures: Our revamped K Cash GO Platform will pursue a cloud-native application design, and thus we would be able to easily adjust the computing and storage capacity as needed. By taking advantage of cloud native security services and best practices provided by cloud computing vendor, it will be more reliable and secure and can better protect our customer data and application from security threats. The estimated subscription fees to be charged by such cloud computing infrastructure will be approximately HK$[**REDACTED**] million each year.

b. Engaging service providers to provide digital customer services solutions, which are service components to be integrated in mobile application/web to facilitate customer services: Our revamped K Cash GO Platform will use the latest digital customer service technologies to improve customer satisfaction and experience. In particular, we plan to make use of the following technology solutions:

– Omni-channel contact center solution. It enables interaction with customers across multiple channels including voice, email, chat, social media and provides a unified customer experience. In return, we can receive valuable insights into customer behavior and preferences, allowing us to better understand and meet the needs of our customers; and

– AI chatbot solution. In addition to the customer service center that we currently operate, we will provide rule-based AI chatbot, which can provide quick and efficient responses to customer inquiries by leveraging language understanding and intent training technologies. Besides, AI chatbots can collect and analyze data on customer interactions, which can provide valuable insights into customer behavior and preferences.

c. Hosting our K Cash GO Platform on a public cloud infrastructure and to engage different third party service providers or acquire software components and/or tools to facilitate various operation processes. These tools will also be used to enhance the functions of certain existing modules on the current K Cash GO Platform. For example, we will upgrade our existing Business Intelligence Report module to connect to certain new data sources, such as the platform supporting our BNPL service and CDP data source. We will also set up the electronic Direct Debit Authorization ("**eDDA**") on the K Cash GO Platform to facilitate our collection process by providing a more efficient and convenient means of collecting loan repayments from our borrowers. With eDDA, borrowers can authorize us to collect loan repayments directly from their bank account on specific due dates, eliminating the need for manual payments and reducing the risk of late payments or defaults. Additionally, our notification center module will be further enhanced to expand our existing message channels, such as in-App push notifications, which can enhance our communication with borrowers, increase efficiency and improve our customer services in long run.

(ii) we plan to use [**REDACTED**] or approximately HK$[**REDACTED**] million of the [**REDACTED**] to attract talents to enhance and upgrade our K Cash GO Platform.

Role	**Responsibility**	**Headcount**	**Relevant Experience**	**Expected range of annual salary**
				(HK$'000)
System analyst	data & loan platform development	1	At least 8 years	600–900
Application developer	loan platform integration and modular development	1	At least 2 years	360–600

We will continue to grow and expand the technology department and invest continuously in building our core technology capabilities during our operation process.

The table below sets forth the expected implementation timetable of [**REDACTED**] for the enrichment of our technology capabilities:

	For the year ending December 31,				Total
	2023	2024	2025	2026	
			(HK$' million)		
Development of platform for our BNPL service	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Enhancement of our customer engagement technology capabilities	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Improvement of our operating system – K Cash GO Platform	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Total	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

We expect our technology maintenance, development and enhancement expenses will increase, by virtue of a further and deeper deployment of technology in our operation process. We will continue to grow and expand the technology department and invest continuously in building our core technology capabilities. In the long run, as we will enhance our products offerings and deliver a better experience to borrowers with enriched features and functionalities, we expect our revenue to steadily grow as a result of the increased application of financial technologies and our improved competitiveness.

Expansion of our loan portfolio

Approximately [**REDACTED**] or approximately HK$[**REDACTED**] million of the [**REDACTED**] is expected to be used to expand our loan portfolio by providing more loans to existing and/or new customers. In more detail:

By implementing such plans, we expect that interest income generated from our loan portfolio will continue to grow as the growth and success of our future operations depends on the availability of adequate lending capital, and interest expenses we shall pay to obtain extra capital for loan out. We intend to grow our existing loan portfolio in the priority of Unsecured Property Owner Loans, Personal Loans and SME Loans. We focus the most on Unsecured Property Owner Loans because it presents a lower credit risk to us as compared to Personal Loans and SME Loans. We believe that there is sufficient market demand for all of our product lines. For more information on the total value of different unsecured loans granted by licensed money lenders in Hong Kong, see "Industry Overview — Overview of Licensed Money Lending Market in Hong Kong".

General working capital

Not more than [**REDACTED**] of the [**REDACTED**] or approximately HK$[**REDACTED**] million will be used for working capital and general corporate purposes.

In the event that we receive [**REDACTED**] from the [**REDACTED**] higher or lower than the stated amounts above, we will increase or decrease the amount of the [**REDACTED**] intended to be used for the expansion of our loan portfolio, respectively.

If the [**REDACTED**] is exercised in full, the additional [**REDACTED**] that our Company will receive will be approximately HK$[**REDACTED**] million, assuming an [**REDACTED**] of HK$[**REDACTED**] per Share, being the mid-point of the proposed [**REDACTED**]. Our Company may be required to issue up to an aggregate of [**REDACTED**] additional Shares pursuant to the [**REDACTED**].

If and to the extent that the [**REDACTED**] of the [**REDACTED**] are not immediately applied towards the above purposes, we will only deposit those [**REDACTED**] into short-term interest-bearing bank accounts at licensed commercial banks and/or other authorized financial institutions in Hong Kong (as defined under the Securities and Futures Ordinance).

[REDACTED]

[REDACTED]

[**REDACTED**]

[**REDACTED**]

[REDACTED]

[REDACTED]

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[**REDACTED**]

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[REDACTED]

[REDACTED]

[REDACTED]

The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, [PricewaterhouseCoopers], Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of Hong Kong Standard on Investment Circular Reporting Engagements 200, Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

[DRAFT]

[Letterhead of PricewaterhouseCoopers]

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF K CASH FINTECH CORPORATION LIMITED AND DBS ASIA CAPITAL LIMITED AND PING AN OF CHINA CAPITAL (HONG KONG) COMPANY LIMITED

Introduction

We report on the historical financial information of K Cash Fintech Corporation Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-4 to I-67, which comprises the consolidated balance sheets as at December 31, 2020, 2021 and 2022 and May 31, 2023, the balance sheets of the Company as at December 31, 2022 and May 31, 2023, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended December 31, 2020, 2021 and 2022 and the five months ended May 31, 2023 (the "**Track Record Period**") and material accounting policy information and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages I-4 to I-67 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [Date] (the "**Document**") in connection with the [**REDACTED**] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at December 31, 2022 and May 31, 2023 and the consolidated financial position of the Group as at December 31, 2020, 2021 and 2022 and May 31, 2023 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the five months ended May 31, 2022 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The directors of the Company are responsible for the presentation and preparation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review 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. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 24 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

[PricewaterhouseCoopers]
Certified Public Accountants
Hong Kong, [Date]

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

*The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by [PricewaterhouseCoopers] in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("**Underlying Financial Statements**").*

*The Historical Financial Information is presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand ("**HK$'000**") except when otherwise indicated.*

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended December 31,			Five months ended May 31,	
	Notes	**2020**	**2021**	**2022**	**2022**	**2023**
				HK$'000		
					(Unaudited)	
Interest income	*5*	304,256	270,103	233,944	99,480	104,672
Interest expenses	*9*	(36,592)	(35,977)	(22,963)	(9,272)	(9,662)
Net interest income		267,664	234,126	210,981	90,208	95,010
Other income	*5*	5,666	3,936	10,094	3,792	1,143
Other (losses)/gains, net	*5*	(257)	157	(174)	99	693
Selling expenses	*6*	(39,868)	(35,140)	(34,375)	(9,484)	(12,159)
General and administrative expenses	*6*	(57,721)	(68,363)	(66,134)	(27,560)	(33,459)
Expected credit losses, net		(69,718)	(41,920)	(37,672)	(17,729)	(21,258)
Operating profit		105,766	92,796	82,720	39,326	29,970
Other finance cost	*9*	(237)	(492)	(803)	(306)	(197)
Profit before income tax		105,529	92,304	81,917	39,020	29,773
Income tax expense	*10*	(14,497)	(15,222)	(14,052)	(6,556)	(6,898)
Profit and total comprehensive income for the year/period		91,032	77,082	67,865	32,464	22,875
Earnings per share for the year/period						
Basic and diluted *(HK$)*	*11*	9.1	7.7	6.8	3.2	2.3

The above consolidated statements of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEETS

	Notes	As at December 31, 2020	As at December 31, 2021	As at December 31, 2022	As at May 31, 2023
		HK$'000	HK$'000	HK$'000	HK$'000
ASSETS					
Cash and cash equivalents	*16*	29,186	28,945	24,131	34,456
Amounts due from fellow subsidiaries	*26*	213,435	374,649	90,224	1,710
Amounts due from other related parties	*26*	338	272	638	950
Amount due from a director	*26*	852	675	575	–
Loan receivables	*14*	985,967	844,460	913,815	948,159
Prepayments, deposits and other receivables	*15*	2,844	5,605	12,132	12,343
Repossessed assets	*18*	4,183	6,626	5,795	9,443
Income tax recoverable		—	6,049	119	–
Deferred income tax assets	*17*	17,827	16,943	17,380	17,864
Property, plant and equipment	*12*	6,313	4,682	3,537	3,634
Right-of-use-assets	*23*	4,142	20,166	18,961	14,999
Total assets		1,265,087	1,309,072	1,087,307	1,043,558
EQUITY					
Equity attributable to the owners of the Company					
Share capital	*19*	–*	–*	–*	–*
Reserves		593,392	652,674	720,539	643,414
Total equity		593,392	652,674	720,539	643,414
LIABILITIES					
Amount due to the ultimate holding company	*26*	—	30	84	97
Amount due to the immediate holding company	*26*	250,759	262,948	10,500	10,500
Amounts due to fellow subsidiaries	*26*	37,177	9,631	—	68,514
Amounts due to other related parties	*26*	35,657	33,292	28,486	26,452
Accruals and other payables	*21*	1,722	1,774	5,481	7,862
Income tax payable		12,669	—	—	7,263
Bank borrowings	*22*	329,248	328,103	303,095	265,392
Lease liabilities	*23*	4,463	20,620	19,122	14,064
Total liabilities		671,695	656,398	366,768	400,144
Total equity and liabilities		1,265,087	1,309,072	1,087,307	1,043,558

* Below HK$1,000

The above consolidated balance sheets should be read in conjunction with the accompanying notes.

BALANCE SHEETS OF THE COMPANY

	Notes	As at December 31, 2022	As at May 31, 2023
		HK$'000	
ASSETS			
Investments in subsidiaries (Note)		—	645,640
Prepayments	*15*	3,803	5,605
Total assets		3,803	651,245
EQUITY			
Equity attributable to the owners of the Company			
Share capital	*19*	—*	—*
Contribution surplus	*20*	—	645,640
Accumulated losses	*20*	(5,315)	(18,097)
Total (deficit)/equity		(5,315)	627,543
LIABILITIES			
Amount due to a subsidiary	*26*	6,511	21,296
Accruals and other payables		2,607	2,406
Total liabilities		9,118	23,702
Total equity and liabilities		3,803	651,245

* Below HK$1,000

Note: The investments in subsidiaries represent the carrying values of the net assets of the Operating Companies attributable to the owners of the Company transferred to the Company upon completion of the Reorganisation (Note 1.2).

The above balance sheets should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Notes	Share capital	Capital reserve	Retained earnings	Total
			HK$'000		
Balance at January 1, 2020		—*	20,000	603,360	623,360
Comprehensive income:					
Profit for the year		—	—	91,032	91,032
Transactions with owners:					
Dividends	*24*	—	—	(121,000)	(121,000)
Balance at December 31, 2020		—*	20,000	573,392	593,392
Balance at January 1, 2021		—*	20,000	573,392	593,392
Comprehensive income:					
Profit for the year		—	—	77,082	77,082
Transactions with owners:					
Dividends	*24*	—	—	(17,800)	(17,800)
Balance at December 31, 2021		—*	20,000	632,674	652,674
Balance at January 1, 2022		—*	20,000	632,674	652,674
Comprehensive income:					
Profit for the year		—	—	67,865	67,865
Balance at December 31, 2022		—*	20,000	700,539	720,539
Balance at January 1, 2022		—*	20,000	632,674	652,674
Comprehensive income:					
Profit for the period		—	—	32,464	32,464
Balance at May 31, 2022 (Unaudited)		—*	20,000	665,138	685,138
Balance at January 1, 2023		—*	20,000	700,539	720,539
Comprehensive income:					
Profit for the period		—	—	22,875	22,875
Transactions with owners:					
Dividends	*24*	—	—	(100,000)	(100,000)
Balance at May 31, 2023		—*	20,000	623,414	643,414

* Below HK$1,000

The above consolidated statements of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended December 31,			Five months ended May 31,	
		2020	2021	2022	2022	2023
				HK$'000		
					(Unaudited)	
Cash flows from operating activities						
Cash generated from operations	25(a)	227,311	276,058	200,776	74,164	10,081
Interest paid		(36,592)	(35,977)	(22,963)	(9,272)	(9,662)
Income tax paid		(26,154)	(33,056)	(8,559)	—	—
Net cash generated from operating activities		164,565	207,025	169,254	64,892	419
Cash flows from investing activities						
Purchase of property, plant and equipment	12	(1,857)	(999)	(1,479)	(603)	(1,112)
Advances to fellow subsidiaries		(315,388)	(161,214)	(109,772)	(9,503)	(5,561)
Repayments from/(advances to) other related parties		757	66	(366)	127	(312)
Advance to a shareholder		—	—	—	(190)	—
Repayment from a director		23	177	100	42	17
Proceeds from disposals of property, plant and equipment	25(c)	—	—	96	—	360
Bank interest received		20	1	7	—	13
Net cash used in investing activities		(316,445)	(161,969)	(111,414)	(10,127)	(6,595)
Cash flows from financing activities						
Repayments of bank borrowings	25(b)	(492,471)	(429,200)	(462,498)	(199,792)	(117,703)
Proceeds from bank borrowings	25(b)	581,155	428,055	437,490	193,457	80,000
Payment of principal elements of lease liabilities	25(b)	(4,270)	(8,168)	(12,447)	(4,690)	(3,675)
Payment of interest elements of lease liabilities	25(b)	(237)	(492)	(803)	(306)	(197)
Payment of [**REDACTED**] to be capitalized into equity		—	—	(1,628)	—	(3,050)
Advances from the ultimate holding company	25(b)	—	30	54	22	13
Advances from/(repayments to) the immediate holding company	25(b)	250,759	7,489	(4,627)	165	—
(Repayments to)/advances from fellow subsidiaries	25(b)	(146,547)	(40,646)	(13,389)	(6,485)	63,147
(Repayments to)/advances from other related parties	25(b)	(28,121)	(2,365)	(4,806)	126	(2,034)
Net cash generated from/(used in) financing activities		160,268	(45,297)	(62,654)	(17,503)	16,501
Net increase/(decrease) in cash and cash equivalents		8,388	(241)	(4,814)	37,262	10,325
Cash and cash equivalents at beginning of year/period		20,798	29,186	28,945	28,945	24,131
Cash and cash equivalents at end of year/period	16	29,186	28,945	24,131	66,207	34,456

The above consolidated statements of cash flows should be read in conjunction with the accompanying notes.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION, REORGANIZATION AND BASIS OF PRESENTATION

1.1 General information

K Cash Fintech Corporation Limited (the "**Company**") was incorporated in the Cayman Islands on October 25, 2022, as an exempted company with limited liability under the Companies Act, Cap. 22 (Act 3 of 1961, as combined and revised) of the Cayman Islands. The address of the Company's principal place of business is 17/F, Wheelock House, 20 Pedder Street, Central, Hong Kong.

The Company is an investment holding company and its subsidiaries (together, the "**Group**") are principally engaged in providing unsecured loans in Hong Kong.

The consolidated financial statements are presented in HK$, which is the Company's functional and the Group's presentation currency.

1.2 Reorganization

Prior to the incorporation of the Company and the completion of the reorganization (the "**Reorganization**") as described below, the unsecured property owner loan and SME loan business ("**Unsecured Property Owner Loan and SME Loan Business**") and the unsecured personal loan business ("**Unsecured Personal Loan Business**") were carried out by K Cash Express Limited ("**K Cash Express**") (formerly known as Konew Financial Express Limited) and K Cash Limited ("**K Cash**") (collectively the "**Operating Companies**") respectively.

The Operating Companies were controlled collectively by Mr. Lee Kun Tai, Steven, Mr. Lee Sheung Shing and Ms. Lee Pik Tsong (collectively the "**Controlling Shareholders**") throughout the Track Record Period.

In preparing for the [**REDACTED**] of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited, the Group underwent the Reorganization which principally involved the following steps:

On October 25, 2022, the Company was incorporated in the Cayman Islands and allotted all its shares to Konew Fintech Corporation Limited ("**Konew Fintech**"), the immediate holding company under common control of the Controlling Shareholders.

On October 28, 2022, K Cash Express (BVI) Limited ("**K Cash Express (BVI)**") was incorporated in the British Virgin Islands with its one share allotted and issued to the Company.

On March 24, 2023, the entire issued share capital of K Cash Express held by Konew Credit Corporation Limited ("**Konew Credit**"), a fellow subsidiary of the Company under common control of the Controlling Shareholders, was transferred to K Cash Express (BVI) for a consideration of HK$20,000,000.

On March 24, 2023, the entire issued share capital of K Cash (BVI) Limited ("**K Cash (BVI)**") held by Konew Fintech, the immediate holding company, was transferred to the Company for a consideration of US$1.

Immediately upon completion of the said transfer, K Cash Express (BVI) and K Cash (BVI) became the wholly-owned subsidiaries of the Company.

After the completion of the Reorganization steps as described above, the Company became the holding company of the subsidiaries now comprising the Group.

As at the date of this report, the Company had direct or indirect interests in the following subsidiaries:

Name of subsidiary	Place and date of incorporation	Principal activities	Issued and paid-up capital	As at the date of this report	Notes
Direct interests:					
K Cash (BVI) Limited	The British Virgin Islands (the "**BVI**"), December 9, 2019	Investment holding	1 ordinary share	100%	(a)
K Cash Express (BVI) Limited	The BVI, October 28, 2022	Investment holding	1 ordinary share	100%	(a)
Indirect interests:					
K Cash Express Limited (formerly known as Konew Financial Express Limited)	Hong Kong, February 24, 1999	Providing unsecured property owner loans and SME loans	20,000,000 ordinary shares	100%	(b)
K Cash Limited	Hong Kong, March 4, 2008	Providing unsecured personal loans	100,000 ordinary shares	100%	(b)

Notes:

(a) No audited statutory financial statements have been issued for the subsidiary as it is not required to issue audited financial statements under the statutory requirement of its place of incorporation.

(b) The statutory auditor of the relevant subsidiaries for the years ended December 31, 2020, 2021 and 2022 was PricewaterhouseCoopers Hong Kong.

1.3 Basis of presentation

The Operating Companies now comprising the Group, namely K Cash Express and K Cash that principally engaging in the Unsecured Property Owner Loan and SME Loan business and the Unsecured Personal Loan Business respectively, were under common control of the Controlling Shareholders, immediately before and after the Reorganization. Accordingly, the Reorganization is regarded as a business combination under common control, and for the purpose of this report, the Historical Financial Information has been prepared on a combined basis.

The Historical Financial Information has been prepared by including the historical financial information of the companies engaged in the Unsecured Property Owner Loan and SME Loan business and the Unsecured Personal Loan Business, under the common control of Controlling Shareholders immediately before and after the Reorganization and now comprising the Group as if the current group structure had been in existence throughout the periods presented, or since the date when the combining companies first came under the control of the Controlling Shareholders, whichever is a shorter period.

The net assets of the combining companies were combined using the existing book values from the Controlling Shareholders' perspective. No amount is recognized in consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of business combination under common control, to the extent of the continuation of the controlling party's interest.

Inter-company transactions, balances and unrealized gains/(losses) on transactions between group companies are eliminated upon combination/consolidation.

2.1 BASIS OF PREPARATION

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years/periods presented, unless otherwise stated.

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA as set out below. The consolidated financial statements of the Group have been prepared under the historical cost convention.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

The following new standards and amendments to existing standards have been issued but are not yet effective and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	January 1, 2024
Amendment to HKAS 1	Non-current Liabilities with Covenants	January 1, 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements	January 1, 2024
Amendments to HKFRS 16	Lease liabilities in a Sales and Leaseback	January 1, 2024
Amendments to Hong Kong Interpretation 5	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	January 1, 2024
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

According to the preliminary assessment made by the directors, no significant impact on the Group's financial performance and position is expected when the new standards and amendments to existing standards above become effective. The Group expects to adopt the relevant new standards and amendments to standards when they become effective.

2.2 MATERIAL ACCOUNTING POLICY INFORMATION

2.2.1 Principles of combination and equity accounting

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated balance sheets respectively.

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.2.2 Business combinations

For business combination under common control, the Group applies the principles of merger accounting as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA. The net assets of the combining companies were combined using the existing book values, and no amount is recognized in consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of business combination under common control, to the extent of the continuation of the controlling party's interest.

The Group applies the acquisition method to account for business combinations except for business combination under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRSs.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with Hong Kong Financial Reporting Standard 9 — Financial Instruments ("**HKFRS 9**") in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interests recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in profit or loss.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

2.2.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("**CODM**"). The CODM is responsible for allocating resources and assessing performance of the operating segments, and has been identified as the chief executive officer and executive directors of the Company that makes strategic decisions.

