



羅兵咸永道

## ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF K CASH 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 Corporation Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages I-4 to I-66, 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-66 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated November 27, 2023 (the “**Prospectus**”) in connection with the initial listing 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.



羅兵咸永道

**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*

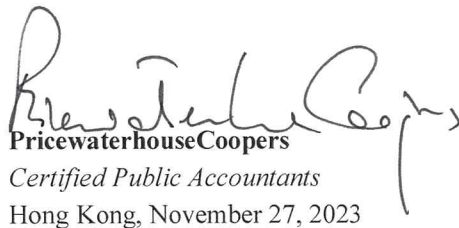
In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

*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, November 27, 2023

## 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

	Notes	Year ended December 31,			Five months ended May 31,	
		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		<u>91,032</u>	<u>77,082</u>	<u>67,865</u>	<u>32,464</u>	<u>22,875</u>
Earnings per share for the year/period						
Basic and diluted (HK\$'000)	11	<u>9.1</u>	<u>7.7</u>	<u>6.8</u>	<u>3.2</u>	<u>2.3</u>

The above consolidated statements of comprehensive income should be read in conjunction with the accompanying notes.

## CONSOLIDATED BALANCE SHEETS

		As at December 31,			As at May 31,
	Notes	2020	2021	2022	2023
		HK\$'000			
<b>ASSETS</b>					
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
Reposessed 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
<b>Total assets</b>		<b>1,265,087</b>	<b>1,309,072</b>	<b>1,087,307</b>	<b>1,043,558</b>
<b>EQUITY</b>					
<b>Equity attributable to the owners of the Company</b>					
Share capital	19	—*	—*	—*	—*
Reserves		593,392	652,674	720,539	643,414
<b>Total equity</b>		<b>593,392</b>	<b>652,674</b>	<b>720,539</b>	<b>643,414</b>
<b>LIABILITIES</b>					
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
<b>Total liabilities</b>		<b>671,695</b>	<b>656,398</b>	<b>366,768</b>	<b>400,144</b>
<b>Total equity and liabilities</b>		<b>1,265,087</b>	<b>1,309,072</b>	<b>1,087,307</b>	<b>1,043,558</b>

\* Below HK\$1,000

The above consolidated balance sheets should be read in conjunction with the accompanying notes.

## BALANCE SHEETS OF THE COMPANY

		As at December 31, 2022	As at May 31, 2023
	Notes		
		HK\$'000	
<b>ASSETS</b>			
Investments in subsidiaries (Note)		—	645,640
Prepayments	15	3,803	5,605
<b>Total assets</b>		3,803	651,245
<b>EQUITY</b>			
<b>Equity attributable to the owners of the Company</b>			
Share capital	19	—*	—*
Contribution surplus	20	—	645,640
Accumulated losses	20	(5,315)	(18,097)
<b>Total (deficit)/equity</b>		(5,315)	627,543
<b>LIABILITIES</b>			
Amount due to a subsidiary	26	6,511	21,296
Accruals and other payables		2,607	2,406
<b>Total liabilities</b>		9,118	23,702
<b>Total equity and liabilities</b>		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

	<i>Notes</i>	<u>Share capital</u>	<u>Capital reserve</u>	<u>Retained earnings</u>	<u>Total</u>
				<i>HK\$'000</i>	
<b>Balance at January 1, 2020</b>		—*	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)
<b>Balance at December 31, 2020</b>		—*	20,000	573,392	593,392
<b>Balance at January 1, 2021</b>		—*	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)
<b>Balance at December 31, 2021</b>		—*	20,000	632,674	652,674
<b>Balance at January 1, 2022</b>		—*	20,000	632,674	652,674
Comprehensive income:					
Profit for the year		—	—	67,865	67,865
<b>Balance at December 31, 2022</b>		—*	20,000	700,539	720,539
<b>Balance at January 1, 2022</b>		—*	20,000	632,674	652,674
Comprehensive income:					
Profit for the period		—	—	32,464	32,464
<b>Balance at May 31, 2022 (Unaudited)</b>		—*	20,000	665,138	685,138
<b>Balance at January 1, 2023</b>		—*	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)
<b>Balance at May 31, 2023</b>		—*	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