2.2.5 Financial assets

2.2.5.1 *Classification*

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest ("**SPPI**"). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Debt instruments are those instruments that meet the definition of a financial liabilities from the issuer's perspective. During the years ended December 31, 2020, 2021 and 2022 and the five months ended May 31, 2022 and 2023, the Group only holds debt instruments, including cash and cash equivalents, loan receivables, other receivables and deposit, amount due from a director, amounts due from fellow subsidiaries and amounts due from other related parties, which are held for collection of contractual cash flows where those cash flows represent SPPI thus measured at amortized cost.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.2.5.2 *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2.2.5.3 *Measurement*

Initial measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("**FVTPL**"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Subsequent measurement

The amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition: (i) minus the principal repayments; (ii) plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount; (iii) for financial assets, adjusted for any loss allowance.

Interest income from these financial assets is included in "Interest income" using the effective interest rate method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortized cost before any impairment allowance) or to the amortized cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets and is included in "Interest income", except for:

- purchased or originated credit-impaired ("**POCI**") financial assets, whose interest income is calculated, since initial recognition, by applying the credit-adjusted effective interest rate to their amortized cost; and

- financial assets that are not POCI but have subsequently become credit-impaired, whose interest income is calculated by applying the effective interest rate to their amortized cost (i.e. net of the expected credit loss provision). If, in a subsequent period, the financial assets improve their qualities so that they are no longer credit-impaired and the improvement in credit quality is related objectively to a certain event occurring after the application of the above-mentioned rules, then the interest income is calculated by applying the effective interest rate to their gross carrying amount.

2.2.5.4 ***Impairment of financial assets***

The Group assesses on a forward-looking basis the expected credit losses ("**ECL**") associated with its debt instruments carried at amortized cost. The Group recognizes a loss allowance for such losses at the end of each reporting period. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcome.

- The time value of money.

- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Note 3.1(b) provides more details of how the "Provision for impairment" is measured.

2.2.6 Financial liabilities

(a) Classification and measurement

Financial liabilities are classified as measured at amortized cost. A financial liability is classified as measured at FVTPL if it is classified as held-for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

(b) Derecognition

The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in profit or loss.

2.2.7 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheets when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

2.2.8 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of banking facilities are recognized as transaction costs of the borrowings to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

2.2.9 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only if it is probable that future taxable amount will be available to utilize those temporary differences and losses.

(c) Offsetting

Deferred income tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and current tax liabilities and when the deferred income taxes balance relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle the balances on a net basis or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity, respectively.

2.2.10 Employee benefits

(a) Retirement benefit obligations

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "**MPF Scheme**") set up pursuant to the Mandatory Provident Fund Schemes Ordinance, for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated statements of comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administrated fund. The Group's employer contributions vest fully with the employees when contributed to the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to vesting fully in the contributions, in accordance with the rules of the MPF Scheme.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as an employee benefit expense when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Bonus plans

The Group recognizes a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(c) Employee leave entitlement

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the date of consolidated balance sheets.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

2.2.11 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.2.12 Interest income

Where the Group is the loan originator, interest on the loans to customers is accrued based on the contractual interest rates of the loan as earned using the effective interest method. When a financial asset at amortized cost is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognized using the original effective interest rate.

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating the interest income over the year. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

2.2.13 Leases

Leases are recognized as right-of-use assets and the corresponding liabilities at the date of which the respective leased asset is available for use by the Group.

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at costs comprising the following:

- the amount of the initial measurement of lease liabilities;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases are recognized on a straight-line basis as an expense in the profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Lease income from operating leases where the Group is a lessor is recognized in "Other income" on a straight-line basis over the lease term (Note 5(b)). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as expense over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated balance sheets based on their nature.

2.3 SUMMARY OF OTHER ACCOUNTING POLICIES

2.3.1 Foreign currency translation

(a) Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**").

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at period end exchange rates are generally recognized in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

2.3.2 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Equipment	5 years
Furniture and fixtures	5 years
Leasehold improvements	Shorter of lease terms on 5 years
Motor vehicles	3 to 4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.3.4).

Gain or loss on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

2.3.3 Repossessed assets

Upon derecognition of related loan receivables, foreclosed assets are recognized as "Repossessed assets" on the consolidated balance sheets. Repossessed assets are measured at the lower of the carrying amount and the fair value less cost to sell at the end of each reporting period. When the fair value less cost to sell is lower than the carrying amount, impairment loss is recognized in profit or loss.

Gain or loss on disposal of repossessed assets is recognized in profit or loss within 'Other (losses)/gains, net'.

2.3.4 Impairment of non-financial assets

Assets that are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.3.5 Cash and cash equivalents

For the purpose of presentation in the consolidated statements of cash flows, cash and cash equivalents include cash on hand and deposits held at call with authorised institutions with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.3.6 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.3.7 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's consolidated balance sheets in the period in which the dividends are approved by the Company's shareholders.

2.3.8 Government grant

Grants from the government are recognized at their fair value where the grant is received by the Group, and the Group will comply with all attached conditions.

Government grants relating to costs are recognized in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

3 FINANCIAL, RISK AND CAPITAL RISK MANAGEMENT

The Group's activities expose it to various types of financial risks: cash flow and fair value interest rate risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

3.1 Financial risk factors

(a) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from its cash and cash equivalents, loan receivables, bank borrowings and amounts due from/to other related parties. Cash and cash equivalents and bank borrowings are entitled to interest at variable rates that expose the Group to cash flow interest rate risk. Loan receivables and amounts due to the immediate holding company and a related party are subject to interest at fixed rates.

As at December 31, 2020, 2021 and 2022 and May 31, 2023, if market interest rates had been 1%, 1%, 1% and 1% higher/lower with all other variables held constant, profit before income tax for the years/period would have been HK$3,292,000, HK$3,281,000, HK$3,031,000 and HK$1,106,000 lower/higher as a result of an increase in net interest expense on the bank borrowings netted with loan receivables, respectively.

(b) Credit risk

Credit risk is the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's main income generating activity is lending to customers and therefore credit risk is a principal risk.

The Group's credit risk arises from cash and cash equivalents, amounts due from fellow subsidiaries, amounts due from other related parties, amount due from a director, loan receivables and deposits and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. The carrying amount of these balances represents the Group's maximum exposure to credit risk in relation to financial assets which are stated as follows:

	As at December 31,			As at May 31,
	2020	2021	2022	2023
	HK$'000			
Cash and cash equivalents *(Note 16)*	29,186	28,945	24,131	34,456
Amounts due from fellow subsidiaries *(Note 26)*	213,435	374,649	90,224	1,710
Amounts due from other related parties *(Note 26)*	338	272	638	950
Amount due from a director *(Note 26)*	852	675	575	—
Loan receivables *(Note 14)*	985,967	844,460	913,815	948,159
Deposits and other receivables *(Note 15)*	2,389	4,522	6,475	4,481
	1,232,167	1,253,523	1,035,858	989,756

Loan receivables

(i) Credit risk management

Unsecured loans

In respect of the Group's unsecured loan receivables, they are not secured by any collaterals and management has a set of procedures in place to reduce the potential credit risks.

The Group offers different types of unsecured loans, namely unsecured property owner loans, unsecured personal loans and unsecured small and medium enterprises ("**SME**") loans.

The Group has a set of loan approval procedures that takes into account the external credit data and behavioral patterns to assess the creditworthiness of its customers requesting credit. These assessments focus on the individual credit reports obtained from a third party, occupation and background of the customers, the general business and economic conditions at the time of application and corroborate with the supporting documents provided by the customers.

The Group engages debt collection agents to handle the collection of outstanding repayments of delinquent loans. The debt collection agents would then perform various procedures to approach and follow up with the customers on the outstanding repayments. If procedures are considered not effective, the Group will then initiate legal actions against the customers to recover the outstanding amounts.

Management continuously monitors the behavior of customers and works closely with debt collection agents on the outstanding repayments of delinquent loans. Given the procedures and policies in place, management considers the Group's credit risk to unsecured loans is limited to a certain extent.

Secured loans

In respect of the Group's secured loan receivables, they are secured by properties as collaterals to reduce the potential credit risks.

The Group has another set of loan approval procedures to effectively manage such risks by assessing the creditworthiness of its customers requesting credit in consideration of the underlying property to be mortgaged. These assessments focus on the loan-to-value ratios in respect of residential, commercial, industrial and other property mortgage loans in accordance with the mortgage type (i.e. first or subordinated mortgage loans), the customers' credit history, the usage, valuation and market expectation on the relevant properties.

As set out in the loan agreements of secured loans, customers agree to execute a legal charge in the Group's favor over the property as collateral. In any event of default by customers, the Group has the right to charge the defaulted interest on the overdue loan principal and interest. The agreements are legally enforceable that if the Group takes actions to recover the outstanding loan principal and interest, the customer will also be liable for payment of relevant legal fees incurred by the Group.

Management continuously monitors the fair values of the properties as collateral to ensure they are sufficient to recover the outstanding loan principal and interest, and considers the Group's credit risk to secured loans is limited to a certain extent.

Provision for expected credit losses

The Group provides for expected credit losses on financial assets based on the amount of outstanding loan receivables taking into account the underlying risk profile, forward-looking information, historical loss experience and performance regarding historical loss rate of the loans with similar attributes.

The Group applies the "three-stage" approach on loan receivables to provide for expected credit losses ("**ECL**") as outlined in HKFRS 9. The maximum period considered when measuring ECL is the maximum contractual period over which the Group is exposed to credit risk, and impairment is based on the changes in credit quality since initial recognition as follows:

- Stage 1: Financial instruments that are not credit-impaired on initial recognition and has their credit risk continuously monitored by the Group. Provision for impairment is measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months ("**12-month ECL**");

- Stage 2: Financial instruments with significant increase in credit risk since initial recognition, but are not yet deemed to be credit-impaired. Provision for impairment is measured based on expected credit losses on a lifetime basis ("**lifetime ECL**"); and

- Stage 3: Financial instruments that are credit impaired where provision for impairment is measured based on lifetime ECL.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- significant deterioration in external market indicators of credit risk;

- any actual or expected significant deterioration in operating results or financial conditions of customers;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations; and

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Unless identified at an earlier stage, loan receivables are deemed to have suffered a significant increase in credit risk when they are 30 days past due ("**DPD**"). These financial assets are then transferred from Stage 1 to Stage 2 but are not yet deemed to be credit-impaired and default.

Definition of default and credit-impaired

The Group determines that a financial instrument is credit-impaired and in Stage 3 by considering relevant objective evidence, primarily whether contractual payments of either principal or interest are past due for more than 90 days.

The following qualitative factors would also be considered in determining whether default has occurred:

- The customer is deceased;
- The customer is insolvent;
- The customer is experiencing significant financial difficulties; or
- It is becoming probable that the customer will enter into bankruptcy.

The factors above have been applied to the loan receivables of the Group and are consistent with the definition of default used for internal credit risk management purposes. Therefore, the definitions of credit-impaired and default are aligned as far as possible so that Stage 3 represents all loans that are considered defaulted or otherwise credit-impaired.

(ii) <u>Measurement of ECL</u>

The Group measures expected credit losses, net of financial assets under HKFRS 9 ECL model. The ECL is measured on either a 12-month or lifetime basis, depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. The estimation of ECL are unbiased and probability weighted and incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at each of the reporting date. The measurement of ECL is a function of PD, EAD and LGD that are defined below:

- Probability of Default ("**PD**"): The PD represents the likelihood of a customer defaulting on the corresponding loan and interest receivable (as per "Definition of default and credit-impaired" above), either over the next 12 months or over the remaining lifetime of the loan;
- Exposure at Default ("**EAD**"): The EAD represents the expected balance at default, taking into account the repayment of principal and interest from the balance sheet date to the default event together with any expected drawdowns of committed facilities. EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime; and
- Loss given Default ("**LGD**"): The LGD represents expected losses on the EAD given the event of default, taking into account, among other attributes, the mitigating effect of collateral value at the time it is expected to be realized and the time value of money. LGD is calculated on either 12-month or lifetime basis, representing the percentage of loss expected to be made if the default occurs in the next 12 months or over the remaining expected lifetime of the loan respectively.

The ECL is determined by projecting the PD, EAD and LGD of each individual exposure for each future month. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not been prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month and further aggregated.

The ECL is measured from the initial recognition of the financial assets. The maximum period considered when measuring ECL should either be on a 12-month or a lifetime basis is the maximum contractual period over which the Group is exposed to credit risk.

The lifetime PD is calculated by applying a maturity profile to the 12-month PD. The maturity profile set out how defaults develop on a loan portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical data and is assumed to be the same across all loans in a portfolio supported by historical analysis.

The 12-month and lifetime EADs are determined based on the expected payment profile that varies by different loan products.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made after default occurs:

- For unsecured property owner loans and secured loans, this is based on the type and expected fair value of the collateral, time to repossession and estimated recovery costs. The LGD is minimal if the outstanding loan and interest receivable could be substantially recovered through repossession and forced sales of relevant collaterals;

- For unsecured personal loans and SME loans, this is influenced by the Group's collection strategies.

The 12-month ECL is calculated by multiplying the 12-month PD, LGD and EAD, whereas the lifetime ECL is calculated using the lifetime PD.

(iii) Forward-looking information incorporated in the ECL model

The assessment of ECL incorporates forward-looking information based on economic forecasts, apply these assumption to the ECL model to estimate future credit losses and probability weight the result to determine an unbiased ECL estimate and is performed on a quarterly basis at a portfolio level. The criteria used in the assessment are monitored and reviewed periodically for appropriateness by the management. The Group considers forward-looking information with reference to the indicators set out below:

- Gross Domestic Products ("**GDP**"); and

- Unemployment rates.

In Note 3.1(b)(vii), the sensitivity analysis provides an indication of the sensitivity of the result to different weightings being applied to different economic assumptions.

(iv) Credit risk exposure

The staging of loan receivables using the Group's ECL model is set out in the table below:

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
		HK$'000		
As at December 31, 2020				
Loan receivables				
— Unsecured property owner loans	524,882	25,025	163,450	713,357
— Unsecured personal loans	268,815	10,537	40,803	320,155
— SME loans	57,130	743	795	58,668
— Secured subordinated mortgage loans	2,013	122	260	2,395
Less: Provision for impairment				
— Unsecured property owner loans	(2,278)	(1,363)	(11,431)	(15,072)
— Unsecured personal loans	(38,892)	(6,847)	(38,269)	(84,008)
— SME loans	(8,265)	(483)	(746)	(9,494)
— Secured subordinated mortgage loans	(9)	(7)	(18)	(34)
Loan receivables – net	803,396	27,727	154,844	985,967
As at December 31, 2021				
Loan receivables				
— Unsecured property owner loans	431,562	20,849	182,507	634,918
— Unsecured personal loans	227,897	3,629	28,154	259,680
— SME loans	40,894	1,238	7,460	49,592
— Secured subordinated mortgage loans	646	1,039	251	1,936
Less: Provision for impairment				
— Unsecured property owner loans	(2,350)	(1,104)	(11,293)	(14,747)
— Unsecured personal loans	(41,444)	(3,209)	(26,609)	(71,262)
— SME loans	(7,437)	(1,095)	(7,051)	(15,583)
— Secured subordinated mortgage loans	(4)	(55)	(15)	(74)
Loan receivables – net	649,764	21,292	173,404	844,460
As at December 31, 2022				
Loan receivables				
— Unsecured property owner loans	427,964	27,723	274,273	729,960
— Unsecured personal loans	193,064	7,979	33,510	234,553
— SME loans	44,200	1,045	9,058	54,303
Less: Provision for impairment				
— Unsecured property owner loans	(1,385)	(892)	(14,282)	(16,559)
— Unsecured personal loans	(31,877)	(6,725)	(32,796)	(71,398)
— SME loans	(7,298)	(881)	(8,865)	(17,044)
Loan receivables – net	624,668	28,249	260,898	913,815

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
	HK$'000			
As at May 31, 2023				
Loan receivables				
— Unsecured property owner loans	428,904	20,175	288,745	737,824
— Unsecured personal loans	219,890	4,584	37,017	261,491
— SME loans	50,726	53	6,181	56,960
Less: Provision for impairment				
— Unsecured property owner loans	(999)	(463)	(10,121)	(11,583)
— Unsecured personal loans	(41,533)	(4,090)	(35,375)	(80,998)
— SME loans	(9,581)	(47)	(5,907)	(15,535)
Loan receivables – net	647,407	20,212	280,540	948,159

(v) Collaterals held as security

The Group holds collateral against certain loan receivables in the form of mortgages over property. As at December 31, 2020 and 2021, 0.2% and 0.2% of the Group's gross loan receivables were secured by mortgages over property, respectively. Majority of the collateral are residential properties, commercial properties and industrial properties and all of the collateral are located in Hong Kong.

(vi) Expected credit losses, net

The expected credit losses, net recognized during the year/period is impacted by a variety of factors, as described below:

(i) Loans recovered or repaid during the year/period;

(ii) Transfers between Stage 1 and Stages 2 or 3 due to financial assets experiencing significant increases (or decreases) of credit risk or becoming credit-impaired, and the consequent "step up" (or "step down") between 12-month and lifetime ECL;

(iii) Impacts on year end ECL of exposures transferred between stages during the year/period; and

(iv) Financial assets derecognized during the year/period and write-offs of provision related to assets that were written off during the year/period.

The following tables explain the changes in the gross carrying amount of the Group's gross loan receivables from the beginning to the end for each reporting period:

	Stage 1	Stage 2	Stage 3	Total
		HK$'000		
Balance at January 1, 2020	992,209	31,058	131,691	1,154,958
New financial assets originated	503,715	–	–	503,715
Changes in interest accrual	255,805	7,475	40,976	304,256
Loans recovered or repaid during the year	(759,053)	(25,438)	(32,565)	(817,056)
Transfer from Stage 1 to Stage 2	(140,353)	140,353	–	–
Transfer from Stage 2 to Stage 3	–	(116,213)	116,213	–
Transfer from Stage 1 to Stage 3	(291)	–	291	–
Transfer from Stage 2 to Stage 1	808	(808)	–	–
Total transfer between stages	(139,836)	23,332	116,504	–
Write-offs	–	–	(51,298)	(51,298)
As at December 31, 2020	852,840	36,427	205,308	1,094,575
Balance at January 1, 2021	852,840	36,427	205,308	1,094,575
New financial assets originated	394,645	–	–	394,645
Changes in interest accrual	213,961	8,085	48,057	270,103
Loans recovered or repaid during the year	(667,111)	(49,275)	(45,842)	(762,228)
Transfer from Stage 1 to Stage 2	(91,581)	91,581	–	–
Transfer from Stage 2 to Stage 3	–	(59,366)	59,366	–
Transfer from Stage 1 to Stage 3	(2,452)	–	2,452	–
Transfer from Stage 2 to Stage 1	697	(697)	–	–
Total transfer between stages	(93,336)	31,518	61,818	–
Write-offs	–	–	(50,969)	(50,969)
As at December 31, 2021	700,999	26,755	218,372	946,126
Balance at January 1, 2022	700,999	26,755	218,372	946,126
New financial assets originated or transferred	448,140	5,845	58,591	512,576
Changes in interest accrual	186,324	6,883	40,737	233,944
Loans recovered or repaid during the year	(539,411)	(39,177)	(55,005)	(633,593)
Transfer from Stage 1 to Stage 2	(97,834)	97,834	–	–
Transfer from Stage 2 to Stage 3	–	(60,025)	60,025	–
Transfer from Stage 1 to Stage 3	(34,358)	–	34,358	–
Transfer from Stage 2 to Stage 1	1,368	(1,368)	–	–
Total transfer between stages	(130,824)	36,441	94,383	–
Write-offs	–	–	(40,237)	(40,237)
As at December 31, 2022	665,228	36,747	316,841	1,018,816
Balance at January 1, 2023	665,228	36,747	316,841	1,018,816
New financial assets originated	231,410	–	–	231,410
Changes in interest accrual	74,716	2,684	27,272	104,672
Loans recovered or repaid during the year	(218,496)	(9,834)	(50,946)	(279,276)
Transfer from Stage 1 to Stage 2	(38,735)	38,735	–	–
Transfer from Stage 2 to Stage 3	–	(38,665)	38,665	–
Transfer from Stage 1 to Stage 3	(19,458)	–	19,458	–
Transfer from Stage 2 to Stage 1	4,855	(4,855)	–	–
Total transfer between stages	(53,338)	(4,785)	58,123	–
Write-offs	–	–	(19,347)	(19,347)
As at May 31, 2023	699,520	24,812	331,943	1,056,275

The following tables explain the changes in the provision for impairment from the beginning to the end for each reporting period:

	Stage 1	Stage 2	Stage 3	Total
		HK$'000		
Balance at January 1, 2020	42,094	5,893	40,543	88,530
New financial assets originated	21,775	—	—	21,775
Loans recovered or repaid during the year	(11,838)	(18,537)	(861)	(31,236)
Transfer from Stage 1 to Stage 2	(8,185)	8,185	—	—
Transfer from Stage 2 to Stage 3	—	(44,066)	44,066	—
Transfer from Stage 1 to Stage 3	(15)	—	15	—
Transfer from Stage 2 to Stage 1	650	(650)	—	—
Impact of ECL for the year	4,963	57,875	17,999	80,837
Total transfer between stages	(2,587)	21,344	62,080	80,837
Write-offs	—	—	(51,298)	(51,298)
As at December 31, 2020	49,444	8,700	50,464	108,608
Balance at January 1, 2021	49,444	8,700	50,464	108,608
New financial assets originated	23,345	—	—	23,345
Loans recovered or repaid during the year	(14,593)	(21,731)	(2,687)	(39,011)
Transfer from Stage 1 to Stage 2	(4,972)	4,972	—	—
Transfer from Stage 2 to Stage 3	—	(32,573)	32,573	—
Transfer from Stage 1 to Stage 3	(193)	—	193	—
Transfer from Stage 2 to Stage 1	138	(138)	—	—
Impact of ECL for the year	(1,934)	46,233	15,394	59,693
Total transfer between stages	(6,961)	18,494	48,160	59,693
Write-offs	—	—	(50,969)	(50,969)
As at December 31, 2021	51,235	5,463	44,968	101,666
Balance at January 1, 2022	51,235	5,463	44,968	101,666
New financial assets originated or transferred	17,917	41	1,766	19,724
Loans recovered or repaid during the year	(10,998)	(16,811)	(7,161)	(34,970)
Transfer from Stage 1 to Stage 2	(17,376)	17,376	—	—
Transfer from Stage 2 to Stage 3	—	(41,366)	41,366	—
Transfer from Stage 1 to Stage 3	(152)	—	152	—
Transfer from Stage 2 to Stage 1	7	(7)	—	—
Impact of ECL for the year	(73)	43,802	15,089	58,818
Total transfer between stages	(17,594)	19,805	56,607	58,818
Write-offs	—	—	(40,237)	(40,237)
As at December 31, 2022	40,560	8,498	55,943	105,001
Balance at January 1, 2023	40,560	8,498	55,943	105,001
New financial assets originated	30,631	—	—	30,631
Loans recovered or repaid during the year	(13,965)	(2,092)	(16,929)	(32,986)
Transfer from Stage 1 to Stage 2	(4,068)	4,068	–	–
Transfer from Stage 2 to Stage 3	–	(22,553)	22,553	–
Transfer from Stage 1 to Stage 3	(4,273)	–	4,273	–
Transfer from Stage 2 to Stage 1	340	(340)	–	–
Impact of ECL for the period	2,888	17,019	4,910	24,817
Total transfer between stages	(5,113)	(1,806)	31,736	24,817
Write-offs	–	–	(19,347)	(19,347)
As at May 31, 2023	52,113	4,600	51,403	108,116

(vii) Sensitivity analysis

The ECL is sensitive to the inputs used in ECL model adopted by the Group, macroeconomic variables in the forward-look information incorporated, economic scenario weighting and other factors considered. Changes in these inputs, assumptions and judgments impact the assessment of significant increase in credit risk and the measurement of ECL at the end of the Track Record Period.

The following table summarized the impact on ECL on loan receivables at the end of each reporting period by varying individual inputs and forward-look information to the ECL model:

Changes in inputs or forward-looking information	Impact on ECL of loan receivables			
	As at December 31,			As at May 31,
	2020	2021	2022	2023
– Assuming a further 10% weighting added to the probability of the optimistic scenario and a corresponding 10% reduction from the base scenario	Decrease by HK$2,527,000	Decrease by HK$1,818,000	Decrease by HK$1,383,000	Decrease by HK$1,810,000
– Assuming a further 10% weighting added to the probability of the pessimistic scenario and a corresponding 10% reduction from the base scenario	Increase by HK$4,102,000	Increase by HK$2,493,000	Increase by HK$1,726,948	Increase by HK$2,512,000
– Assuming GDP increase/decrease by 0.5%	Increase by HK$712,000 or decrease by HK$703,000	Increase by HK$397,000 or decrease by HK$394,000	Increase by HK$15,000 or decrease by HK$54,000	Increase by HK$5,000 or decrease by HK$4,000

(viii) Write-off policy

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Group's recovery method is through collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

The Group may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the years ended December 31, 2020, 2021, 2022 and the five months ended May 31, 2022 and 2023 were HK$51,298,000, HK$50,969,000, HK$40,237,000, HK$17,353,000 and HK$19,347,000 respectively. The Group continues to seek recovering the amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

Customers of the Group are individual borrowers. During the years ended December 31, 2020, 2021, 2022 and the five months ended May 31, 2022 and 2023, the Group has no significant concentrations of credit risk as there were no customer individually contributed 10% or more to the Group's interest income. As at December 31, 2020, 2021, 2022 and May 31, 2023, no customer individually contributed 10% or more to the Group's outstanding loan receivable balances.

Other financial assets

While cash and cash equivalents, deposits and other receivables, amount due from a director, amounts due from fellow subsidiaries and amounts due from other related parties are also subject to impairment assessment required by HKFRS 9, the Group makes periodic assessments on their recoverability based on historical settlement records and past experience, and considered the relevant expected credit losses are immaterial.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facility. Cash flow forecasting is performed by management. The Group monitors its rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal financial position ratio targets and, if applicable legal requirements.

As at December 31, 2020, 2021, 2022 and May 31, 2023, the Group has undrawn banking facilities of approximately HK$16,000,000, HK$31,000,000, HK$40,000,000 and HK$70,000,000 respectively. All the undrawn borrowing facilities expire within one year and are subject to annual review by banks.

The Group's primary cash requirements, apart from granting loans to customers, are for payment of bank borrowings and for operating expenses.

The table below analyses the Group's financial assets and financial liabilities, including lease liabilities, by categorizing into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. Specifically, certain bank borrowings contain a repayment on demand clause which can be exercised at the bank's sole discretion to pay, that is if the lender were to exercise their unconditional right to call the loans with immediate effect. The amounts disclosed in the table are the contractual undiscounted cash flows and the earliest date the Group can be required to pay. Balances within twelve months approximate their carrying amounts as impact from discounting is not significant.

	Within 1 year or on demand	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
			HK$'000		
At December 31, 2020					
Cash and cash equivalents *(Note 16)*	29,186	—	—	—	29,186
Amounts due from fellow subsidiaries *(Note 26)*	213,435	—	—	—	213,435
Amounts due from other related parties *(Note 26)*	338	—	—	—	338
Amount due from a director *(Note 26)*	177	100	400	175	852
Loan receivables	726,805	378,386	555,387	232,658	1,893,236
Deposits and other receivables *(Note 15)*	2,389	—	—	—	2,389
Total financial assets	972,330	378,486	555,787	232,833	2,139,436
Accruals and other payables *(Note 21)*	(1,703)	—	—	—	(1,703)
Amount due to the immediate holding company *(Note 26)*	(250,759)	—	—	—	(250,759)
Amounts due to fellow subsidiaries *(Note 26)*	(37,177)	—	—	—	(37,177)
Amounts due to other related parties *(Note 26)*	(35,657)	—	—	—	(35,657)
Bank borrowings *(Note 22)*	(328,799)	(449)	—	—	(329,248)
Lease liabilities *(Note 23)*	(3,357)	(808)	(486)	—	(4,651)
Total financial liabilities	(657,452)	(1,257)	(486)	—	(659,195)
At December 31, 2021					
Cash and cash equivalents *(Note 16)*	28,945	—	—	—	28,945
Amounts due from fellow subsidiaries *(Note 26)*	374,649	—	—	—	374,649
Amounts due from other related parties *(Note 26)*	272	—	—	—	272
Amount due from a director *(Note 26)*	100	100	400	75	675
Loan receivables	486,259	285,996	430,222	191,518	1,393,995
Deposits and other receivables *(Note 15)*	4,522	—	—	—	4,522
Total financial assets	894,747	286,096	430,622	191,593	1,803,058
Accruals and other payables *(Note 21)*	(1,615)	—	—	—	(1,615)
Amount due to the ultimate holding company *(Note 26)*	(30)	—	—	—	(30)
Amount due to the immediate holding company *(Note 26)*	(262,948)	—	—	—	(262,948)
Amounts due to fellow subsidiaries *(Note 26)*	(9,631)	—	—	—	(9,631)
Amounts due to other related parties *(Note 26)*	(33,292)	—	—	—	(33,292)
Bank borrowings *(Note 22)*	(317,061)	(11,042)	—	—	(328,103)
Lease liabilities *(Note 23)*	(8,233)	(8,335)	(4,768)	—	(21,336)
Total financial liabilities	(632,810)	(19,377)	(4,768)	—	(656,955)

	Within 1 year or on demand	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
			HK$'000		
At December 31, 2022					
Cash and cash equivalents *(Note 16)*	24,131	—	—	—	24,131
Amounts due from fellow subsidiaries *(Note 26)*	90,224	—	—	—	90,224
Amounts due from other related parties *(Note 26)*	638	—	—	—	638
Amount due from a director *(Note 26)*	100	100	375	—	575
Loan receivables	550,352	289,646	436,509	207,075	1,483,582
Deposits and other receivables *(Note 15)*	6,475	—	—	—	6,475
Total financial assets	671,920	289,746	436,884	207,075	1,605,625
Accruals and other payables *(Note 21)*	(5,473)	—	—	—	(5,473)
Amount due to the ultimate holding company *(Note 26)*	(84)	—	—	—	(84)
Amount due to the immediate holding company *(Note 26)*	(10,500)	—	—	—	(10,500)
Amounts due to other related parties *(Note 26)*	(28,486)	—	—	—	(28,486)
Bank borrowings *(Note 22)*	(298,287)	(4,808)	—	—	(303,095)
Lease liabilities *(Note 23)*	(12,451)	(6,193)	(1,170)	—	(19,814)
Total financial liabilities	(355,281)	(11,001)	(1,170)	—	(367,452)
At May 31, 2023					
Cash and cash equivalents *(Note 16)*	34,456	—	—	—	34,456
Amounts due from fellow subsidiaries *(Note 26)*	1,710	—	—	—	1,710
Amounts due from other related parties *(Note 26)*	950	—	—	—	950
Loan receivables	560,566	298,155	456,177	201,060	1,515,958
Deposits and other receivables *(Note 15)*	4,481	—	—	—	4,481
Total financial assets	602,163	298,155	456,177	201,060	1,557,555
Accruals and other payables *(Note 21)*	(4,829)	—	—	—	(4,829)
Amount due to the ultimate holding company *(Note 26)*	(97)	—	—	—	(97)
Amount due to the immediate holding company *(Note 26)*	(10,500)	—	—	—	(10,500)
Amount due to fellow subsidiaries *(Note 26)*	(68,514)	—	—	—	(68,514)
Amounts due to other related parties *(Note 26)*	(26,452)	—	—	—	(26,452)
Bank borrowings *(Note 22)*	(262,770)	(2,622)	—	—	(265,392)
Lease liabilities *(Note 23)*	(9,746)	(5,991)	(481)	—	(16,218)
Total financial liabilities	(382,908)	(8,613)	(481)	—	(392,002)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to the shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to member, return capital to member, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (comprising borrowings, amount due to the ultimate holding company, amount due to the immediate holding company, amounts due to fellow subsidiaries, amounts due to other related parties and lease liabilities in the consolidated statements of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statements of financial position.

The Group's strategy remains unchanged and the gearing ratio and net cash position of the Group as at December 31, 2020, 2021, 2022 and May 31, 2023 are as follows:

	As at December 31,			As at May 31
	2020	2021	2022	2023
		HK$'000		
Bank borrowings *(Note 22)*	329,248	328,103	303,095	265,392
Amount due to the ultimate holding company *(Note 26)*	—	30	84	97
Amount due to the immediate holding company *(Note 26)*	250,759	262,948	10,500	10,500
Amounts due to fellow subsidiaries *(Note 26)*	37,177	9,631	—	68,514
Amounts due to other related parties *(Note 26)*	35,657	33,292	28,486	26,452
Accruals and other payables *(Note 21)*	1,722	1,774	5,481	7,862
Lease liabilities *(Note 23)*	4,463	20,620	19,122	14,064
Less: Cash and cash equivalents *(Note 16)*	(29,186)	(28,945)	(24,131)	(34,456)
Net debt	629,840	627,453	342,637	358,425
Total equity	593,392	652,674	720,539	643,414
Gearing ratio	106.1%	96.1%	47.6%	55.7%

3.3 Fair value estimation

The fair values of financial assets and liabilities carried at amortized cost approximate their carrying amounts due to their short-term maturities, and the impact of discounting is not significant.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Impairment of loan receivables

The Group assesses expected credit losses on loan receivables based on assumptions about risk of default based on PD, LGD and EAD discussed in Note 3.1 (b). Management judgement will be involved in making assumptions and selecting the inputs to its ECL calculation, based on the Group's past history, present market conditions as well as forward looking information at the end of each reporting period. Details of the estimation techniques, key assumptions and inputs used are disclosed in Note 3.1 (b).

5 SEGMENT INFORMATION AND REVENUE, OTHER INCOME AND LOSSES, NET

(a) Segment information

The CODM has been identified as the chief executive officer and executive directors of the Company who review the Group's internal reporting in order to assess performance and allocate resources. Provision of unsecured loans in Hong Kong is the only segment in internal reporting to the chief executive officer and executive directors for the years ended December 31, 2020, 2021, 2022 and the five months ended May 31, 2022 and 2023. As the Group has only one operating segment that qualifies as reporting segment under HKFRS 8 and the information that is regularly reviewed by the CODM for the purposes of allocating resources and assessing performance of the operating segment is the consolidated financial statements of the Group, no separate segmental analysis is presented. The CODM assesses the performance based on a measure of profit for the reporting period, and considers all business is included in a single operating segment.

Revenue represents interest income earned and derived from different loan products and are summarised as follows:

	Year ended December 31,			Five months ended May 31,	
	2020	2021	2022	2022	2023
			HK$'000		
				(Unaudited)	
Interest income derived from:					
— Unsecured property owner loans	186,549	169,626	146,788	62,540	69,601
— Unsecured personal loans	106,386	87,074	74,624	32,026	29,988
— SME loans	10,511	12,897	12,068	4,695	5,083
— Secured subordinated mortgage loans	810	506	464	219	—
	304,256	270,103	233,944	99,480	104,672

The Group conducts the Unsecured Property Owner Loan Business and the Unsecured Personal Loan Business in Hong Kong and the interest income is generated from loans to external customers in Hong Kong.

No customer individually contributed 10% or more to the Group's interest income during the years ended December 31, 2020, 2021, 2022 and the five months ended May 31, 2022 and 2023.

(b) Other income and (losses)/gains, net

	Year ended December 31,			Five months ended May 31,	
	2020	2021	2022	2022	2023
			HK$'000		
				(Unaudited)	
Other income					
Government grant *(Note)*	4,520	—	1,767	304	—
Rental income from fellow subsidiaries *(Note 26(b))*	1,075	3,880	8,287	3,465	176
Rental income from a related party *(Note 26(b))*	51	52	30	22	952
Others	20	4	10	1	15
	5,666	3,936	10,094	3,792	1,143
Other (losses)/gains, net					
(Provision for)/reversal of impairment of repossessed assets *(Note 18)*	(241)	181	27	107	33
Loss on disposal of property, plant and equipment *(Note 25(a))*	(16)	(24)	(219)	(8)	—
Gain on termination of lease *(Note 25(a))*	—	—	18	—	660
	(257)	157	(174)	99	693

Note: Government grant represents the subsidies received from the Employment Support Scheme launched by the government of the Hong Kong Special Administrative Region.

6 EXPENSES BY NATURE

	Year ended December 31,			Five months ended May 31,	
	2020	**2021**	**2022**	**2022**	**2023**
			HK$'000		
				(Unaudited)	
Employee benefit expenses					
— Salaries and bonus	49,969	55,375	43,303	19,499	14,942
— Pension and retirement benefits	1,303	1,160	1,123	489	460
— Other staff benefits and welfare	1,707	1,702	3,143	1,071	915
Advertising and marketing expenses	20,840	19,173	18,847	3,646	6,085
Depreciation of right-of-use assets *(Note 23(b))*	4,320	8,301	12,315	4,925	3,222
Depreciation of property, plant and equipment *(Note 12)*	2,581	2,606	2,309	978	655
Office expenses	2,732	2,304	1,882	797	1,248
IT services fee	1,549	1,559	780	650	—
Expenses related to short-term lease *(Note 23(b))*	5,303	4,263	2,921	1,144	2,088
Subscription fee	1,091	1,115	1,069	426	534
Collection fee	1,523	738	989	672	22
Search fee and valuation	1,025	922	1,092	381	450
[**REDACTED**]	—	—	[**REDACTED**]	—	[**REDACTED**]
Legal and professional fees	474	582	1,112	880	443
Auditor's remuneration	443	174	218	112	112
Bank charges	457	488	417	170	194
Donations	—	150	420	40	—
Repair and maintenance	889	953	799	328	455
Motor vehicle expenses	254	302	237	76	251
Recruitment and training expenses	153	486	162	1	—
Utility expenses	76	163	322	100	144
Building management fee	86	499	953	433	271
Stamp duties	147	1	8	2	1,593
Others	667	487	773	224	372
	97,589	103,503	100,509	37,044	45,618
Represented by:					
Selling expenses	39,868	35,140	34,375	9,484	12,159
General and administrative expenses	57,721	68,363	66,134	27,560	33,459
	97,589	103,503	100,509	37,044	45,618

7 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622) AND COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G)

(a) Directors' emoluments

The remuneration of the chief executive and the directors for the years ended December 31, 2020, 2021, 2022 and the five months ended May 31, 2022 and 2023 are as follows:

	Fees	Salaries	Discretionary bonuses	Allowances and benefit in kind	Employer's contribution to pension scheme	Total
				HK$'000		
Year ended December 31, 2020						
Mr. Lee Kun Tai, Steven *(Note i)*	—	6,000	—	—	18	6,018
Ms. Wong Cheuk Sze *(Note ii)*	—	900	150	1	18	1,069
Mr. Lee Sheung Shing *(Note iii)*	—	—	—	—	—	—
Ms. Lee Pik Tsong *(Note iii)*	—	780	—	1,560	—	2,340
Ms. Chan Wing Sze *(Note iii)*	—	5,040	2,770	—	18	7,828
Ms. Kan Pui Yan *(Note iii)*	—	2,160	450	1	18	2,629
	—	14,880	3,370	1,562	72	19,884
Year ended December 31, 2021						
Mr. Lee Kun Tai, Steven *(Note i)*	—	6,000	—	—	18	6,018
Ms. Wong Cheuk Sze *(Note ii)*	—	927	304	1	18	1,250
Mr. Lee Sheung Shing *(Note iii)*	—	—	—	—	—	—
Ms. Lee Pik Tsong *(Note iii)*	—	2,040	—	1,560	—	3,600
Ms. Chan Wing Sze *(Note iii)*	—	5,292	4,093	—	18	9,403
Ms. Kan Pui Yan *(Note iii)*	—	2,126	1,206	—	18	3,350
	—	16,385	5,603	1,561	72	23,621

The remuneration of the chief executive and the directors for the years ended December 31, 2020, 2021 and 2022 and the five months ended May 31, 2022 and 2023 are as follows:

	Fees	Salaries	Discretionary bonuses	Allowances and benefit in kind	Employer's contribution to pension scheme	Total
			HK$'000			
Year ended December 31, 2022						
Mr. Lee Kun Tai, Steven *(Note i)*	—	6,000	—	—	18	6,018
Ms. Wong Cheuk Sze *(Note ii)*	—	955	120	10	18	1,103
Mr. Lee Sheung Shing *(Note iii)*	—	—	—	—	—	—
Ms. Lee Pik Tsong *(Note iii)*	—	1,700	—	1,300	—	3,000
Ms. Chan Wing Sze *(Note iii)*	—	3,180	—	3	10	3,193
Ms. Kan Pui Yan *(Note iii)*	—	1,363	—	10	10	1,383
	—	13,198	120	1,323	56	14,697

	Fees	Salaries	Discretionary bonuses	Allowances and benefit in kind	Employer's contribution to pension scheme	Total
			HK$'000			
Five months ended May 31, 2022 (Unaudited)						
Mr. Lee Kun Tai, Steven *(Note i)*	—	2,500	—	—	8	2,508
Ms. Wong Cheuk Sze *(Note ii)*	—	398	6	3	8	415
Mr. Lee Sheung Shing *(Note iii)*	—	—	—	—	—	—
Ms. Lee Pik Tsong *(Note iii)*	—	850	—	650	—	1,500
Ms. Chan Wing Sze *(Note iii)*	—	2,271	—	3	8	2,282
Ms. Kan Pui Yan *(Note iii)*	—	973	—	3	8	984
	—	6,992	6	659	32	7,689

	Fees	Salaries	Discretionary bonuses	Allowances and benefit in kind	Employer's contribution to pension scheme	Total
			HK$'000			
Five months ended May 31, 2023						
Mr. Lee Kun Tai, Steven *(Note i)*	—	2,500	—	—	8	2,508
Ms. Wong Cheuk Sze *(Note ii)*	—	405	8	1	8	422
Mr. Lee Sheung Shing *(Note iii)*	—	—	—	—	—	—
Ms. Lee Pik Tsong *(Note iii)*	—	—	—	—	—	—
Ms. Chan Wing Sze *(Note iii)*	—	—	—	—	—	—
Ms. Kan Pui Yan *(Note iii)*	—	—	—	—	—	—
	—	2,905	8	1	16	2,930

The remuneration shown above represents remuneration received by the chief executive and the directors in their capacity as employee to the subsidiaries of the Company and no directors waived any emolument during the years ended December 31, 2020, 2021, 2022 and the five months ended May 31, 2022 and 2023.

Notes:

(i) Appointed as executive director since October 25, 2022.

(ii) Appointed as executive director since March 20, 2023.

(iii) Appointed as non-executive director since March 20, 2023.

[Prof. Hung Wai Man, Mr. Mak Wing Sum, Alvin and Mr. Leung Ka Cheung were appointed as independent non-executive director since [●] (effective from the [**REDACTED**]).]