		Year ended December 31,			Five months ended May 31,	
	Notes	2020	2021	2022	2022	2023
		HK\$'000			(Unaudited)	
<b>Cash flows from operating activities</b>						
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
<b>Cash flows from investing activities</b>						
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)
<b>Cash flows from financing activities</b>						
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 listing expenses 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
<b>Net increase/(decrease) in cash and cash equivalents</b>						
		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
<b>Cash and cash equivalents at end of year/period</b>	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 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 listing 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:

<u>Name of subsidiary</u>	<u>Place and date of incorporation</u>	<u>Principal activities</u>	<u>Issued and paid-up capital</u>	<u>As at the date of this report</u>	<u>Notes</u>
<b>Direct interests:</b>					
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)
<b>Indirect interests:</b>					
K Cash Express Limited (formerly known as Kone 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 administered 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
	<u>1,232,167</u>	<u>1,253,523</u>	<u>1,035,858</u>	<u>989,756</u>

\* Below HK\$1,000

#### *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) Measurement of ECL

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	Lifetime	Lifetime	
	ECL	ECL	ECL	Total
	<i>HK\$'000</i>			
<b>As at December 31, 2020</b>				
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	<u>803,396</u>	<u>27,727</u>	<u>154,844</u>	<u>985,967</u>
<b>As at December 31, 2021</b>				
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	<u>649,764</u>	<u>21,292</u>	<u>173,404</u>	<u>844,460</u>
<b>As at December 31, 2022</b>				
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	<u>624,668</u>	<u>28,249</u>	<u>260,898</u>	<u>913,815</u>

	Stage 1	Stage 2	Stage 3	
	12-month	Lifetime	Lifetime	
	ECL	ECL	ECL	Total
	HK\$'000			
<b>As at May 31, 2023</b>				
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	<u>647,407</u>	<u>20,212</u>	<u>280,540</u>	<u>948,159</u>

(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)
<b>As at December 31, 2020</b>	<b>852,840</b>	<b>36,427</b>	<b>205,308</b>	<b>1,094,575</b>
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)
<b>As at December 31, 2021</b>	<b>700,999</b>	<b>26,755</b>	<b>218,372</b>	<b>946,126</b>
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)
<b>As at December 31, 2022</b>	<b>665,228</b>	<b>36,747</b>	<b>316,841</b>	<b>1,018,816</b>
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)
<b>As at May 31, 2023</b>	<b>699,520</b>	<b>24,812</b>	<b>331,943</b>	<b>1,056,275</b>

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)
<b>As at December 31, 2020</b>	<b>49,444</b>	<b>8,700</b>	<b>50,464</b>	<b>108,608</b>
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)
<b>As at December 31, 2021</b>	<b>51,235</b>	<b>5,463</b>	<b>44,968</b>	<b>101,666</b>
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)
<b>As at December 31, 2022</b>	<b>40,560</b>	<b>8,498</b>	<b>55,943</b>	<b>105,001</b>
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)
<b>As at May 31, 2023</b>	<b>52,113</b>	<b>4,600</b>	<b>51,403</b>	<b>108,116</b>

(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				
<b>At December 31, 2020</b>					
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
<b>Total financial assets</b>	<b>972,330</b>	<b>378,486</b>	<b>555,787</b>	<b>232,833</b>	<b>2,139,436</b>
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)
<b>Total financial liabilities</b>	<b>(657,452)</b>	<b>(1,257)</b>	<b>(486)</b>	<b>—</b>	<b>(659,195)</b>
<b>At December 31, 2021</b>					
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
<b>Total financial assets</b>	<b>894,747</b>	<b>286,096</b>	<b>430,622</b>	<b>191,593</b>	<b>1,803,058</b>
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)
<b>Total financial liabilities</b>	<b>(632,810)</b>	<b>(19,377)</b>	<b>(4,768)</b>	<b>—</b>	<b>(656,955)</b>

	Within 1 year or on demand	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	HK\$'000				
<b>At December 31, 2022</b>					
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
<b>Total financial assets</b>	<b>671,920</b>	<b>289,746</b>	<b>436,884</b>	<b>207,075</b>	<b>1,605,625</b>
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)
<b>Total financial liabilities</b>	<b>(355,281)</b>	<b>(11,001)</b>	<b>(1,170)</b>	<b>—</b>	<b>(367,452)</b>
<b>At May 31, 2023</b>					
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
<b>Total financial assets</b>	<b>602,163</b>	<b>298,155</b>	<b>456,177</b>	<b>201,060</b>	<b>1,557,555</b>
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)
<b>Total financial liabilities</b>	<b>(382,908)</b>	<b>(8,613)</b>	<b>(481)</b>	<b>—</b>	<b>(392,002)</b>

### 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 balance sheets) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheets.