(b) Directors' retirement benefits and termination benefits

None of our directors received any retirement benefits nor termination benefits during the years ended December 31, 2020, 2021, 2022 and the five months ended May 31, 2022 and 2023.

(c) Consideration provided to third parties for making available directors services

During the years ended December 31, 2020, 2021, 2022 and the five months ended May 31, 2022 and 2023, the Group did not pay consideration to any third parties for making available directors' services.

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

Save as disclosed in Note 26, there is no loans, quasi-loans and other dealing arrangements in favour of directors, or controlled bodies corporate by and connected entities with such directors during the years ended December 31, 2020, 2021, 2022 and the five months ended May 31, 2022 and 2023.

(e) Directors' material interests in transactions, arrangements or contracts

Name of parties	Nature	Year ended December 31, 2020	Year ended December 31, 2021	Year ended December 31, 2022	Five months ended May 31, 2022	Five months ended May 31, 2023	Name of directors having interest therein
				HK$'000			
					(Unaudited)		
Moneysq Limited	Rental income	51	52	30	22	—	Lee Sheung Shing, Lee Pik Tsong and Lee Kun Tai, Steven
	Rental expense	—	—	—	—	(1,398)	Lee Sheung Shing, Lee Pik Tsong and Lee Kun Tai, Steven
Smartme Corporation Limited	Rental income	—	—	—	—	952	Lee Sheung Shing, Lee Pik Tsong and Lee Kun Tai, Steven
Konew Capital International Limited	Rental income	896	3,708	8,094	3,393	102	Lee Sheung Shing, Lee Pik Tsong and Lee Kun Tai, Steven
Honip Credit Limited	Rental income	179	172	100	72	—	Lee Sheung Shing, Lee Pik Tsong and Lee Kun Tai, Steven
Maxcolm Finance Limited	Rental income	—	—	93	—	74	Lee Sheung Shing, Lee Pik Tsong and Lee Kun Tai, Steven
Fold Time Industries Limited	Rental expense	(2,033)	(1,686)	(1,426)	(703)	—	Lee Sheung Shing, Lee Pik Tsong and Lee Kun Tai, Steven
Hong Yip Success Limited	Rental expense	(906)	(660)	(495)	(275)	—	Lee Sheung Shing, Lee Pik Tsong and Lee Kun Tai, Steven
Hong Yip Money Flow Limited	Rental expense	(739)	(647)	(440)	(275)	—	Lee Sheung Shing, Lee Pik Tsong and Lee Kun Tai, Steven
Konew Credit Corporation Limited	Rental expense	(2,141)	(972)	—	—	—	Lee Sheung Shing, Lee Pik Tsong and Lee Kun Tai, Steven
	Interest expense	(7,094)	—	—	—	—	Lee Sheung Shing, Lee Pik Tsong and Lee Kun Tai, Steven
	IT services fee	(1,549)	(1,559)	(780)	(650)	—	Lee Sheung Shing, Lee Pik Tsong and Lee Kun Tai, Steven
Konew Fintech Corporation Limited	Interest expense	(7,172)	(14,475)	(73)	(73)	—	Lee Sheung Shing, Lee Pik Tsong and Lee Kun Tai, Steven
Hong Yip Business Limited	Rental expense	(377)	—	—	—	—	Lee Sheung Shing, Lee Pik Tsong and Lee Kun Tai, Steven
Hong Yip Well Being Limited	Rental expense	(608)	(726)	(733)	(303)	(264)	Lee Sheung Shing, Lee Pik Tsong and Lee Kun Tai, Steven

8 FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the years ended December 31, 2020, 2021, 2022 and the five months ended May 31, 2022 and 2023 include four, four, five, four and two directors, respectively. Details of the emoluments of the remaining highest paid non-director individual during the years ended December 31, 2020, 2021, 2022 and the five months ended May 31, 2022 and 2023 are set out as below:

	Year ended December 31,			Five months ended May 31,	
	2020	**2021**	**2022**	**2022**	**2023**
			HK$'000		
				(Unaudited)	
Salaries, wages, and bonuses	1,087	1,565	—	430	1,528
Pension costs- defined contribution plans	18	18	—	8	27
	1,105	1,583	—	438	1,555

The emoluments of the highest paid individual fell within the following bands:

	Year ended December 31,			Five months ended May 31,	
	2020	**2021**	**2022**	**2022**	**2023**
				(Unaudited)	
Emolument bands					
HK$0 to HK$500,000	—	—	—	1	2
HK$500,001 to HK$1,000,000	—	—	—	—	1
HK$1,000,001 to HK$1,500,000	1	—	—	—	—
HK$1,500,001 to HK$2,000,000	—	1	—	—	—
	1	1	—	1	3

9 INTEREST EXPENSES AND OTHER FINANCE COST

	Year ended December 31,			Five months ended May 31,	
	2020	2021	2022	2022	2023
			HK$'000		
				(Unaudited)	
Interest expenses					
Interest expenses on bank borrowings	19,132	18,459	19,638	8,299	8,739
Interest expenses on bank overdraft	2	1	1	—	1
Banking facilities handling fees	955	955	1,027	—	3
Interest expenses to the immediate holding company *(Note 26(b))*	7,172	14,475	73	73	—
Interest expenses to a fellow subsidiary *(Note 26(b))*	7,094	—	—	—	—
Interest expenses to a related party *(Note 26(b))*	2,237	2,087	2,224	900	919
	36,592	35,977	22,963	9,272	9,662
Other finance cost					
Interest expenses on lease liabilities *(Note 23(b))*	237	492	803	306	197

10 INCOME TAX EXPENSE

During the years ended December 31, 2020, 2021, 2022 and the five months ended May 31, 2022 and 2023, Hong Kong profits tax has been provided at the rate of 16.5% in the Track Record Period on the estimated assessable profits:

	Year ended December 31,			Five months ended May 31,	
	2020	2021	2022	2022	2023
			HK$'000		
				(Unaudited)	
Current income tax					
— Hong Kong profits tax	20,081	14,354	14,618	6,588	7,382
— Over provision in prior years	(2,193)	(16)	(129)	–	–
Deferred income tax *(Note 17)*	(3,391)	884	(437)	(32)	(484)
	14,497	15,222	14,052	6,556	6,898

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise are summarised as follows:

	Year ended December 31,			Five months ended May 31,	
	2020	2021	2022	2022	2023
			HK$'000		
				(Unaudited)	
Profit before income tax	105,529	92,304	81,917	39,020	29,773
Tax calculated at domestic tax rates of 16.5%	17,412	15,230	13,516	6,438	4,913
Over provision in prior years	(2,193)	(16)	(129)	–	–
Income not subject to tax	(746)	—	(292)	(50)	(109)
Expenses not deductible for tax purposes	24	8	957	168	2,094
	14,497	15,222	14,052	6,556	6,898

11 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the years ended December 31, 2020, 2021, 2022 and the five months ended May 31, 2022 and 2023.

In determining the weighted average number of shares in issue during the years ended December 31, 2020, 2021, 2022 and the five months ended May 31, 2022 and 2023, 10,000 shares were deemed to have been in issued on January 1, 2020 as if the Company has been incorporated by then.

	Year ended December 31,			Five months ended May 31,	
	2020	2021	2022	2022	2023
				(Unaudited)	
Profit attributable to equity holders of the Company *(HK$'000)*	91,032	77,082	67,865	32,464	22,875
Weighted average number of shares in issue	10,000	10,000	10,000	10,000	10,000
Basic earnings per share *(Note)*	9.1	7.7	6.8	3.2	2.3

Diluted earnings per share for the years ended December 31, 2020, 2021, 2022 and the five months ended May 31, 2022 and 2023 were the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the years/periods.

Note:

The earnings per share presented above has not been taken into account of the proposed [**REDACTED**] whereby the ordinary shares in issue will increase from [●] shares to [●] shares. The proposed [**REDACTED**] has not become effective as at the date of this report.

12 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Equipment	Furniture and fixtures	Motor vehicles	Total
			HK$'000		
At January 1, 2020					
Cost	6,198	8,770	111	3,375	18,454
Accumulated depreciation	(3,729)	(4,200)	(97)	(3,375)	(11,401)
Net book amount	2,469	4,570	14	—	7,053
Year ended December 31, 2020					
Opening net book amount	2,469	4,570	14	—	7,053
Additions	668	1,189	—	—	1,857
Depreciation *(Note 6)*	(966)	(1,609)	(6)	—	(2,581)
Disposal *(Note 5(b))*	—	(16)	—	—	(16)
Closing net book amount	2,171	4,134	8	—	6,313
At December 31, 2020					
Cost	6,570	9,505	90	3,375	19,540
Accumulated depreciation	(4,399)	(5,371)	(82)	(3,375)	(13,227)
Net book amount	2,171	4,134	8	—	6,313
At January 1, 2021					
Cost	6,570	9,505	90	3,375	19,540
Accumulated depreciation	(4,399)	(5,371)	(82)	(3,375)	(13,227)
Net book amount	2,171	4,134	8	—	6,313
Year ended December 31, 2021					
Opening net book amount	2,171	4,134	8	—	6,313
Additions	547	452	—	—	999
Depreciation *(Note 6)*	(998)	(1,602)	(6)	—	(2,606)
Disposal *(Note 5(b))*	—	(24)	—	—	(24)
Closing net book amount	1,720	2,960	2	—	4,682
At December 31, 2021					
Cost	6,639	9,173	76	3,375	19,263
Accumulated depreciation	(4,919)	(6,213)	(74)	(3,375)	(14,581)
Net book amount	1,720	2,960	2	—	4,682
At January 1, 2022					
Cost	6,639	9,173	76	3,375	19,263
Accumulated depreciation	(4,919)	(6,213)	(74)	(3,375)	(14,581)
Net book amount	1,720	2,960	2	—	4,682
Year ended December 31, 2022					
Opening net book amount	1,720	2,960	2	—	4,682
Additions	64	1,415	—	—	1,479
Depreciation *(Note 6)*	(760)	(1,547)	(2)	—	(2,309)
Disposal *(Note 5(b))*	(211)	(104)	—	—	(315)
Closing net book amount	813	2,724	—	—	3,537
At December 31, 2022					
Cost	4,630	9,582	68	3,375	17,655
Accumulated depreciation	(3,817)	(6,858)	(68)	(3,375)	(14,118)
Net book amount	813	2,724	—	—	3,537
At January 1, 2023					
Cost	4,630	9,582	68	3,375	17,655
Accumulated depreciation	(3,817)	(6,858)	(68)	(3,375)	(14,118)
Net book amount	813	2,724	—	—	3,537
Five months ended May 31, 2023					
Opening net book amount	813	2,724	—	—	3,537
Additions	655	457	—	—	1,112
Depreciation *(Note 6)*	(172)	(483)	—	—	(655)
Disposal *(Note 5(b))*	(360)	—	—	—	(360)
Closing net book amount	936	2,698	—	—	3,634
At May 31, 2023					
Cost	4,918	9,697	68	3,375	18,058
Accumulated depreciation	(3,982)	(6,999)	(68)	(3,375)	(14,424)
Net book amount	936	2,698	—	—	3,634

13 FINANCIAL INSTRUMENTS BY CATEGORY

	As at December 31,			As at May 31,
	2020	**2021**	**2022**	**2023**
	HK$'000			
Financial assets at amortized cost				
Cash and cash equivalents *(Note 16)*	29,186	28,945	24,131	34,456
Amounts due from fellow subsidiaries *(Note 26)*	213,435	374,649	90,224	1,710
Amounts due from other related parties *(Note 26)*	338	272	638	950
Amount due from a director *(Note 26)*	852	675	575	—
Loan receivables *(Note 14)*	985,967	844,460	913,815	948,159
Deposits and other receivables *(Note 15)*	2,389	4,522	6,475	4,481
	1,232,167	1,253,523	1,035,858	989,756
Financial liabilities at amortized cost				
Amount due to the ultimate holding company *(Note 26)*	—	30	84	97
Amount due to the immediate holding company *(Note 26)*	250,759	262,948	10,500	10,500
Amounts due to fellow subsidiaries *(Note 26)*	37,177	9,631	—	68,514
Amounts due to other related parties *(Note 26)*	35,657	33,292	28,486	26,452
Accruals and other payables *(Note 21)*	1,703	1,615	4,678	4,034
Bank borrowings *(Note 22)*	329,248	328,103	303,095	265,392
Lease liabilities *(Note 23)*	4,463	20,620	19,122	14,064
	659,007	656,239	365,965	389,053

14 LOAN RECEIVABLES

	As at December 31,			As at May 31,
	2020	**2021**	**2022**	**2023**
	HK$'000			
Loan receivables				
— Unsecured property owner loans	713,357	634,918	729,960	737,824
— Unsecured personal loans	320,155	259,680	234,553	261,491
— SME loans	58,668	49,592	54,303	56,960
— Secured subordinated mortgage loans	2,395	1,936	—	—
	1,094,575	946,126	1,018,816	1,056,275
Less: Provision for impairment	(108,608)	(101,666)	(105,001)	(108,116)
	985,967	844,460	913,815	948,159
Expected loss rates	9.9%	10.8%	10.3%	10.2%

As at December 31, 2020 and 2021, except for loan receivables of HK$2,395,000 and HK$1,936,000 respectively that are secured by collaterals provided by customers, interest-bearing and are repayable with fixed terms agreed with the customers, loan receivables are unsecured, interest-bearing and are repayable with fixed terms agreed with customers. The maximum exposure to credit risk at the end of the year is the carrying value of the loan receivables mentioned above.

Expected credit losses, net of HK$69,718,000, HK$41,920,000, HK$37,672,000, HK$17,729,000 and HK$21,258,000 were recognized in the consolidated statements of comprehensive income during the years ended December 31, 2020, 2021, 2022 and the five months ended May 31, 2022 and 2023 respectively.

For loans that are not credit-impaired without significant increase in credit risk since initial recognition "Stage 1", ECL is measured at an amount equal to the portion of lifetime ECL that result from default events possible within the next 12 months. If a significant increase in credit risk since initial recognition is identified ("**Stage 2**") but not yet deemed to be credit impaired, ECL is measured based on lifetime ECL.

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

	As at December 31,			As at May 31,
	2020	2021	2022	2023
		HK$'000		
Unsecured property owner loans				
Not overdue	468,424	375,422	348,899	367,703
1-30 days past due	56,458	56,140	79,065	61,201
31-60 days past due	14,739	12,871	17,908	13,236
61-90 days past due	10,287	7,978	9,815	6,939
Over 90 days past due	163,449	182,507	274,273	288,745
	713,357	634,918	729,960	737,824
Unsecured personal loans				
Not overdue	250,000	212,827	182,186	206,146
1-30 days past due	18,815	15,070	10,878	13,744
31-60 days past due	7,901	2,054	2,649	3,177
61-90 days past due	2,636	1,575	5,330	1,407
Over 90 days past due	40,803	28,154	33,510	37,017
	320,155	259,680	234,553	261,491
SME loans				
Not overdue	52,808	36,469	38,519	43,628
1-30 days past due	4,322	4,425	5,681	7,098
31-60 days past due	245	584	639	53
61-90 days past due	498	654	406	—
Over 90 days past due	795	7,460	9,058	6,181
	58,668	49,592	54,303	56,960

As at December 31, 2020, 2021, 2022 and May 31, 2023, provision for impairment of loan receivables amounted to HK$108,608,000, HK$101,666,000, HK$105,001,000 and HK$108,116,000 respectively.

Borrowers are required to repay the outstanding loan receivable balances by monthly installments over the term of the corresponding loan receivables.

The aging analysis of loan receivables based on instalments by due date is as follows:

	As at December 31,			As at May 31,
	2020	2021	2022	2023
	HK$'000			
Unsecured property owner loans				
Current	625,804	528,811	568,368	566,093
Overdue 1-30 days	6,471	6,099	9,091	8,191
Overdue 31-60 days	3,999	3,972	5,744	5,732
Overdue 61-90 days	3,563	3,620	5,299	5,540
Overdue over 90 days	73,520	92,416	141,458	152,268
	713,357	634,918	729,960	737,824
Unsecured personal loans				
Current	300,171	242,515	212,120	234,061
Overdue 1-30 days	3,330	2,428	3,009	6,084
Overdue 31-60 days	2,205	1,468	2,191	2,099
Overdue 61-90 days	2,022	1,295	1,963	1,893
Overdue over 90 days	12,427	11,974	15,270	17,354
	320,155	259,680	234,553	261,491
SME loans				
Current	57,912	45,461	48,675	52,774
Overdue 1-30 days	576	668	1,703	955
Overdue 31-60 days	70	547	782	443
Overdue 61-90 days	65	454	811	443
Overdue over 90 days	45	2,462	2,332	2,345
	58,668	49,592	54,303	56,960

The carrying amount of the Group's loan receivables is denominated in HK$ and approximates to its fair value. Further analyses on credit risk management of the Group's loan receivables are set out in Note 3.1(b).

15 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group				Company	
	As at December 31,			As at May 31,	As at December 31,	As at May 31,
	2020	2021	2022	2023	2022	2023
	HK$'000					
Prepayments for advertising	—	126	1,106	506	—	—
Prepaid [**REDACTED**]	—	—	3,803	5,605	3,803	5,605
Other prepayments	455	957	748	1,751	—	—
Deposits	1,651	3,861	5,938	4,252	—	—
Other receivables	738	661	537	229	—	—
	2,844	5,605	12,132	12,343	3,803	5,605

The [**REDACTED**] are incurred in connection with the [**REDACTED**] of the Company and will be deducted from equity upon [**REDACTED**] of the Company.

All deposits and other receivables are neither past due nor impaired.

The carrying amounts of the Group's prepayments, deposits and other receivables are denominated in HK$.

16 CASH AND CASH EQUIVALENTS

	As at December 31,			As at May 31,
	2020	2021	2022	2023
	HK$'000			
Cash at bank and on hand	29,186	28,945	24,131	34,456

Cash and cash equivalents are denominated in HK$.

17 DEFERRED INCOME TAX

Deferred income tax is calculated in full on temporary differences under the liability method using the tax rates enacted or substantially enacted at the end of each reporting period

	As at December 31,			As at May 31,
	2020	2021	2022	2023
	HK$'000			
Deferred income tax assets:				
— Deferred income tax assets to be recovered within 12 months	17,980	16,816	17,489	17,907
— Deferred income tax assets to be recovered after 12 months	85	202	134	135
Deferred income tax liabilities:				
— Deferred income tax liabilities to be settled within 12 months	(238)	(75)	(243)	(178)
Deferred income tax assets, net	17,827	16,943	17,380	17,864

The net movements of the Group's deferred income tax are as follows:

	HK$'000
At January 1, 2020	14,436
Credited to profit or loss *(Note 10)*	3,391
At December 31, 2020	17,827
At January 1, 2021	17,827
Charged to profit or loss *(Note 10)*	(884)
At December 31, 2021	16,943
At January 1, 2022	16,943
Credited to profit or loss *(Note 10)*	437
At December 31, 2022	17,380
At January 1, 2023	17,380
Credited to profit or loss *(Note 10)*	484
At May 31, 2023	17,864

The movements in the deferred income tax assets account are as follows:

	Lease	**Provisions**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At January 1, 2020	45	14,607	14,652
Credited to profit or loss	15	3,313	3,328
At December 31, 2020	60	17,920	17,980
At January 1, 2021	60	17,920	17,980
Credited/(charged) to profit or loss	14	(1,145)	(1,131)
At December 31, 2021	74	16,775	16,849
At January 1, 2022	74	16,775	16,849
(Charged)/credited to profit or loss	(48)	621	573
At December 31, 2022	26	17,396	17,422
At January 1, 2023	26	17,396	17,422
Credited to profit or loss	42	443	485
At May 31, 2023	68	17,839	17,907

The net movements of the Group's deferred income tax liabilities are as follows:

	Accelerated tax depreciation
	HK$'000
At January 1, 2020	216
Credited to profit or loss	(63)
At December 31, 2020	153
At January 1, 2021	153
Credited to profit or loss	(247)
At December 31, 2021	(94)
At January 1, 2022	(94)
Charged to profit or loss	136
At December 31, 2022	42
At January 1, 2023	42
Charged to profit or loss	1
At May 31, 2023	43

18 REPOSSESSED ASSETS

The Group obtained control on repossessed assets by taking possession of collaterals as security. The carrying amounts of these assets as at December 31, 2020, 2021, 2022 and May 31, 2023 are set out below:

	As at December 31,			**As at May 31,**
	2020	**2021**	**2022**	**2023**
	HK$'000			
Repossessed assets	4,547	6,809	5,951	9,566
Less: Provision for impairment of repossessed assets	(364)	(183)	(156)	(123)
Repossessed assets, net	4,183	6,626	5,795	9,443

The estimated market value of the repossessed assets held by the Group as at December 31, 2020, 2021, 2022 and May 31, 2023 were approximately HK$12,150,000, HK$17,023,000, HK$9,991,000 and HK$20,309,000 respectively. They represent properties in respect of which the Group has acquired access or control (e.g. through court proceedings or voluntary actions by the properties concerned) for release in full or in part of the obligations of borrowers.

Movements of the Group's provision for impairment of repossessed assets are as follows:

	As at December 31,			As at May 31,
	2020	2021	2022	2023
	HK$'000			
At the beginning of the year/period	209	364	183	156
Provision for/(reversal of) impairment of repossessed assets	241	(181)	(27)	(33)
Repossessed assets written-off	(86)	—	—	—
At the end of the year/period	364	183	156	123

19 SHARE CAPITAL

The Group and the Company

	Note	Number of ordinary shares	Nominal value of ordinary share
			HK$
Authorised:			
As at October 25, 2022 (date of incorporation), December 31, 2022 and May 31, 2023 *(Note 1.2)*	*(a)*	3,900,000,000	390,000
Issued and paid:			
Issuance of ordinary shares upon incorporation, December 31, 2022 and May 31, 2023 *(Note 1.2)*	*(b)*	10,000	1

(a) The Company was incorporated on October 25, 2022 as an exempted company with limited liability under the laws of the Cayman Islands with an authorized share capital of HK$390,000 divided into 3,900,000,000 shares of a nominal value of HK$0.0001 each.

(b) On October 25, 2022, 10,000 ordinary shares were issued for approximately HK$0.0001 per share pursuant to the Group's Reorganization set out in Note 1.2.

20 RESERVES MOVEMENT OF THE COMPANY

	Contribution surplus	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*
Balance at October 25, 2022	–	–	–
Loss and total comprehensive loss for the period	–	(5,315)	(5,315)
Balance at December 31, 2022	–	(5,315)	(5,315)
Balance at January 1, 2023	–	(5,315)	(5,315)
Loss and total comprehensive loss for the period	–	(12,782)	(12,782)
Transaction with owners			
Contribution surplus *(Note)*	645,640	–	645,640
Balance at May 31, 2023	645,640	(18,097)	627,543

Note: The contribution surplus of the Company represents the excess of the aggregated net asset values of the combining subsidiaries over the consideration pursuant to the Reorganization as described in Note 1.2.

21 ACCRUALS AND OTHER PAYABLES

	As at December 31,			As at May 31,
	2020	2021	2022	2023
	HK$'000			
Accrued [**REDACTED**]	—	—	2,607	2,406
Accrued salaries and staff benefits	19	159	803	3,828
Other accruals	496	319	378	453
Provision for reinstatement cost for leases	87	690	881	844
Others	1,120	606	812	331
	1,722	1,774	5,481	7,862

The Group's accruals and other payables are denominated in HK$.

22 BANK BORROWINGS

	As at December 31,			As at May 31,
	2020	2021	2022	2023
	HK$'000			
Bank loans	329,248	328,103	303,095	265,392

For the years ended December 31, 2020, 2021, 2022 and May 31, 2023, the interest rates of the bank borrowings ranged from 3.88% to 6.25%, 3.88% to 6.25%, 3.88% to 6.25% and 4.58% to 8.76% per annum respectively. Maturity analysis of bank borrowings with a repayment on demand clause based on agreed scheduled repayments is set out in Note 3.1(c).

The amounts based on the scheduled repayment dates set out in the loan agreements and the maturities of the Group's total borrowings at the respective dates of the financial position (i.e. ignoring the effect of any repayment on demand clause) are shown below:

	As at December 31,			As at May 31,
	2020	2021	2022	2023
	HK$'000			
Amounts of borrowings that are repayable:				
— Within 1 year	328,799	317,061	298,287	262,770
— Between 1 and 2 years	449	11,042	4,808	2,622
	329,248	328,103	303,095	265,392

Bank facilities and pledge of assets

As at December 31, 2020, 2021, 2022 and May 31, 2023, the Group had aggregate banking facilities of approximately HK$345,248,000, HK$359,103,000, HK$343,095,000 and HK$335,392,000 respectively for bank overdrafts and bank loans. There were undrawn facilities of approximately HK$16,000,000, HK$31,000,000, HK$40,000,000 and HK$70,000,000 as at December 31, 2020, 2021, 2022 and May 31, 2023 respectively.

The bank loans and bank overdrafts were secured by the following:

a. Unlimited joint guarantees provided by the Controlling Shareholders and certain related parties of the Group;

b. A floating charge against all assets duly executed by K Cash Express; and

c. A property held by a related party.

The Group has complied with the relevant financial covenants of its banking facilities during the years ended December 31, 2020, 2021, 2022 and the five months ended May 31, 2023.

As at December 31, 2020, 2021, 2022 and May 31, 2023, all bank borrowings are denominated in HK$ and their carrying amounts approximate their respective fair values.

[The joint guarantees provided by the Controlling Shareholders and certain related parties of the Group will be released upon [**REDACTED**] of the Company.]

23 LEASE

(a) Amounts recognized in the consolidated statements of financial position

The consolidated statements of financial position show the following amounts relating to leases:

	As at December 31,			As at May 31,
	2020	2021	2022	2023
		HK$'000		
Right-of-use assets				
Properties	3,349	19,578	18,083	14,201
Office equipment	793	588	878	798
	4,142	20,166	18,961	14,999
Lease liabilities	4,463	20,620	19,122	14,064

During the years ended December 31, 2020, 2021, 2022 and the five months ended May 31, 2023, there were additions to right-of-use assets of approximately HK$3,555,000, HK$22,445,000, HK$5,660,000 and HK$10,860,000 respectively.

The Group's lease liabilities are denominated in HK$.

(b) Amounts recognized in the consolidated statements of comprehensive income

The consolidated statements of comprehensive income show the following amounts relating to leases:

	Year ended December 31,			Five months ended May 31,	
	2020	2021	2022	2022	2023
			HK$'000		
				(Unaudited)	
Depreciation of right-of-use assets:					
Properties	4,104	8,097	12,130	4,853	3,142
Office equipment	216	204	185	72	80
	4,320	8,301	12,315	4,925	3,222
Expenses related to short-term lease (included in general and administrative expenses) *(Note 6)*	5,303	4,263	2,921	1,144	2,088
Interest expenses on lease liabilities *(Note 9)*	237	492	803	306	197

(c) Amounts recognized in the consolidated statements of cash flows

During the years ended December 31, 2020, 2021, 2022 and the five months ended May 31, 2022 and 2023, the total cash outflows for leases were analysed as below:

	Year ended December 31,			Five months ended May 31,	
	2020	2021	2022	2022	2023
			HK$'000		
				(Unaudited)	
Cash flows from operating activities					
Payments for short-term leases*	(5,303)	(4,263)	(2,921)	(1,144)	(2,088)
Cash flows from financing activities					
Payment of principal elements of lease liabilities *(Note 25(b))*	(4,270)	(8,168)	(12,447)	(4,690)	(3,675)
Payment of interest of lease liabilities *(Note 25(b))*	(237)	(492)	(803)	(306)	(197)

* Payments for short-term leases were not shown separately, but included in the line of "Profit before income tax" in respect of the net cash generated from operations which were presented in Note 25(a) using the indirect method.

(d) The Group's leasing activities and how these are accounted for

The Group leases various offices premises and equipment. Rental contracts are typically made for fixed periods of 2 to 4 years, but may have extension options as described in (e) below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

(e) Extension and termination options

Extension and termination options are included in certain leases of the Group on shop premises. These are used to maximize operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

24 DIVIDENDS

	Year ended December 31,			Five months ended May 31,	
	2020	**2021**	**2022**	**2022**	**2023**
			HK$'000		
				(Unaudited)	
Dividends	121,000	17,800	—	—	100,000

No dividend has been paid or declared by the Company since its incorporation.

Dividends during the years ended December 31, 2020, 2021, 2022 and the five months ended May 31, 2022 and 2023 represented dividends declared by the companies now comprising the Group to the owners of the companies for each of the years ended December 31, 2020, 2021, 2022 and the five months ended May 31, 2022 and 2023, after elimination of intra-group dividends. The rates for dividends and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report. The interim dividends were non-cash transactions settled through current account with related parties.

25 NOTE TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Reconciliation of profit before income tax to cash generated from operations

	Year ended December 31,			Five months ended May 31,	
	2020	2021	2022	2022	2023
			HK$'000		
				(Unaudited)	
Profit before income tax	105,529	92,304	81,917	39,020	29,773
Adjustments for:					
Depreciation of property, plant and equipment *(Note 6)*	2,581	2,606	2,309	978	655
Depreciation of right-of-use asset *(Note 6)*	4,320	8,301	12,315	4,925	3,222
Loss on disposal of property, plant and equipment *(Note 5(b))*	16	24	219	8	—
Gain on termination of lease *(Note 5(b))*	—	—	(18)	—	(660)
Interest income *(Note 5(b))*	(20)	(1)	(7)	—	(13)
Provision for/(reversal of) impairment of repossessed assets *(Note 18)*	241	(181)	(27)	(107)	(33)
Expected credit losses, net *(Note 14)*	69,718	41,920	37,672	17,729	21,258
Interest expenses	36,829	36,469	23,766	9,578	9,859
Operating cash flow before changes in working capital	219,214	181,442	158,146	72,131	64,061
Changes in working capital:					
Loan receivables	8,089	99,587	43,107	(3,445)	(55,602)
Repossessed assets	438	(2,262)	858	2,655	(3,615)
Prepayments, deposits and other receivables	(403)	(2,761)	(5,042)	(1,331)	2,856
Accrual and other payables	(27)	52	3,707	4,154	2,381
Cash generated from operations	227,311	276,058	200,776	74,164	10,081

(b) The reconciliation of net debt arising from financing activities is as follow:

	Lease liabilities	Bank borrowings	Amount due to the ultimate holding company	Amount due to the immediate holding company	Amounts due to fellow subsidiaries	Amounts due to other related parties	Total
	(Note 23)	*(Note 22)*	*(Note 26)*	*(Note 26)*	*(Note 26)*	*(Note 26)*	
				HK$'000			
As at January 1, 2020	3,351	240,564	—	—	165,481	63,778	473,174
Cash flows, net							
— Payment of principal elements of lease liabilities *(Note 23(c))*	(4,270)	—	—	—	—	—	(4,270)
— Payment of interest elements of lease liabilities *(Note 23(c))*	(237)	—	—	—	—	—	(237)
— Proceeds from bank borrowings	—	581,155	—	—	—	—	581,155
— Repayments of bank borrowings	—	(492,471)	—	—	—	—	(492,471)
— Advances from the immediate holding company	—	—	—	250,759	—	—	250,759
— Repayment to fellow subsidiaries	—	—	—	—	(146,547)	—	(146,547)
— Repayment to other related parties	—	—	—	—	—	(28,121)	(28,121)
Other non-cash movements							
— Dividends	—	—	—	—	18,243	—	18,243
— Additions of lease liabilities	5,619	—	—	—	—	—	5,619
As at December 31, 2020	4,463	329,248	—	250,759	37,177	35,657	657,304
As at January 1, 2021	4,463	329,248	—	250,759	37,177	35,657	657,304
Cash flows, net							
— Payment of principal elements of lease liabilities *(Note 23(c))*	(8,168)	—	—	—	—	—	(8,168)
— Payment of interest elements of lease liabilities *(Note 23(c))*	(492)	—	—	—	—	—	(492)
— Proceeds from bank borrowings	—	428,055	—	—	—	—	428,055
— Repayments of bank borrowings	—	(429,200)	—	—	—	—	(429,200)
— Advances from the ultimate holding company	—	—	30	—	—	—	30
— Advances from the immediate holding company	—	—	—	7,489	—	—	7,489
— Repayment to fellow subsidiaries	—	—	—	—	(40,646)	—	(40,646)
— Repayment to other related parties	—	—	—	—	—	(2,365)	(2,365)
Other non-cash movements							
— Dividends	—	—	—	4,700	13,100	—	17,800
— Additions of lease liabilities	24,817	—	—	—	—	—	24,817
As at December 31, 2021	20,620	328,103	30	262,948	9,631	33,292	654,624

	Lease liabilities	Bank borrowings	Amount due to the ultimate holding company	Amount due to the immediate holding company	Amounts due to fellow subsidiaries	Amounts due to other related parties	Total
	(Note 23)	*(Note 22)*	*(Note 26)*	*(Note 26)*	*(Note 26)*	*(Note 26)*	
				HK$'000			
As at January 1, 2022	20,620	328,103	30	262,948	9,631	33,292	654,624
Cash flows, net							
— Payment of principal elements of lease liabilities *(Note 23(c))*	(12,447)	—	—	—	—	—	(12,447)
— Payment of interest elements of lease liabilities *(Note 23(c))*	(803)	—	—	—	—	—	(803)
— Proceeds from bank borrowings	—	437,490	—	—	—	—	437,490
— Repayments of bank borrowings	—	(462,498)	—	—	—	—	(462,498)
— Advances from the ultimate holding company	—	—	54	—	—	—	54
— Repayment to the immediate holding company	—	—	—	(4,627)	—	—	(4,627)
— Repayment to fellow subsidiaries	—	—	—	—	(13,389)	—	(13,389)
— Repayment to other related parties	—	—	—	—	—	(4,806)	(4,806)
Other non-cash movements							
— Additions of lease liabilities	11,110	—	—	—	—	—	11,110
— Termination of leases	642	—	—	—	—	—	642
— Assignment of unsecured loans portfolio to the Group *(Note 25(d))*	—	—	—	—	150,134	—	150,134
— Intercompany balances novated *(Note 25(d))*	—	—	—	(247,821)	(146,376)	—	(394,197)
As at December 31, 2022	19,122	303,095	84	10,500	—	28,486	361,287
As at January 1, 2023	19,122	303,095	84	10,500	—	28,486	361,287
Cash flows, net							
— Payment of principal elements of lease liabilities *(Note 23(c))*	(3,675)	—	—	—	—	—	(3,675)
— Payment of interest elements of lease liabilities *(Note 23(c))*	(197)	—	—	—	—	—	(197)
— Proceeds from bank borrowings	—	80,000	—	—	—	—	80,000
— Repayments of bank borrowings	—	(117,703)	—	—	—	—	(117,703)
— Advances from the ultimate holding company	—	—	13	—	—	—	13
— Advances from fellow subsidiaries	—	—	—	—	63,147	—	63,147
— Repayment to other related parties	—	—	—	—	—	(2,034)	(2,034)
Other non-cash movements							
— Additions of lease liabilities	10,860	—	—	—	—	—	10,860
— Termination of leases	(12,046)	—	—	—	—	—	(12,046)
— Intercompany balances novated *(Note 25 (d))*	—	—	—	—	5,367	—	5,367
As at May 31, 2023	14,064	265,392	97	10,500	68,514	26,452	385,019

(c) Proceeds from disposal of property, plant and equipment comprise:

	Year ended December 31,			Five months ended May 31,	
	2020	2021	2022	2022	2023
			HK$'000	(Unaudited)	
Net book amount *(Note 12)*	16	24	315	8	360
Loss on disposal of property, plant and equipment *(Note 5(b))*	(16)	(24)	(219)	(8)	—
Proceeds from disposal of property, plant and equipment	—	—	96	—	360

(d) Significant non-cash transaction

During the year ended December 31, 2022, Maxcolm Finance Limited and Konew Capital International Limited transferred its unsecured loan portfolios, totaling HK$150,134,000, to the Group. Such transfers were settled through current accounts with Maxcolm Finance Limited and Konew Capital International Limited.

During the year ended December 31, 2022, amount due to the immediate holding company of HK$247,821,000 and amounts due to fellow subsidiaries of HK$146,376,000 was novated and set off against amounts due from fellow subsidiaries of HK$394,197,000.

During the five months ended May 31, 2023, amount due from a director of HK$558,000 was novated and set off against amount due from fellow subsidiaries.

During the five months ended May 31, 2023, amount due to a fellow subsidiary of HK$5,367,000 was novated to current account with another fellow subsidiary.

26 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of key management of the Group and their close family members are also considered as related parties.

Major related parties that had transactions with the Group during the years ended December 31, 2020, 2021, 2022 and the five months ended May 31, 2022 and 2023 are as follows:

Related parties	Relationship with the Group
Mr. Lee Kun Tai, Steven	A Controlling Shareholder
Mr. Lee Sheung Shing	A Controlling Shareholder
Ms. Lee Pik Tsong	A Controlling Shareholder
Ms. Kan Pui Yan	A director of the Company
SW Lee Limited	Controlled by the Controlling Shareholders
AQ Communications Limited	Controlled by a family member of the Controlling shareholders
Keyfull Industrial Limited	Controlled by the Controlling Shareholders
Fold Time Industries Limited	Controlled by the Controlling Shareholders
Big Development Asset Management Limited	Controlled by a family member of the Controlling shareholders
Bridgeway Advisors Group Limited	Controlled by the Controlling Shareholders
Bridgeway Konew Fintech Lending Fund SP	Controlled by the Controlling Shareholders
Pawide Development Limited	Controlled by the Controlling Shareholders
Vgo Motor Limited	Controlled by the Controlling Shareholders
Moneysq Limited	Controlled by the Controlling Shareholders
Konew Capital International (Shenzhen) Limited	Controlled by the Controlling Shareholders
Konew Capital International Limited Taiwan Branch	Controlled by the Controlling Shareholders
Konew International Group Limited	Controlled by the Controlling Shareholders
Konew Capital Limited	Controlled by the Controlling Shareholders
Konew Investments Holding Limited	Controlled by the Controlling Shareholders
TrustMe Chain Corporation Limited	Controlled by the Controlling Shareholders
Smartme Corporation Limited	Controlled by the Controlling Shareholders
Group Links International Limited	Controlled by the Controlling Shareholders
Modern Creative (HK) Limited	Controlled by family members of a director of the Company

The following transactions were carried out between the Group and its related parties during the years ended December 31, 2020, 2021, 2022 and the five months ended May 31, 2022 and 2023. In the opinion of the directors of the Company, the related party transactions were carried out in the ordinary course of business, at terms negotiated and mutually agreed between the Group and the respective related parties.

(a) Balances with fellow subsidiaries, other related parties, a director, the ultimate holding company and the immediate holding company:

	As at December 31,			As at May 31,
	2020	2021	2022	2023
	HK$'000			
Amounts due from fellow subsidiaries:				
— Konew Credit Corporation Limited	213,058	374,132	88,622	—
— Konew Capital International Limited	—	—	—	1,450
— Katch (HK) Limited (formerly known as K Club Limited)	—	2	1,341	—
— Hong Yip Well Being Ltd	204	264	219	219
— Hong Yip Business Ltd	22	22	22	22
— Honip Credit Limited	—	2	15	15
— Hong Yip Success Limited	55	110	—	—
— Hong Yip Money Flow Limited	62	110	—	—
— Konew International Group Limited	—	4	4	4
— Maxcolm Finance Limited	34	3	1	—
	213,435	374,649	90,224	1,710
Amounts due from other related parties:				
— Modern Creative (HK) Limited	240	—	327	60
— Fold Time Industries Limited	91	260	260	—
— Moneysq Limited	—	—	44	664
— TrustME Chain Corporation Limited	4	5	3	3
— Vgo Motor Limited	3	6	3	2
— Keyfull Industrial Ltd	—	1	1	—
— Smartme Corporation Limited	—	—	—	1
— AQ Communications Limited	—	—	—	220
	338	272	638	950
Amount due from a director:				
— Ms. Kan Pui Yan	852	675	575	—
Amount due to the ultimate holding company:				
— Konew Group Limited	—	(30)	(84)	(97)
Amount due to the immediate holding company:				
— Konew Fintech Corporation Limited	(250,759)	(262,948)	(10,500)	(10,500)
Amounts due to fellow subsidiaries:				
— Konew Credit Corporation Limited	—	—	—	(68,512)
— Konew Capital International Limited	(27,690)	(9,618)	—	—
— Honip Credit Limited	(9,487)	—	—	—
— K Cash VTM Fintech Limited	—	(13)	—	—
— Maxcolm Finance Limited	—	—	—	(2)
	(37,177)	(9,631)	—	(68,514)
Amounts due to other related parties:				
— Big Development Asset Management Limited	(35,627)	(32,931)	(27,416)	(26,452)
— AQ Communications Limited	—	(360)	(1,070)	—
— Moneysq Limited	(30)	(1)	—	—
	(35,657)	(33,292)	(28,486)	(26,452)

As at December 31, 2020, 2021 and 2022, amount due from a director of the Company is non-interest bearing, unsecured and repayable by 2028.

As at December 31, 2020 and 2021, amount due to the immediate holding company bears an effective interest rate of 5.69% and 5.50% per annum respectively. As at December 31, 2022 and May 31, 2023, amount due to the immediate holding company is non-interest bearing, unsecured, repayable on demand and denominated in HK$.

As at December 31, 2020, 2021, 2022 and May 31, 2023, amount due to a related party of HK$35,627,000, HK$32,931,000, HK$27,416,000 and HK$26,452,000 bears interest at 6.25%, 6.25%, 6.88% and 8.76% per annum respectively.

Except for the above, the other amounts due from/(to) the ultimate holding company, the immediate holding company, fellow subsidiaries and other related parties are non-interest bearing, unsecured, repayable on demand and denominated in HK$. Their carrying amounts approximate to their fair values due to their short maturities.

[The balances with fellow subsidiaries, other related parties, the ultimate holding company and the immediate holding company will be settled upon [**REDACTED**] of the Company.] These balances are non-trade in nature.

The Company	**As at December 31, 2022**	**As at May 31, 2023**
	HK$'000	
Amount due to a subsidiary		
— K Cash Limited	6,511	21,296

Note: The Company's amount due to a subsidiary is unsecured, interest free and repayable on demand. Such balance is denominated in HK$.