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	—
	<u>304,256</u>	<u>270,103</u>	<u>233,944</u>	<u>99,480</u>	<u>104,672</u>

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)	
<b>Other income</b>					
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
	<u>5,666</u>	<u>3,936</u>	<u>10,094</u>	<u>3,792</u>	<u>1,143</u>
<b>Other (losses)/gains, net</b>					
(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
	<u>(257)</u>	<u>157</u>	<u>(174)</u>	<u>99</u>	<u>693</u>

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
Listing expenses	—	—	5,315	—	11,162
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
	<u>97,589</u>	<u>103,503</u>	<u>100,509</u>	<u>37,044</u>	<u>45,618</u>
Represented by:					
Selling expenses	39,868	35,140	34,375	9,484	12,159
General and administrative expenses	<u>57,721</u>	<u>68,363</u>	<u>66,134</u>	<u>27,560</u>	<u>33,459</u>
	<u>97,589</u>	<u>103,503</u>	<u>100,509</u>	<u>37,044</u>	<u>45,618</u>

**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:

	<u>Fees</u>	<u>Salaries</u>	<u>Discretionary bonuses</u>	<u>Allowances and benefit in kind</u>	<u>Employer's contribution to pension scheme</u>	<u>Total</u>
	<i>HK\$'000</i>					
<b>Year ended December 31, 2020</b>						
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
	<u>—</u>	<u>14,880</u>	<u>3,370</u>	<u>1,562</u>	<u>72</u>	<u>19,884</u>
<b>Year ended December 31, 2021</b>						
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
	<u>—</u>	<u>16,385</u>	<u>5,603</u>	<u>1,561</u>	<u>72</u>	<u>23,621</u>



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:

	<u>Fees</u>	<u>Salaries</u>	<u>Discretionary bonuses</u>	<u>Allowances and benefit in kind</u>	<u>Employer's contribution to pension scheme</u>	<u>Total</u>
	<i>HK\$'000</i>					
<b>Year ended December 31, 2022</b>						
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
	<u>—</u>	<u>13,198</u>	<u>120</u>	<u>1,323</u>	<u>56</u>	<u>14,697</u>

	<u>Fees</u>	<u>Salaries</u>	<u>Discretionary bonuses</u>	<u>Allowances and benefit in kind</u>	<u>Employer's contribution to pension scheme</u>	<u>Total</u>
	<i>HK\$'000</i>					
<b>Five months ended May 31, 2022 (Unaudited)</b>						
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
	<u>—</u>	<u>6,992</u>	<u>6</u>	<u>659</u>	<u>32</u>	<u>7,689</u>

	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

**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.

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.

Prof. Hung Wai Man, Mr. Mak Wing Sum, Alvin and Mr. Leung Ka Cheung were appointed as independent non-executive directors on October 31, 2023.

**(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,			Five months ended May 31,		Name of directors having interest therein
		2020	2021	2022	2022	2023	
				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
	<u>1,105</u>	<u>1,583</u>	<u>—</u>	<u>438</u>	<u>1,555</u>

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	—	—	—
	<u>1</u>	<u>1</u>	<u>—</u>	<u>1</u>	<u>3</u>

## 9 INTEREST EXPENSES AND OTHER FINANCE COST

	Year ended December 31,			Five months ended May 31,	
	2020	2021	2022	2022	2023
	HK\$'000			(Unaudited)	
<b>Interest expenses</b>					
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
	<u>36,592</u>	<u>35,977</u>	<u>22,963</u>	<u>9,272</u>	<u>9,662</u>
<b>Other finance cost</b>					
Interest expenses on lease liabilities (Note 23(b))	<u>237</u>	<u>492</u>	<u>803</u>	<u>306</u>	<u>197</u>