(b) Below is a summary of significant transactions between the Group and its related parties during the years:

	Year ended December 31,			Five months ended May 31,	
	2020	2021	2022	2022	2023
			HK$'000		
				(Unaudited)	
Rental income received from fellow subsidiaries *(Note 5(b))*					
— Konew Capital International Limited	896	3,708	8,094	3,393	102
— Honip Credit Limited	179	172	100	72	—
— Maxcolm Finance Limited	—	—	93	—	74
Rental income received from a related party *(Note 5(b))*					
— Moneysq Limited	51	52	30	22	—
— Smartme Corporation Limited	—	—	—	—	952
Expenses related to short term leases paid to fellow subsidiaries *(Note 6)*					
— Hong Yip Well Being Limited	(608)	(726)	(733)	(303)	(264)
— Hong Yip Success Limited	(906)	(660)	(495)	(275)	—
— Hong Yip Money Flow Limited	(739)	(647)	(440)	(275)	—
— Konew Credit Corporation Limited	(2,141)	(972)	—	—	—
— Hong Yip Business Limited	(377)	—	—	—	—
Referral fee paid to a fellow subsidiary					
— Konew Credit Corporation Limited	(39)	—	—	—	—
Service fee paid to a related party					
— TrustMe Chain Corporation Limited	—	(27)	—	—	—
Expenses related to short term leases paid to a related party *(Note 6)*					
— Fold Time Industries Limited	(2,033)	(1,686)	(1,426)	(703)	—
— Moneysq Limited	—	—	—	—	(1,398)
Loan interest paid to the immediate holding company *(Note 9)*					
— Konew Fintech Corporation Limited	(7,172)	(14,475)	(73)	(73)	—
Loan interest paid to a fellow subsidiary *(Note 9)*					
— Konew Credit Corporation Limited	(7,094)	—	—	—	—
Loan interest paid to a related party *(Note 9)*					
— Big Development Asset Management Limited	(2,237)	(2,087)	(2,224)	(900)	(919)
Advertising agency fee paid to a related party *(Note 6)*					
— AQ Communications Limited	(2,367)	(1,744)	(990)	(474)	(334)
Collection agency fee paid to a related party *(Note 6)*					
— Modern Creative (HK) Limited	(1,523)	(738)	(989)	(672)	(22)
IT services fee paid to a fellow subsidiary *(Note 6)*					
— Konew Credit Corporation Limited	(1,510)	(1,559)	(780)	(650)	—

All the transactions with related parties were discussed and agreed based on terms mutually agreed between the Group and the respective related parties.

(c) The general banking facilities granted by the bankers are also secured by the unlimited personal guarantee of the directors, investment properties and the unlimited corporation guarantee of the related companies.

(d) Key management compensation

Key management includes directors of the Company. The compensation paid or repayable to key management for employee services is disclosed in Note 7.

27 CONTINGENT LIABILITIES

As at December 31, 2020, 2021, 2022 and May 31, 2023, the Group did not have any significant contingent liabilities.

28 SUBSEQUENT EVENTS

There are no material subsequent events undertaken by the Company or any of the subsidiaries now comprising the Group after May 31, 2023.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the subsidiaries now comprising the Group in respect of any period subsequent to May 31, 2023. No dividend or distribution has been declared or made by the Company or any of the subsidiaries now comprising the Group in respect of any period subsequent to May 31, 2023.

The information set out in this Appendix II does not form part of the Accountant's Report from [PricewaterhouseCoopers], Certified Public Accountants, the reporting accountant of the Company, as set out in Appendix I to this document, and is included herein for illustrative purposes only. The unaudited [**REDACTED**] *financial information should be read in conjunction with the section headed "Financial Information" in this document and the Accountant's Report set out in Appendix I to this document.*

A. UNAUDITED [REDACTED] STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is the unaudited [**REDACTED**] statement of adjusted consolidated net tangible assets of the Group attributable to the owners of the Company (the "Unaudited [**REDACTED**] Financial Information") which has been prepared in accordance with Rule 4.29 of the Listing Rules and on the basis of the notes set out below for the purpose to illustrate the effect of the [**REDACTED**] on the consolidated net tangible assets of the Group attributable to the owners of the Company as at May 31, 2023 as if the [**REDACTED**] had taken place on May 31, 2023, assuming the [**REDACTED**] is not exercised.

The Unaudited [**REDACTED**] Financial Information is prepared based on the consolidated net assets of the Group attributable to the owners of the Company as at May 31, 2023 as set out in the Accountant's Report of the Group, the text of which is set out in Appendix I to this document, after incorporating the unaudited [**REDACTED**] adjustments described in the accompanying notes below.

The Unaudited [**REDACTED**] Financial Information has been prepared by the Directors for illustrative purposes only, based on the judgements and assumptions of the Directors, and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to the owners of the Company had the [**REDACTED**] been completed as at May 31, 2023 or at any future dates following the [**REDACTED**].

	Audited consolidated net tangible assets of the Group attributable to the owners of the Company as at May 31, 2023	**Estimated [REDACTED] from the [REDACTED]**	**Unaudited [REDACTED] adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at May 31, 2023**	**Unaudited [REDACTED] adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share**
		HK$'000		*HK$*
	Note 1	*Note 2*		*Note 3*
Based on an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**]	643,414	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Based on an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**]	643,414	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

Notes:

1. The audited consolidated net tangible assets of the Group attributable to the owners of the Company as at May 31, 2023 is extracted from the Accountant's Report set out in Appendix I to this document, which is based on the audited consolidated net assets of the Group attributable to the owners of the Company as at May 31, 2023 of approximately HK$643,414,000.

2. The estimated [**REDACTED**] from the [**REDACTED**] are based on [**REDACTED**] and the indicative [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] and HK$[**REDACTED**] per [**REDACTED**], being the low end and high end of the indicative [**REDACTED**], respectively, after deduction of the [**REDACTED**] fees and other related expenses (excluding [**REDACTED**] of HK$[**REDACTED**] which have been accounted for in the consolidated statement of comprehensive income up to May 31, 2023), without taking into account of any Shares which may be allotted and issued upon the exercise of the [**REDACTED**], or (a) any Shares which may be allotted and issued upon the exercise of the options granted or to be granted under the Share Option Scheme, or (b) any Shares which may be allotted and issued or repurchased by the Company pursuant to the General Mandate and the Repurchase Mandate.

3. The unaudited [**REDACTED**] adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that [**REDACTED**] Shares were in issue assuming the [**REDACTED**] and [**REDACTED**] had taken place on May 31, 2023, without taking into account of any Shares which may be allotted and issued upon the exercise of the [**REDACTED**], or (a) any Shares which may be allotted and issued upon the exercise of the options granted or to be granted under the Share Option Scheme, or (b) any Shares which may be allotted and issued or repurchased by the Company pursuant to the General Mandate and the Repurchase Mandate.

4. No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to May 31, 2023.

[**REDACTED**]

[**REDACTED**]

[REDACTED]

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on October 25, 2022 under the Companies Act (As Revised) of the Cayman Islands (the "**Companies Act**"). The Company's constitutional documents consist of its Memorandum of Association (the "**Memorandum**") and its [Amended and Restated] Articles of Association (the "**Articles**").

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, *inter alia*, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Act and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were [conditionally] adopted on [●] [with effect from the [**REDACTED**]]. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Act, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (including at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

(i) increase its share capital by the creation of new shares;

(ii) consolidate all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so canceled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Act in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognize any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year. The period of thirty (30) days may be extended for a further period or periods not exceeding thirty (30) days in respect of any year if approved by members by ordinary resolution.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favor of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Act and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

The board may accept the surrender for no consideration of any fully paid share.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or installment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director so appointed shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election.

A Director (including a managing or other executive Director) may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he resigns by notice in writing delivered to the Company;

(bb) he becomes of unsound mind or dies;

(cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) he is prohibited from being a director by law; or

(ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Act and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Act and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Act to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all traveling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or past Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The board may resolve to capitalize all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favor of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realized by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

(aa) the giving of any security or indemnity either:-

(aaa) to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries; or

(bbb) to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(bb) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(cc) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including:-

(aaa) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (bbb) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates to the Directors, his close associate(s) and employee(s) of the Company or any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates;

(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorized representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. Votes (whether on a show of hands or by way of poll) may be cast by such means, electronic or otherwise, as the Directors or the chairman of the meeting may determine.

Any corporation which is a member may by resolution of its directors or other governing body authorize such person as it thinks fit to act as its representative at any general meeting of the Company or at any meeting of any class of members.

The person so authorized shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual member and such corporation shall for the purposes of the Articles be deemed to be present in person at any such meeting if a person so authorized is present thereat.

If a recognized clearing house (or its nominee(s)) is a member of the Company it may authorize such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorisation shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be deemed to have been duly authorized without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognized clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, the right to speak and to vote, and where a show of hands is allowed, the right to vote individually on a show of hands.

All members have the right to speak and vote at a general meeting except where a member is required, by the rules of the Stock Exchange, to abstain from voting to approve the matter under consideration.

Where the Company has any knowledge that any member is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meetings

The Company must hold an annual general meeting of the Company every financial year and such general meeting must be held within six (6) months after the end of the Company's financial year unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more members holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings, on a one vote per share basis. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business or resolution specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

Notwithstanding any provisions in the Articles, any general meeting or any class meeting may be held by means of such telephone, electronic or other communication facilities as to permit all persons participating in the meeting to communicate with each other, and participation in such a meeting shall constitute presence at such meeting.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days. All other general meetings must be called by notice of at least fourteen (14) clear days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers; and

(ee) the fixing of the remuneration of the directors and of the auditors.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy or, for quorum purposes only, two persons appointed by the clearing house as authorized representative or proxy, and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Act or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorized by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarized financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarized financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall by ordinary resolution appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by ordinary resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed and approved by the Company by an ordinary resolution passed at a general meeting or in such manner as the members may by ordinary resolution determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realized or unrealized, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Act.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by check or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such check or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the check or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members maintained in Hong Kong shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Act or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

Unless otherwise provided by the Companies Act, a resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Act divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Act and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

(b) Share capital

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancelation of shares in any other company and issued at a premium.

The Companies Act provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Act); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Act expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorize the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorized by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as canceled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not to be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Act.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorizing civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Act contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Act of the Cayman Islands, the Company has obtained an undertaking:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from October 31, 2022.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Act prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

The notice of registered office is a matter of public record. A list of the names of the current directors and alternate directors (if applicable) is made available by the Registrar of Companies for inspection by any person on payment of a fee. The register of mortgages is open to inspection by creditors and members.

Members of the Company have no general right under the Companies Act to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. The register of members shall contain such particulars as required by Section 40 of the Companies Act. A branch register must be kept in the same manner in which a principal register is by the Companies Act required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, 25% or more of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorizing civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorized by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by (i) a majority in number representing seventy-five per cent. (75%) in value of creditors, or (ii) seventy-five per cent. (75%) in value of shareholders or class of shareholders, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

The Companies Act also contains statutory provisions which provide that a company may present a petition to the Court for the appointment of a restructuring officer on the grounds that the company (a) is or is likely to become unable to pay its debts within the meaning of section 93 of the Companies Act; and (b) intends to present a compromise or arrangement to its creditors (or classes thereof) either, pursuant to the Companies Act, the law of a foreign country or by way of a consensual restructuring. The petition may be presented by a company acting by its directors, without a resolution of its shareholders or an express power in its articles of association. On hearing such a petition, the Court may, among other things, make an order appointing a restructuring officer or make any other order as the Court thinks fit.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

(u) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Act, 2018 of the Cayman Islands ("**ES Act**") that came into force on January 1, 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Act. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Act.

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarizing certain aspects of Cayman Islands company law.This letter, together with a copy of the Companies Act, is available for inspection as referred to in the paragraph headed "Documents available on Display" in Appendix V to this document. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Cayman Islands Companies Act as an exempted company with limited liability on October 25, 2022.

We have been registered in Hong Kong under Part 16 of the Companies Ordinance as a non-Hong Kong company on January 13, 2023, and our principal place of business in Hong Kong is at 17/F, Wheelock House, 20 Pedder Street, Central, Hong Kong. In compliance with the requirements of the Companies Ordinance, Mr. Steven Lee has been appointed as the authorized representative in Hong Kong for the acceptance of service of process and any notice required to be served on our Company in Hong Kong.

Our Company was incorporated in the Cayman Islands and is subject to Cayman Islands law. Its constitution comprises the Memorandum and the Articles of Association. A summary of certain relevant parts of its constitution and certain relevant aspects of Cayman Islands company law is set out in "Appendix III — Summary of the Constitution of our Company and Cayman Islands Company Law".

2. Changes in the Share Capital of our Company

(a) As of the date of incorporation of our Company on October 25, 2022, our authorized share capital was HK$390,000 divided into 3,900,000,000 Shares having a par value of HK$0.0001 each. On the date of incorporation, one nil-paid Share was allotted and issued to an initial subscriber who is an Independent Third Party and on the same day, the initial subscriber transferred one Share to Konew Fintech, and 9,999 Shares were allotted and issued as fully-paid at par to Konew Fintech; and

(b) Immediately after the [**REDACTED**] and the [**REDACTED**] (without taking into account any Shares which may be allotted, issued or sold upon exercise of the [**REDACTED**] or the options granted or to be granted under the Share Option Scheme), the authorized share capital of our Company will be HK$390,000, divided into 3,900,000,000 Shares of HK$0.0001 each.

Other than pursuant to the exercise of the [**REDACTED**] or any options granted or to be granted under the Share Option Scheme, our Directors at present have no intention to issue to any party any of the authorized but unissued share capital of our Company, and, without the prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in "History, Reorganization and Corporate Structure", there has been no alteration in the share capital of our Company since its incorporation.

Our Company has no founder shares, management shares or deferred shares.

3. Resolutions in writing of our Shareholders passed on [●]

Pursuant to the written resolutions passed by our Shareholders on [●], it was resolved that, among other matters:

(a) the Articles of Association were conditionally approved and adopted with effect from the [**REDACTED**];

(b) conditional on: (A) the [**REDACTED**] of the [**REDACTED**] granting [**REDACTED**] of, and permission to [**REDACTED**], the Shares in issue and to be issued as mentioned in this document; (B) the [**REDACTED**] having been determined; (C) the execution and delivery of the [**REDACTED**] on or before the date as mentioned in this document; and (D) the obligations of the [**REDACTED**] under the [**REDACTED**] becoming unconditional and not being terminated in accordance with the terms of the [**REDACTED**] or otherwise, in each case on or before the day falling 30 days after the date of this document:

(i) the [**REDACTED**] and the [**REDACTED**] were approved, and our Directors were authorized to allot and issue the [**REDACTED**] pursuant to the [**REDACTED**] and such number of Shares as may be required to be allotted and issued upon the exercise of the [**REDACTED**];

(ii) the rules of the Share Option Scheme, the principal terms of which are set out in "— D. Other Information — 1. Share Option Schemes", were approved and adopted and our Directors were authorized to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at our Directors' absolute discretion to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to implement the Share Option Scheme;

(iii) conditional on the share premium account of our Company being credited as a result of the [**REDACTED**], our Directors were authorized to capitalize HK$[**REDACTED**] standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par [**REDACTED**] Shares for allotment and issue to holders of Shares whose names appear on the register of members of our Company at the close of business on [●] in proportion (as nearly as possible without involving fractions so that no fraction of a Share shall be allotted and issued) to their then existing holdings in our Company and so that the Shares to be allotted and issued pursuant to this resolution should rank *pari passu* in all respects with the then existing issued Shares and our Directors were authorized to give effect to such [**REDACTED**];

(iv) a general unconditional mandate was granted to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for allotment of Shares in lieu of the whole or in part of any dividend in accordance with the Articles, or pursuant to the exercise of any options granted or to be granted under the Share Option Scheme, or under the [**REDACTED**] or the [**REDACTED**] or pursuant to the exercise of the [**REDACTED**], an aggregate number of Shares not exceeding 20% of the aggregate number of Shares in issue immediately following completion of the [**REDACTED**] and the [**REDACTED**] (without taking into account any Shares which may be allotted, issued or sold upon exercise of the [**REDACTED**] or the options granted or to be granted the Share Option Scheme) until the conclusion of the next annual general meeting of our Company, or upon the expiry of the period within which our Company is required by any applicable law or the Memorandum and Articles of Association to hold its next annual general meeting, or when it is varied, revoked or renewed by an ordinary resolution of our Shareholders in a general meeting, whichever occurs first;

(v) a general unconditional mandate (the "**Repurchase Mandate**") was granted to our Directors to exercise all powers of our Company to purchase or repurchase Shares on the Stock Exchange or another stock exchange on which the securities of our Company may be [**REDACTED**] and recognized by the SFC and the Stock Exchange for this purpose, with an aggregate number of not exceeding 10% of the number of Shares in issue immediately following completion of the [**REDACTED**] and the [**REDACTED**] (without taking into account any Shares which may be allotted, issued or sold upon exercise of the [**REDACTED**] or the options granted or to be granted under the Share Option Scheme), until the conclusion of the next annual general meeting of our Company, or upon the expiry of the period within which our Company is required by any applicable law or the Memorandum and Articles of Association to hold its next annual general meeting, or when it is varied, revoked or renewed by an ordinary resolution of our Shareholders in a general meeting, whichever occurs first; and

(vi) the extension of the general mandate to allot, issue and deal with Shares pursuant to sub-paragraph (iv) above to include the number of Shares which may be purchased or repurchased pursuant to sub-paragraph (v) above; and

(c) our Company approved the form and substance of each of the service agreements made between our executive Directors and our Company, and the form and substance of each of the appointment letters made between each of our non-executive Director and independent non-executive Directors and our Company.

4. Reorganization

The companies comprising our Group underwent the Reorganization to rationalize our Group's structure in preparation for the [**REDACTED**]. Following the Reorganization, our Company became the holding company of our Group. For more details regarding the Reorganization, see "History, Reorganization and Corporate Structure".

5. Changes in the Share Capital of our subsidiaries

The subsidiaries of our Company are listed in "Appendix I — Accountant's Report".

Except as disclosed in "History, Reorganization and Corporate Structure", there are no changes in the share capital of each of our Company's subsidiaries within the two years immediately preceding the date of this document.

6. Repurchases of our own securities

This paragraph includes information required by the Stock Exchange to be included in this document concerning the repurchase by our Company of its own securities.

(a) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary [**REDACTED**] on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

A resolution in writing was passed by our Shareholders on [●], pursuant to which a general unconditional mandate (i.e. the Repurchase Mandate) was granted to our Directors authorizing the purchase or repurchase of such number of Shares by our Company on the Stock Exchange or another stock exchange on which the securities of our Company may be [**REDACTED**] and recognized by the SFC and the Stock Exchange for this purpose, with an aggregate number of not exceeding 10% of the aggregate number of Shares in issue immediately following completion of the [**REDACTED**] and the [**REDACTED**] (without taking into account any Shares which may be allotted, issued or sold upon exercise of the [**REDACTED**] or the options granted or to be granted under the Share Option Scheme), until the conclusion of the next annual general meeting of our Company, or upon the expiry of the period within which our Company is required by any applicable law or the Memorandum and Articles of Association to hold its next annual general meeting, or when it is varied, revoked or renewed by an ordinary resolution of our Shareholders in a general meeting, whichever occurs first (the "**Relevant Period**").

(b) Source of funds

Any repurchases must be paid out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association, the Listing Rules, the Cayman Islands Companies Act and the applicable laws and regulations of the Cayman Islands. A listed company is prohibited from repurchasing its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. Under the Companies Act, any repurchases by our Company may be made out of profits of our Company, or out of our Company's share premium account, or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorized by the Memorandum and Articles of Association and subject to the Cayman Islands Companies Act, out of capital. Any premium payable on the redemption or purchase over the par value of the shares to be repurchased must be provided for out of profits of our Company or from sums standing to the credit of the share premium accounts of our Company.

(c) Reasons for repurchases

Our Directors believe that the ability to repurchase our Shares is in the best interest of our Company and our Shareholders as a whole. Such repurchases may, depending on market conditions and funding arrangements at the time, result in an increase in the net assets and/or earnings per Share. Our Directors have sought the Repurchase Mandate to give our Company the flexibility to do so if and when appropriate. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by our Directors at the relevant time, having regard to the circumstances then prevailing and such repurchases will only be made if our Directors believe that such repurchases will benefit our Company and our Shareholders as a whole.

(d) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Memorandum and Articles of Association, the Listing Rules, the Cayman Islands Companies Act and the applicable laws and regulations of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this document and taking into account the current working capital position of our Group, our Directors consider that, if the repurchases under the Repurchase Mandate were to be carried out in full at any time during the Relevant Period, it might have a material adverse impact on the working capital and/or the gearing position of our Group as compared with the position disclosed in this document. However, our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse impact on the working capital and/or the gearing position of our Group which in the opinion of our Directors are from time to time appropriate for our Group.

(e) General

The exercise in full of the Repurchase Mandate, on the basis of [**REDACTED**] Shares in issue immediately after the [**REDACTED**] and the [**REDACTED**] (without taking into account any Shares which may be allotted, issued or sold upon exercise of the [**REDACTED**] or the options granted or to be granted under the Share Option Scheme), would result in up to [**REDACTED**] Shares being repurchased by our Company during the Relevant Period.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associate currently intends to sell any Shares to our Company or our subsidiaries. No core connected person of our Company has notified our Company that he/she/it has any present intention to sell Shares to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Memorandum and Articles of Association, the Listing Rules, the Cayman Islands Companies Act and the applicable laws and regulations of the Cayman Islands.

If, as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

No purchase of Shares has been made by our Company within six months prior to the date of the Document.

Our Directors shall not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this document and are or may be material:

(a) instrument of transfer and bought and sold notes dated March 24, 2023, entered into between Konew Fintech and the Company for the transfer of 1 share of K Cash (BVI) to the Company for the consideration of US$1;

(b) instrument of transfer and bought and sold notes dated March 24, 2023, entered into between Konew Credit and K Cash Express (BVI) for the transfer of 20,000,000 shares of K Cash Express to K Cash Express (BVI) for the consideration of HK$20,000,000; and

(c) the [**REDACTED**] dated [●], relating to the [**REDACTED**] and entered into by, among others, the [**REDACTED**], the [**REDACTED**] and our Company.

2. Exemption from requirement of a property valuation report

For the purpose of Chapter 5 of the Listing Rules, as no single property interest which formed part of our non-property activities had a carrying amount of 15% or more of our total assets, this document is not required to include any valuation report of our property interests.

Pursuant to Section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this document is exempted from compliance with requirements of Section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all of our Group's assets in land or buildings.

3. Our material intellectual property rights

As of the Latest Practicable Date, we had two registered trademarks in Hong Kong, as well as three domain names which we believe are material to our business.

(a) Trademarks

As of the Latest Practicable Date, we have registered the following trademarks that are material to our business:

No.	Trademarks	Registration No.	Validity period	Class	Place of registration	Registered owner
1.		304048623	February 15, 2017 to February 14, 2027	16, 36[1]	Hong Kong	K Cash
2.	A B	305592583	April 14, 2021 to April 13, 2031	16, 36[2]	Hong Kong	K Cash (BVI)

Notes:

(1) The specific goods under class 16 in respect of which the trademark was registered are advertising publications, catalogs, document holders, printed matter and promotional pamphlets. The specific services under class 36 in respect of which the trademark was registered are banking, brokerage of real estate, charitable fund raising, currency exchange services, debt collection agency services, electronic money transfer services, electronic payment services, evaluation of real estate, financial analysis, financial services, financing of loans, hire-purchase financing, investment services, pawn brokerage, provident fund services and provision of financial information.

(2) The specific goods under class 16 in respect of which the trademark was registered are publications, directories and reports; printed matters; books, brochures, newsletters, pamphlets, manuals and other printed publications in the fields of accounting, auditing, taxation, tax preparation and planning, business management, risk management, corporate governance, personnel and human resource management, documentation management, database management, insurance, finance, financial consulting and advice, marketing and branding, computer and information technology consulting and implementation, intellectual property and litigation support; paper, cardboard and goods made from these materials, not included in other classes; book binding material; photographs; stationery; adhesives for stationery or household purposes; instructional and teaching material (except apparatus); plastic materials for packaging (not included in other classes); printed matter related to technology, FinTech (financial technology), artificial intelligence, robotics, business management, leadership, investments, entrepreneurship, project management, human resources, training, recruitment, job search, job matching, marketing, sales, advertising, promotion, distribution, retailing, public relations and branding developments. The specific services under class 36 in respect of which the trademark was registered are banking; brokerage; capital investment; clearing, financial/clearing-houses, financial; credit bureau services; issuance of credit cards; debt collection agency services; debt advisory services; electronic funds transfer; exchanging money; factoring; arranging finance for construction projects; financial customs brokerage services; financial evaluation insurance, banking; financial management; financial analysis; financial consultancy; financial information; financial sponsorship; providing financial information via a web site; financial management of reimbursement; transfer of payments for others; financial research; financing services; fiscal valuation; health insurance underwriting; hire-purchase financing/lease-purchase financing; installment loans; insurance brokerage; insurance underwriting; insurance consultancy; insurance information; investment of funds; lending against security; life insurance underwriting; loans financing; marine insurance underwriting; mortgage banking; mutual funds; online banking; organization of monetary collections; processing of credit card payments; processing of debit card payments; provident fund services; retirement payment services; securities brokerage; stocks and bonds brokerage; surety services; venture capital services; providing financing to start-up and emerging companies; financial services; investment services; advisory services relating to

finance and investments in the fintech industry; arrangement of loans; capital management services; consultancy relating to finance; consultancy services relating to banking, financial and investment matters; consultancy services relating to financial risk management; financial assessment; financial asset evaluation; financial asset management; financial brokerage services provided via a computer network; financial brokerage services; financial management advice; financial planning; financial portfolio management; financial reporting; financial research services; financial services provided via the telephone and a global computer network; financial valuation services; fund management; futures brokerage; loan advice; loans financing brokerage; management of investment; providing financial information via websites; providing financing services; stock brokerage services; financial management and administration services, namely, facilitating transfers of digital currency, transmission of digital currency via electronic communication networks, and electronic transmission of digital currency; financial transaction services, namely, receiving and disbursing payments and gifts in fiat currencies and virtual currencies over a computer network; financial services, namely, providing a virtual currency for exchange and storage over a computer network.

(b) Domain name

As of the Latest Practicable Date, we have registered the following domain names which we believe are material to our business:

No.	Domain name	Registrant	Date of registration	Expiry date
1.	kcash.hk	K Cash Express	July 5, 2016	July 5, 2031
2.	kcash.com.hk	K Cash Express	July 5, 2016	July 11, 2026
3.	kcashsme.hk	K Cash Express	October 14, 2022	October 14, 2027

4. Connected transactions and related party transactions

Except as disclosed in "Connected Transactions" and in "Appendix I — Accountant's Report — Notes To The Historical Financial Information — Note 25", the text of which is set out in "Appendix I — Accountant's Report", during the two years immediately preceding the date of this document, our Company has not engaged in any other material connected transactions or related party transactions.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Our Directors

(a) Disclosure of interests of our Directors

(i) Each of Chairman Lee, Mrs. Lee and Mr. Steven Lee is interested in the Reorganization, and the transactions contemplated under the material contracts as set out in "— B. Further Information about our Business — 1. Summary of material contracts".

(ii) Except as disclosed in this document, none of our Directors or their associates was engaged in any dealings with our Group during the two years immediately preceding the date of this document.

(b) Particulars of our Directors' service contracts

Our executive Directors

Each of our executive Directors has entered into a service contract with our Company for a term of three years commencing from the [**REDACTED**] until terminated by not less than three months' notice in writing served by either party on the other.

Our non-executive Directors

Our non-executive Director has been appointed for an initial term of three years commencing from the [**REDACTED**] until terminated by either party giving not less than three months' written notice to the other pursuant to a letter of appointment.

Our independent non-executive Directors

Each of our independent non-executive Directors has been appointed for an initial term of three years commencing from the [**REDACTED**] until terminated by either party giving not less than three months' written notice to the other pursuant to a letter of appointment.

Except for directors' fees, none of our independent non-executive Directors is expected to receive any other remuneration for holding his office as an independent non-executive Director.

Except as aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of our subsidiaries other than contracts expiring or determinable by us within one year without the payment of compensation (other than statutory compensation).

(c) Our Directors' remuneration

(i) The aggregate emoluments paid and benefits in kind granted by our Group to our Directors in respect of the years ended December 31, 2020, 2021 and 2022 and the five months ended May 31, 2023 were approximately HK$20 million, HK$24 million, HK$15 million and HK$3 million, respectively.

(ii) None of our Directors or any past directors of any member of our Group has been paid any sum of money during the Track Record Period (i) as an inducement to join or upon joining our Group; or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

(iii) Under the arrangements currently in force, the aggregate emoluments (excluding discretionary bonus) payable by our Group to and benefits in kind receivable by our Directors (including our independent non-executive Directors) for the year ending December 31, 2023 are expected to be approximately HK$7.3 million.

(iv) There has been no arrangement under which a Director has waived or agreed to waive any emoluments during the Track Record Period.

(d) Interests and/or short positions of our Directors in the shares, underlying shares or debentures of our Company and its associated corporations

Immediately after the [**REDACTED**] and the [**REDACTED**] (without taking into account any Shares which may be allotted, issued or sold upon exercise of the [**REDACTED**] or the options granted or to be granted under the Share Option Scheme), the interests and/or short positions of our Directors and the chief executive of our Company in the shares, underlying shares or debentures of our Company and its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions in which they are taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, in each case once our Shares are [**REDACTED**], will be as follows:

Long position in the Shares

Name of Director	Capacity/nature of interest	Number of Shares(1)	Approximate percentage of interest in our Company
Chairman Lee(2)(3)	Interest in a controlled corporation and interest jointly held with other persons	[**REDACTED**] (L)	[**REDACTED**]
Mrs. Lee(2)(3)	Interest in a controlled jointly held with corporation and interest other persons	[**REDACTED**] (L)	[**REDACTED**]
Mr. Steven Lee(2)(3)	Founder of a discretionary trust, interest in a controlled corporation and interest jointly held with other persons	[**REDACTED**] (L)	[**REDACTED**]
Mr. Edwin Lee(2)(3)	Interest in a controlled corporation and interest jointly held with other persons	[**REDACTED**] (L)	[**REDACTED**]

Notes:

(1) The letter "L" denotes a person's long position in our Shares.

(2) Chairman Lee, Mrs. Lee, Mr. Steven Lee and Mr. Edwin Lee are family members of one another. Therefore, pursuant to the SFO, they are deemed to be interested in any Shares in which one another is interested through their controlled corporation, Konew Group.

(3) East Asia International Trustees Limited as the trustee of the Lee Trust (through its direct wholly-owned company World Wealth Investment Development Limited) holds the entire issued share capital of SW Lee Limited. The Lee Trust is a discretionary trust established by Mr. Steven Lee (as the settlor) and East Asia International Trustees Limited (as the trustee), for the benefit of Mr. Steven Lee and his family members. Accordingly, each of Mr. Steven Lee, World Wealth Investment Development Limited and East Asia International Trustees Limited is deemed to be interested in the equity interests held by SW Lee Limited. Chairman Lee, Mrs. Lee and Mr. Edwin Lee, being family members of Mr. Steven Lee, will also be deemed to be interested in the equity interests of Mr. Steven Lee in SW Lee Limited.

Long position in the ordinary shares of associated corporation

Name of Director	Associated corporation	Capacity/nature of interest	Number of share(s)[(1)]	Percentage of interest in the associated corporation
Chairman Lee[(2)(3)]	Konew Group	Beneficial owner and interest jointly held with other persons	50,000 (L)	100%
	Konew Fintech	Interest in a controlled corporation and interest jointly held with other persons	1 (L)	100%
Mrs. Lee[(2)(3)]	Konew Group	Beneficial owner and interest jointly held with other persons	50,000 (L)	100%
	Konew Fintech	Interest in a controlled corporation and interest jointly held with other persons	1 (L)	100%
Mr. Steven Lee[(2)(3)]	Konew Group	Interest in a controlled corporation and interest jointly held with other persons	50,000 (L)	100%
	Konew Fintech	Interest in a controlled corporation and interest jointly held with other persons	1 (L)	100%
Mr. Edwin Lee[(2)(3)]	Konew Group	Beneficial owner and interest jointly held with other persons	50,000 (L)	100%
	Konew Fintech	Interest in a controlled corporation and interest jointly held with other persons	1 (L)	100%

Notes:

(1) The letter "L" denotes a person's long position in the relevant associated corporation.

(2) Chairman Lee, Mrs. Lee, Mr. Steven Lee and Mr. Edwin Lee are family members of one another. Therefore, pursuant to the SFO, they are deemed to be interested in any shares in Konew Group in which one another is interested.

(3) East Asia International Trustees Limited as the trustee of the Lee Trust (through its direct wholly-owned company World Wealth Investment Development Limited) holds the entire issued share capital of SW Lee Limited. The Lee Trust is a discretionary trust established by Mr. Steven Lee (as the settlor) and East Asia International Trustees Limited (as the trustee), for the benefit of Mr. Steven Lee and his family members. Accordingly, each of Mr. Steven Lee, World Wealth Investment Development Limited and East Asia International Trustees Limited is deemed to be interested in the equity interests held by SW Lee Limited. Chairman Lee, Mrs. Lee and Mr. Edwin Lee, being family members of Mr. Steven Lee, will also be deemed to be interested in the equity interests of Mr. Steven Lee in SW Lee Limited.

2. Interests disclosable under the SFO and substantial shareholders

So far as our Directors are aware, immediately after the [**REDACTED**] and the [**REDACTED**] (without taking into account any Shares which may be allotted, issued or sold upon exercise of the [**REDACTED**] or the options granted or to be granted under the Share Option Scheme), other than a Director or chief executive of our Company whose interests are disclosed under "— C. Further Information about our Directors and Substantial Shareholders — 1. Our Directors" and persons having deemed interest under Section 316(1)(a) of the SFO, the following persons will have an interest or a short position in our Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name of Shareholder	Capacity/ nature of interest	Number of Shares[(1)]	Approximate percentage of shareholding
Konew Group[(2)]	Interest in controlled corporation	[**REDACTED**]	[**REDACTED**]
Konew Fintech	Beneficial owner	[**REDACTED**]	[**REDACTED**]
SW Lee Limited[(3)]	Interest in controlled corporation	[**REDACTED**]	[**REDACTED**]
World Wealth Investment Development Limited[(3)]	Interest in controlled corporation	[**REDACTED**]	[**REDACTED**]
East Asia International Trustees Limited[(3)]	Trustee of a trust	[**REDACTED**]	[**REDACTED**]

Notes:

(1) The Letter "L" denotes a person's long position in our Shares.

(2) Konew Group is held by Chairman Lee, Mrs. Lee, Mr. Steven Lee and Mr. Edwin Lee as to 25.0%, 25.0%, 28.5% and 21.5% respectively. Konew Group in interested in 100% of the equity interests of the Company through its wholly-owned subsidiary, Konew Fintech.

(3) East Asia International Trustees Limited as the trustee of the Lee Trust (through its direct wholly-owned company World Wealth Investment Development Limited) holds the entire issued share capital of SW Lee Limited. The Lee Trust is a discretionary trust established by Mr. Steven Lee (as the settlor) and East Asia International Trustees Limited (as the trustee), for the benefit of Mr. Steven Lee and his family members.

3. Disclaimers

Except as disclosed in this document:

(a) our Directors are not aware of any person (not being a Director or chief executive of our Company) who immediately after the [**REDACTED**] and the [**REDACTED**] (without taking into account any Shares which may be allotted, issued or sold upon exercise of the [**REDACTED**] or the options granted or to be granted under the Share Option Scheme) will have an interest or a short position in our Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;

(b) none of our Directors has any interest or short position in any of the shares, underlying shares or debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions in which they are taken or is deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, in each case once our Shares are [**REDACTED**];

(c) none of our Directors nor any of the parties listed in "— D. Other Information — 9. Qualifications of experts" has been interested in the promotion of, or has any direct or indirect interest in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to our Company or any of the subsidiaries of our Company, or are proposed to be acquired or disposed of by or leased to our Company or any other member of our Group nor will any Director apply for the [**REDACTED**] either in his own name or in the name of a nominee;

(d) none of our Directors nor any of the parties listed in "— D. Other Information — 9. Qualifications of experts" is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group; and

 1. except in connection with the [**REDACTED**], none of the parties listed in "— D. Other Information — 9. Qualifications of experts":

  (i) is interested legally or beneficially in any securities of any member of our Group; or

  (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

D. OTHER INFORMATION

1. Share Option Schemes

The following is a summary of the principal terms of the [**REDACTED**] Share Option Scheme conditionally approved and adopted by our Shareholders on [●] and its implementation is conditional on the [**REDACTED**]. The [**REDACTED**] Share Option Scheme has incorporated the requirements set out in the consultation conclusions published by the Stock Exchange on July 29, 2022 on the Proposed Amendments to the Listing Rules relating to the share schemes of listed issuers.

(i) Purpose

The purpose of the [**REDACTED**] Share Option Scheme is to incentivize and reward an Eligible Person (as defined below) for their contribution to our Group and to align their interests with that of our Company so as to encourage them to work towards enhancing the value of our Company.

(ii) Who may participate

The Board (including any committee or delegate of the Board appointed by the Board to perform any of its functions pursuant to the rules of the [**REDACTED**] Share Option Scheme) may, at its absolute discretion, offer to grant an option to subscribe for such number of Shares as the Board may determine any of the following classes of participants:

Eligible persons include the following persons eligible to receive option under the [**REDACTED**] Share Option Scheme ("**Eligible Person**"):

(i) any director and employee of any member of our Group;

(ii) any director or employee of any of the holding companies, fellow subsidiaries or associated companies of our Company; and

(iii) an individual consultant, individual independent contractor, or individual self-employed contractor who provides services to the Group on a continuing and recurring basis in its ordinary and usual course of business which are in the interests of the long-term growth of the Group (but excluding any non-executive Directors, directors of the Group and any professional service providers who provide assurance or are required to performance their services with impartiality and objectivity) (the "**Service Provider**").

The basis of eligibility of any of the participants shall be determined by the Board from time to time. In assessing the eligibility of any participant, the Board will consider all relevant factors as appropriate, including, among others, (i) work performance; (ii) years of service; and (iii) potential or actual contribution to the business of the Group.

For the avoidance of doubt, the grant of any options by our Company for the subscription of Shares or other securities of our Group to any person who falls within any of these classes of participants shall not, by itself, unless our Directors otherwise so determine, be construed as a grant of option under the [**REDACTED**] Share Option Scheme.

(iii) Maximum number of Shares in respect of which options may be granted

The maximum number of Shares which may be issued upon exercise of all options to be granted under the [**REDACTED**] Share Option Scheme and any other share option schemes (the "**Other Schemes**") of our Company must not in aggregate exceed 10% of the total number of Shares in issue as of the [**REDACTED**], being [**REDACTED**] Shares, or such higher limit as the Stock Exchange may allow pursuant to a waiver granted at the Stock Exchange's discretion (the "**Scheme Mandate Limit**"). The Service Provider sublimit shall be set within the scheme mandate limit and separately approved by Shareholders in general meeting. The circular must contain the basis for determining the service provider sublimit and an explanation as to why the service provider submit is appropriate and reasonable.

The Board may, with the approval of the Shareholders in general meeting refresh once every three years, the Scheme Mandate Limit provided that the total number of Shares which may be issued upon the exercise of all options to be granted under the [**REDACTED**] Share Option Scheme and any Other Schemes of our Company under the Scheme Mandate Limit as refreshed must not exceed 10% of the Shares in issue. Refreshments within a three year period must be approved by the Shareholders (other than the controlling shareholders of our Company).

At any time, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and not yet exercised under the [**REDACTED**] Share Option Scheme and any Other Schemes of our Company to the Eligible Persons must not exceed 10% of the total number of Shares in issue from time to time.

The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or independent financial adviser appointed by the Board shall certify in writing to the Board to be fair and reasonable, in the event of any alteration in the capital structure of our Company whether by way of capitalization of profits or reserves, rights issue, consolidation or subdivision of shares, or reduction of the share capital of our Company provided that no such adjustment shall be made in the event of an issue of Shares as consideration in respect of a transaction.

(iv) Maximum entitlement of each individual

No options shall be granted to any Eligible Person under the [**REDACTED**] Share Option Scheme and any Other Schemes of our Company which, if exercised, would result in such Eligible Person becoming entitled to subscribe for such number of Shares as, when aggregated with the total number of Shares already issued or to be issued to him under all options granted to him (including exercised, canceled and outstanding Options) in the 12-month period up to and including the date of offer of such options, exceeds 1% of the Shares in issue at such date or such higher limit as the Stock Exchange may allow pursuant to a waiver granted at the Stock Exchange's discretion.

Any further grant of options to an Eligible Person in excess of this 1% limit or such higher limit as the Stock Exchange may allow pursuant to a waiver granted at the Stock Exchange's discretion shall be subject to the approval of the Shareholders in general meeting with such Eligible Person and his close associates (or if such Eligible Person is a connected person of our Company, his associates) abstaining from voting. Our Company must send a circular to the Shareholders disclosing the identity of the Eligible Person in question, the number and terms of the options to be granted (and options previously granted to such Eligible Person in the 12-month period) and such other information required under the Listing Rules.

The number and terms (including the Option Price) of the options to be granted to such Eligible Person must be fixed before the Shareholders' approval and the date of the Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price under Rule 17.03E of the Listing Rules.

(v) Grant of options to connected persons

Each grant of options to a Director (including an independent non-executive Director), chief executive or substantial shareholder of our Company, or any of their respective associates, under the [**REDACTED**] Share Option Scheme must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the proposed grantee of the options).

Where any grant of options to a substantial shareholder or an independent non-executive Director of our Company, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted under the [**REDACTED**] Share Option Scheme (including options exercised, canceled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(a) representing in aggregate over 0.1% of the Shares in issue; and

(b) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5 million,

such further grant of options by the Board must be approved by the Shareholders in general meeting. Such grantee, his associates and all core connected persons of our Company must abstain from voting on the resolution to approve such further grant of options. Our Company shall send to the Shareholders a circular containing the information required under the Listing Rules for the purpose of seeking the approval of the Shareholders.

(vi) Acceptance of an offer of options

An offer of options shall be open for acceptance for such period (not exceeding 30 days inclusive of, and from, the date of offer) as the Board may determine and notify to the Eligible Person concerned provided that no such offer shall be open for acceptance after the expiry of the duration of the [**REDACTED**] Share Option Scheme. An offer of options not accepted within this period shall lapse. An amount of [HK$1.00] is payable upon acceptance of the grant of an option and such payment shall not be refundable and shall not be deemed to be a part payment of the Option Price.

(vii) Option price

Subject to any adjustment made as described in sub-paragraph (xxi) below, the Option Price shall be such price as determined by the Board and notified to an Option-holder and which shall not be less than the higher of:

(a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of the option;

(b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of offer of the option; and

(c) the nominal value of the Shares.

(viii) Duration of Share Option Scheme

The [**REDACTED**] Share Option Scheme shall be valid and effective for a period of ten years commencing on the [**REDACTED**], after which period no further options will be granted but the provisions of the [**REDACTED**] Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto which are at that time or become thereafter capable of exercise under the [**REDACTED**] Share Option Scheme, or otherwise to the extent as may be required in accordance with the provisions of the [**REDACTED**] Share Option Scheme.