## 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)	
<b>Current income tax</b>					
— 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)	<u>(3,391)</u>	<u>884</u>	<u>(437)</u>	<u>(32)</u>	<u>(484)</u>
	<u>14,497</u>	<u>15,222</u>	<u>14,052</u>	<u>6,556</u>	<u>6,898</u>

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
	<u>14,497</u>	<u>15,222</u>	<u>14,052</u>	<u>6,556</u>	<u>6,898</u>

## 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 and diluted earnings per share (HK\$'000) (Note)	9.1	7.7	6.8	3.2	2.3

*Note:*

The earnings per share presented above has not been taken into account of the proposed capitalization issue whereby the ordinary shares in issue will increase from 10,000 shares to 375,000,000 shares upon listing of the Company. The proposed capitalization issue has not become effective as at the date of this report.

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.

## 12 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Equipment	Furniture and fixtures <i>HK\$'000</i>	Motor vehicles	Total
<b>At January 1, 2020</b>					
Cost	6,198	8,770	111	3,375	18,454
Accumulated depreciation	(3,729)	(4,200)	(97)	(3,375)	(11,401)
Net book amount	<u>2,469</u>	<u>4,570</u>	<u>14</u>	<u>—</u>	<u>7,053</u>
<b>Year ended December 31, 2020</b>					
Opening net book amount	2,469	4,570	14	—	7,053
Additions	668	1,189	—	—	1,857
Depreciation ( <i>Note 6</i> )	(966)	(1,609)	(6)	—	(2,581)
Disposal ( <i>Note 5(b)</i> )	—	(16)	—	—	(16)
Closing net book amount	<u>2,171</u>	<u>4,134</u>	<u>8</u>	<u>—</u>	<u>6,313</u>
<b>At December 31, 2020</b>					
Cost	6,570	9,505	90	3,375	19,540
Accumulated depreciation	(4,399)	(5,371)	(82)	(3,375)	(13,227)
Net book amount	<u>2,171</u>	<u>4,134</u>	<u>8</u>	<u>—</u>	<u>6,313</u>
<b>At January 1, 2021</b>					
Cost	6,570	9,505	90	3,375	19,540
Accumulated depreciation	(4,399)	(5,371)	(82)	(3,375)	(13,227)
Net book amount	<u>2,171</u>	<u>4,134</u>	<u>8</u>	<u>—</u>	<u>6,313</u>
<b>Year ended December 31, 2021</b>					
Opening net book amount	2,171	4,134	8	—	6,313
Additions	547	452	—	—	999
Depreciation ( <i>Note 6</i> )	(998)	(1,602)	(6)	—	(2,606)
Disposal ( <i>Note 5(b)</i> )	—	(24)	—	—	(24)
Closing net book amount	<u>1,720</u>	<u>2,960</u>	<u>2</u>	<u>—</u>	<u>4,682</u>
<b>At December 31, 2021</b>					
Cost	6,639	9,173	76	3,375	19,263
Accumulated depreciation	(4,919)	(6,213)	(74)	(3,375)	(14,581)
Net book amount	<u>1,720</u>	<u>2,960</u>	<u>2</u>	<u>—</u>	<u>4,682</u>
<b>At January 1, 2022</b>					
Cost	6,639	9,173	76	3,375	19,263
Accumulated depreciation	(4,919)	(6,213)	(74)	(3,375)	(14,581)
Net book amount	<u>1,720</u>	<u>2,960</u>	<u>2</u>	<u>—</u>	<u>4,682</u>
<b>Year ended December 31, 2022</b>					
Opening net book amount	1,720	2,960	2	—	4,682
Additions	64	1,415	—	—	1,479
Depreciation ( <i>Note 6</i> )	(760)	(1,547)	(2)	—	(2,309)
Disposal ( <i>Note 5(b)</i> )	(211)	(104)	—	—	(315)
Closing net book amount	<u>813</u>	<u>2,724</u>	<u>—</u>	<u>—</u>	<u>3,537</u>
<b>At December 31, 2022</b>					
Cost	4,630	9,582	68	3,375	17,655
Accumulated depreciation	(3,817)	(6,858)	(68)	(3,375)	(14,118)
Net book amount	<u>813</u>	<u>2,724</u>	<u>—</u>	<u>—</u>	<u>3,537</u>
<b>At January 1, 2023</b>					
Cost	4,630	9,582	68	3,375	17,655
Accumulated depreciation	(3,817)	(6,858)	(68)	(3,375)	(14,118)
Net book amount	<u>813</u>	<u>2,724</u>	<u>—</u>	<u>—</u>	<u>3,537</u>
<b>Five months ended May 31, 2023</b>					
Opening net book amount	813	2,724	—	—	3,537
Additions	655	457	—	—	1,112
Depreciation ( <i>Note 6</i> )	(172)	(483)	—	—	(655)
Disposal ( <i>Note 5(b)</i> )	(360)	—	—	—	(360)
Closing net book amount	<u>936</u>	<u>2,698</u>	<u>—</u>	<u>—</u>	<u>3,634</u>
<b>At May 31, 2023</b>					
Cost	4,918	9,697	68	3,375	18,058
Accumulated depreciation	(3,982)	(6,999)	(68)	(3,375)	(14,424)
Net book amount	<u>936</u>	<u>2,698</u>	<u>—</u>	<u>—</u>	<u>3,634</u>