(ix) Time of vesting and exercise of options

Any option shall be vested on an Option-holder immediately upon his acceptance of the offer of options provided that if any vesting schedule and/or conditions are specified in the offer of the option, such option shall only be vested on an Option-holder according to such vesting schedule and/or upon the fulfillment of the vesting conditions (as the case may be). Any vested option which has not lapsed and which conditions have been satisfied or waived by the Board in its sole discretion may, unless the Board determines otherwise in its absolute discretion, be exercised at any time from the next business day after the offer of options has been accepted. Any option which remain unexercised shall lapse upon the expiry of the option period, which period shall be determined by the Board and shall not exceed ten years from the offer date of the option or such longer period as the Stock Exchange may allow pursuant to a waiver granted at the Stock Exchange's discretion (the "**Option Period**").

An option shall be subject to such terms and conditions (if any) as may be determined by the Board and specified in the offer of the option, including any vesting schedule and/or conditions, any minimum period for which any option must be held before it can be exercised and/or any performance target which need to be achieved by an Option-holder before the option can be exercised. Such terms and conditions determined by the Board must not be contrary to the purpose of the [**REDACTED**] Share Option Scheme and must be consistent with such guidelines (if any) as may be approved from time to time by the Shareholders.

No option may be exercised in circumstances where such exercise would, in the opinion of the Board, be in breach of a statutory or regulatory requirement.

(x) Restriction on the time of grant of options

A grant of options may not be made after inside information has come to our knowledge until (and including) the trading day after which such inside information has been announced as required under the Listing Rules. In particular, no option may be granted during the period commencing one month immediately preceding the earlier of:

(a) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and

(b) the deadline for our Company to publish an announcement of the results for any year, or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement. The period during which no option may be granted will cover any period of delay in the publication of a results announcement.

(xi) Ranking of the Shares

No dividends (including distributions made upon the liquidation of our Company) will be payable and no voting rights will be exercisable in relation to an option that has not been exercised. Shares allotted and issued on the exercise of an option will rank *pari passu* in all respects with the Shares in issue on the date of allotment. They will not rank for any rights attaching to Shares by reference to a record date preceding the date of allotment.

(xii) Restrictions on transfer

Except for the transmission of an option on the death of an Option-holder to his personal representatives, neither the option nor any rights in respect of it may be transferred, assigned or otherwise disposed of by any Option-holder to any other person or entity. If an Option-holder transfers, assigns or disposes of any such option or rights, whether voluntarily or involuntarily, then the relevant option will immediately lapse.

(xiii) Rights on voluntary resignation

If an Option-holder ceases to be an Eligible Person by reason of his voluntary resignation (other than in circumstances where he is constructively dismissed), any outstanding offer of options shall continue to be open for acceptance for such period as determined by the Board at its absolute discretion and notified to such Eligible Person, and all options (to the extent vested but not already exercised) will continue to be exercisable for such period as the Board may determine at its absolute discretion and notify to such Eligible Person on the date of cessation of employment of such Eligible Person.

(xiv) ***Rights on termination of employment***

If an Option-holder ceases to be an Eligible Person by reason of (a) his employer terminating his contract of employment in accordance with its terms or any right conferred on his employer by law, or (b) his contract of employment, being a contract for a fixed term, expiring and not being renewed, or (c) his employer terminating his contract for serious or gross misconduct, then any outstanding offer of an option and all options, vested or unvested, will lapse on the date the Option-holder ceases to be an Eligible Person.

(xv) Rights on death, disability, retirement and transfer

If an Option-holder ceases to be an Eligible Person by reason of:

(a) his death; or

(b) his serious illness or injury which in the opinion of the Board renders the Option-holder concerned unfit to perform the duties of his employment and which in the normal course would render the Option-holder unfit to continue performing the duties under his contract of employment for the following 12 months provided such illness or injury is not self-inflicted; or

(c) his retirement in accordance with the terms of an Option-holder's contract of employment; or

(d) his early retirement by agreement with the Option-holder's employer; or

(e) his employer terminating his contract of employment by reason of redundancy; or

(f) his employer ceasing to be a member of the Group or an associated company or under the control of our Company; or

(g) a transfer of the business, or the part of the business, in which the Option-holder works to a person who is neither under the control of our Company nor a member of the Group or associated companies of our Company; or

(h) if the Board determines in its absolute discretion that circumstances exist which mean that it is appropriate and consistent with the purpose of the [**REDACTED**] Share Option Scheme to treat an Option-holder whose options would otherwise lapse so that such options do not lapse but continue to subsist in accordance with (and subject to) the provisions of the [**REDACTED**] Share Option Scheme,

then, any outstanding offer of an option which has not been accepted and any unvested option will lapse and the Option-holder or his personal representatives (if appropriate) may exercise all his options (to the extent vested but not already exercised) within a period of one month of the date of cessation of employment. Any option not exercised prior to the expiry of this period shall lapse.

If the Board determines that an Option-holder who ceases to be an Eligible Person in circumstances such that his options continue to subsist in accordance with (h) above:

(a) is guilty of any misconduct which would have justified the termination of his contract of employment for cause but which does not become known to our Company until after he has ceased employment with any member of the Group or associated companies of our Company; or

(b) is in breach of any material term of contract of employment (or other contract or agreement related to his contract of employment), without limitation, any confidentiality agreement or agreement containing non-competition or non-solicitation restrictions between him and any member of the Group or associated companies of our Company; or

(c) has disclosed trade secrets or confidential information of any member of the Group or associated companies of our Company; or

(d) has entered into competition with any member of the Group or associated companies of our Company or breached any non-solicitation provisions in his contract of employment,

then it may, in its absolute discretion, determine that any unexercised options, vested or not vested, held by the Option-holder shall immediately lapse upon the Board resolving to make such determination (whether or not the Option-holder has been notified of the determination).

(xvi) ***Rights on cessation to be a director***

In the event that any director ceases to be a director of any member of the Group or associated companies of our Company, our Company shall, as soon as practicable thereafter, give notice to the relevant Option-holder who as a result ceases to be an Eligible Person. Any outstanding offer of an option which has not been accepted and any unvested option will lapse on the date the Option-holder ceases to be an Eligible Person. The Option-holder (or his personal representative) may exercise all his options (to the extent vested but not already exercised) within a period of one month of the date of the notification by the Board. Any option not exercised prior to the expiry of this period shall lapse.

(xvii) ***Rights on a general offer***

If as a result of any general offer made to the holders of Shares, the Board becomes aware that the right to cast more than 50% of the votes which may ordinarily be cast on a poll at a general meeting of our Company has or will become vested in the offeror, any company controlled by the offeror and any person associated with or acting in concert with the offeror, the Board will notify every Option-holder of this within 14 days of becoming so aware or as soon as practicable after any legal or regulatory restriction on such disclosure no longer applies. Each Option-holder will be entitled to exercise his options (to the extent vested but not already exercised) during the period of one month starting on the date of the Board's notification to the Option-holders. All options, vested or unvested, not exercised before the end of such period will lapse.

(xviii) ***Rights on company reconstructions***

In the event of a compromise or arrangement, our Company shall give notice to all Option-holders on the same date as it gives notice of the meeting to the Shareholders or creditors to consider such a compromise or arrangement and each Option-holder (or his personal representative) may at any time thereafter, but before such time as shall be notified by our Company, exercise all or any of his options (to the extent vested but not already exercised), and subject to our Company receiving the exercise notice and the Option Price, our Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed general meeting, allot, issue and register under the name of the Option-holder such number of fully paid Shares which fall to be issued on exercise of such options. Any options, vested or not unvested, not so exercised will lapse.

(xix) ***Rights on winding up***

In the event a notice is given by our Company to the Shareholders to convene a general meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind up our Company, our Company shall on the same date as or soon after we dispatch such notice to the Shareholders give notice thereof to all Option-holders and each Option-holder shall be entitled to exercise all or any of his options (to the extent vested but not already exercised) at any time no later than seven days prior to the proposed general meeting of our Company, and subject to our Company receiving the exercise notice and the Option Price, our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot, issue and register under the name of the Option-holder such number of fully paid Shares which fall to be issued on exercise of such options. Any options, vested or not unvested, not so exercised will lapse.

(xx) Lapse of option

An option will lapse on the earlier of:

(a) the expiry of the option period as determined by the Board; or

(b) the date when any circumstance referred to in paragraph (xii) above occurs; or

(c) the expiry of the time provided for in the applicable rule where any of the circumstances provided in paragraphs (xiii) to (xix) above apply.

(xxi) ***Effect of alteration to share capital***

In the event of any alteration in the capital structure of the Company whilst any option remains exercisable, whether by way of capitalization of profits or reserves, further rights issues of Shares, consolidation or subdivision of shares, or reduction of the share capital of our Company in accordance with applicable laws and regulatory requirements (other than an issue of any share capital as consideration in respect of a transaction), such corresponding adjustments (if any) shall be made to the number of Shares, the subject matter of the option (insofar as it is unexercised) and/or the price at which the options are exercisable, as the auditors of our Company or an independent financial adviser appointed by the Board shall certify in writing to the Board to be in their opinion fair and reasonable.

Any such adjustments shall be made on the basis that an Option-holder shall have the same proportion of the issued share capital of our Company as that to which he was entitled before such adjustment. No such adjustment shall be made the effect of which would be to enable any Share to be issued at less than its nominal value, or to increase the proportion of the issued share capital of our Company for which any Option-holder would have been entitled to subscribe had he exercised all the options held by him immediately prior to such adjustments.

The auditors of our Company or the independent financial adviser appointed by the Board (as appropriate) must confirm to the Board in writing that the adjustment satisfies the requirements of the Note to paragraph 17.03(13) of the Listing Rules and such applicable guidance and/or interpretation of the Listing Rules from time to time issued by the Stock Exchange, except where such adjustment is made on a [**REDACTED**].

The capacity of the auditors or independent financial advisers mentioned above is that of experts and not of arbitrators and their certification shall be final and binding on our Company and the Option-holders in the absence of fraud or manifest error. The costs of the auditors or independent financial advisers shall be borne by our Company.

(xxii) ***Cancelation of option***

Unless the Option-holder agrees, the Board may only cancel an option (which has been granted but not yet exercised) if, at the election of the Board, either:

(a) our Company pays to the Option-holder an amount equal to the fair market value of the option at the date of cancelation as determined by the Board at its absolute discretion, after consultation with the auditors of our Company or an independent financial adviser appointed by the Board; or

(b) the Board offers to grant the Option-holder replacement options (or options under any other share option scheme of any Member of the Group) or makes such arrangements as the Option-holder may agree to compensate him for the loss of the option; or

(c) the Board makes such arrangements as the Option-holder may agree to compensate him for the cancelation of the option.

Where our Company cancels options granted to a participant and makes a new grant to the same participant, such new grant may only be made under the [**REDACTED**] Share Option Scheme with available Scheme Mandate Limit approved by the Shareholders. The options canceled will be regarded as utilized for the purpose of calculating the Scheme Mandate Limit.

(xxiii) ***Termination of the*** [**REDACTED**] ***Share Option Scheme***

The [**REDACTED**] Share Option Scheme will expire automatically on the day immediately preceding the tenth anniversary of the [**REDACTED**]. The Board may terminate the [**REDACTED**] Share Option Scheme at any time without Shareholders' approval by resolving that no further options shall be granted under the [**REDACTED**] Share Option Scheme and in such case, no new offers to grant options under the [**REDACTED**] Share Option Scheme will be made and any options which have been granted but not yet exercised shall either (a) continue subject to the [**REDACTED**] Share Option Scheme, or (b) be canceled in accordance with paragraph (xxii).

(xxiv) Amendments to the [**REDACTED**] *Share Option Scheme*

The Board may amend any of the provisions of the [**REDACTED**] Share Option Scheme (including amendments in order to comply with changes in legal or regulatory requirements) at any time (but not so as to affect adversely any rights which have accrued to any Option-holder at that date), except that any amendments to the terms and conditions of the [**REDACTED**] Share Option Scheme which are of a material nature or any amendments to the advantage of present or future Option-holders in respect of matters contained in Rule 17.03 of the Listing Rules must be approved by the Shareholders in general meeting.

Any amendments to the terms and conditions of the [**REDACTED**] Share Option Scheme which are of a material nature or any amendments to the terms of any options granted may only be made with the approval of the shareholders of our Company save where the amendments take effect automatically under the existing terms of the [**REDACTED**] Share Option Scheme.

Any amendments to the terms of options granted to an Option-holder who is a substantial shareholder of our Company or an independent non-executive Director, or any of their respective associates, must be approved by the Shareholders in general meeting. The resolution to approve the amendment must be taken on a poll and any connected person of our Company must abstain from voting on the resolution to approve such amendment, except that such a connected person may vote against such resolution.

Any change to the authority of the Board in relation to any amendment of the rules of the [**REDACTED**] Share Option Scheme may only be made with the approval of the Shareholders in general meeting.

(xxv) Conditions of the [**REDACTED**] *Share Option Scheme*

The adoption of the [**REDACTED**] Share Option Scheme is conditional on:

(a) the [**REDACTED**] granting (or agreeing to grant) approval (subject to such conditions as the Stock Exchange may impose) for the [**REDACTED**] of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of any options which may be granted under the [**REDACTED**] Share Option Scheme; and

(b) the commencement of the dealings in the Shares on the Stock Exchange.

If the condition above are not satisfied on or before the date following six months after the date the [**REDACTED**] Share Option Scheme was conditionally adopted:

(a) the [**REDACTED**] Share Option Scheme shall forthwith determine;

(b) any option granted or agreed to be granted pursuant to the [**REDACTED**] Share Option Scheme and any offer of such a grant shall be of no effect; and

(c) no person shall be entitled to any rights or benefits or be under any obligation under or in respect of the [**REDACTED**] Share Option Scheme or any option.

An application has been made to the [**REDACTED**] to the Stock Exchange for the [**REDACTED**] of, and permission to deal in, the new Shares which may be issued pursuant to the exercise of the options which may be granted pursuant to the [**REDACTED**] Share Option Scheme.

*(xxvi) **Performance targets***

Our Directors shall have absolute discretion to determine the performance targets that must be achieved by a grantee before any options granted under the [**REDACTED**] Share Option Scheme can be exercised.

*(xxvii) **Rights are personal to the grantee***

An option is personal to the grantee and shall not be transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest (legal or beneficial) in favor of or enter into any agreement with any other person over or in relation to any option, except for the transmission of an option on the death of the grantee to his personal representative(s) on the terms of this [**REDACTED**] Share Option Scheme, or, subject to the Stock Exchange granting a waiver, on a case-by-case basis, transfer to vehicle (such as a trust or a private company) for the benefit of the participant and any family members of such participant (for example, for estate planning or tax planning purposes) that would continue to meet the purpose of the [**REDACTED**] Share Option Scheme and comply with the requirements under Chapter 17 of the Listing Rules.

*(xxviii) **Value of options***

Our Directors consider it inappropriate to disclose the value of options which may be granted under the [**REDACTED**] Share Option Scheme as if they had been granted as of the Latest Practicable Date. Any such valuation will have to be made on the basis of a certain option pricing model or other method that depends on various assumptions including the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. Our Directors believe that any calculation of the value of options granted as of the Latest Practicable Date would be based on a number of speculative assumptions that are not meaningful and would be misleading to investors.

As of the Latest Practicable Date, no option had been granted or agreed to be granted by our Company pursuant to the [**REDACTED**] Share Option Scheme.

Details of the [**REDACTED**] Share Option Scheme, including particulars and movements of the options granted during each financial year of our Company, and our employee costs arising from the grant of the options will be disclosed in our annual report.

2. Estate duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

3. Litigation

As of the Latest Practicable Date, neither our Company nor any of our subsidiaries is engaged in any litigation or arbitration of material importance, and no litigation or claim of material importance is known to our Directors to be pending or threatened against our Company or any of our subsidiaries, that would have a material adverse effect on the results of operations or financial condition of our Company.

4. Preliminary expenses

The preliminary expenses of our Company were approximately HK$80,460 and were paid by our Company.

5. Promoters

(a) Our Company has no promoter.

(b) Within the two years preceding the date of this document, no amount or benefit has been paid or given to the promoters named in sub-paragraph (a) above in connection with the [**REDACTED**] or the related transactions described in this document.

6. Joint Sponsors' independence

The Joint Sponsors satisfy the independence criteria applicable to sponsor as set out in Rule 3A.07 of the Listing Rules.

7. Agency fees or commissions received

The [**REDACTED**] will receive a gross [**REDACTED**] of [**REDACTED**] of the aggregate [**REDACTED**] in respect of all of the [**REDACTED**]. Our Company may also in our sole discretion pay an aggregate discretionary incentive fee of up to [**REDACTED**] of the aggregate [**REDACTED**] in respect of all of the [**REDACTED**]. The Joint Sponsors will also receive sponsor fee of HK$10,305,000.

8. Application for [REDACTED] of Shares

The Joint Sponsors have made an application on behalf of our Company to the [**REDACTED**] of the Stock Exchange for the [**REDACTED**] of, and permission to deal in, the Shares in issue and to be issued as mentioned in this document and any Shares which may be issued upon the exercise of the [**REDACTED**] and any options granted or to be granted under the Share Option Scheme.

All necessary arrangements have been made to enable the securities to be admitted into [**REDACTED**].

9. Qualifications of experts

The qualifications of the experts who have given opinions and/or whose names are included in this document are as follows:

Name	Qualification
Conyers Dill & Pearman	Legal advisors to our Company as to Cayman Islands laws
DBS Asia Capital Limited	Licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Ping An of China Capital (Hong Kong) Company Limited	Licensed to conduct Type 6 (advising on corporate finance) under the SFO
Mr. Matthew Ho	Barrister-at-law in Hong Kong
Ms. Queenie Ng	Barrister-at-law in Hong Kong
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountant Ordinance (Chapter 50 of the Laws of Hong Kong) and Registered Public Interest Entity Auditor under Accounting and Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
Frost & Sullivan	Industry consultant

10. Consents of experts

Each of the experts named above has given and has not withdrawn its written consent to the issue of this document with copies of its reports, valuation, letters or opinions (as the case may be) and the references to its names or summaries of opinions included herein in the form and context in which they respectively appear.

11. Binding effect

This document shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies Ordinance so far as applicable.

12. Taxation of holders of Shares

(a) Hong Kong

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.13% of the consideration or, if higher, the value of the Shares being sold or transferred.

Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) The Cayman Islands

Under the present Cayman Islands law, transfers and other dispositions of Shares are exempt from Cayman Islands stamp duty other than in respect of companies that hold an interest in land in the Cayman Islands.

(c) Consultation with professional advisors

Intending holders of Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares or exercising any rights attaching to them. It is emphasized that none of our Company, our Directors or the other parties involved in the [**REDACTED**] can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercising any rights attaching to them.

13. Miscellaneous

(a) Except as disclosed herein:

(i) within two years preceding the date of this document:

(aa) no share or loan capital of our Company or of any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;

(bb) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and

(cc) no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any Shares in our Company or any of our subsidiaries;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) our Group does not have any outstanding convertible debt securities or debentures;

(b) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since May 31, 2023 (being the date to which the latest combined financial statements of our Group were made up);

(c) no equity or debt securities of our Company is listed or dealt in on any stock exchange, nor is any listing or permission to deal being or proposed to be sought;

(d) the [**REDACTED**] does not involve the exercise of any right of pre-emption or the transfer of subscription rights;

(e) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this document; and

(f) there is no arrangement under which future dividends are waived or agreed to be waived.

14. Bilingual document

The English language and Chinese language versions of this document are being published separately, in reliance upon the exemption provided under Section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this document and delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

(a) copies of [**REDACTED**];

(b) copies of each of the material contracts, see "Appendix IV — Statutory and General Information — B. Further Information about our Business — 1. Summary of material contracts"; and

(c) the written consents, see "Appendix IV — Statutory and General Information — D. Other Information — 10. Consents of experts".

2. DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.kcash.hk** up to and including the date which is 14 days from the date of this document:

(a) the Memorandum and Articles of Association;

(b) the Accountant's Report and the report on the unaudited [**REDACTED**] financial information of our Group from PricewaterhouseCoopers, the texts of which are set out in "Appendix I — Accountant's Report" and "Appendix II — Unaudited [**REDACTED**] Financial Information", respectively;

(c) the letter of advice prepared by Conyers Dill & Pearman, our legal advisors as to Cayman Islands laws, summarizing certain aspects of Cayman Islands company law, referred to in "Appendix III — Summary of the Constitution of Our Company and Cayman Islands Company Law";

(d) the industry report issued by Frost & Sullivan;

(e) the material contracts, referred to in "Appendix IV — Statutory and General Information — B. Further Information About Our Business — 1. Summary of material contracts";

(f) the written consents, referred to in "Appendix IV — Statutory and General Information — D. Other Information — 10. Consents of experts";

(g) service contracts and letters of appointment, referred to in "Appendix IV — Statutory and General Information — C. Further Information about our Directors and Substantial Shareholders — 1. Our Directors — (b) Particulars of our Directors' service contracts";

(h) the terms of the Share Option Scheme;

(i) the Cayman Islands Companies Act;

(j) the audited combined financial statements of our Group for the Track Record Period; and

(k) the legal opinion issued by Mr. Matthew Ho, the External Legal Counsel as to certain aspects of Hong Kong law; and

(l) the legal opinion issued by Ms. Queenie Ng, the External Legal Counsel to the Joint Sponsors as to certain matters concerning the MLO.