### 13 FINANCIAL INSTRUMENTS BY CATEGORY

	As at December 31,			As at May 31,
	2020	2021	2022	2023
	HK\$'000			
<b>Financial assets at amortized cost</b>				
Cash and cash equivalents ( <i>Note 16</i> )	29,186	28,945	24,131	34,456
Amounts due from fellow subsidiaries ( <i>Note 26</i> )	213,435	374,649	90,224	1,710
Amounts due from other related parties ( <i>Note 26</i> )	338	272	638	950
Amount due from a director ( <i>Note 26</i> )	852	675	575	—*
Loan receivables ( <i>Note 14</i> )	985,967	844,460	913,815	948,159
Deposits and other receivables ( <i>Note 15</i> )	2,389	4,522	6,475	4,481
	<u>1,232,167</u>	<u>1,253,523</u>	<u>1,035,858</u>	<u>989,756</u>
<b>Financial liabilities at amortized cost</b>				
Amount due to the ultimate holding company ( <i>Note 26</i> )	—	30	84	97
Amount due to the immediate holding company ( <i>Note 26</i> )	250,759	262,948	10,500	10,500
Amounts due to fellow subsidiaries ( <i>Note 26</i> )	37,177	9,631	—	68,514
Amounts due to other related parties ( <i>Note 26</i> )	35,657	33,292	28,486	26,452
Accruals and other payables ( <i>Note 21</i> )	1,703	1,615	4,678	4,034
Bank borrowings ( <i>Note 22</i> )	329,248	328,103	303,095	265,392
Lease liabilities ( <i>Note 23</i> )	4,463	20,620	19,122	14,064
	<u>659,007</u>	<u>656,239</u>	<u>365,965</u>	<u>389,053</u>

\* Below HK\$1,000

### 14 LOAN RECEIVABLES

	As at December 31,			As at May 31,
	2020	2021	2022	2023
	HK\$'000			
<b>Loan receivables</b>				
— 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	—	—
	<u>1,094,575</u>	<u>946,126</u>	<u>1,018,816</u>	<u>1,056,275</u>
Less: Provision for impairment	<u>(108,608)</u>	<u>(101,666)</u>	<u>(105,001)</u>	<u>(108,116)</u>
	<u>985,967</u>	<u>844,460</u>	<u>913,815</u>	<u>948,159</u>
Expected loss rates	<u>9.9%</u>	<u>10.8%</u>	<u>10.3%</u>	<u>10.2%</u>

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			
<b>Unsecured property owner loans</b>				
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
	<u>713,357</u>	<u>634,918</u>	<u>729,960</u>	<u>737,824</u>
<b>Unsecured personal loans</b>				
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
	<u>320,155</u>	<u>259,680</u>	<u>234,553</u>	<u>261,491</u>
<b>SME loans</b>				
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
	<u>58,668</u>	<u>49,592</u>	<u>54,303</u>	<u>56,960</u>

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			
<b>Unsecured property owner loans</b>				
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
	<u>713,357</u>	<u>634,918</u>	<u>729,960</u>	<u>737,824</u>
<b>Unsecured personal loans</b>				
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
	<u>320,155</u>	<u>259,680</u>	<u>234,553</u>	<u>261,491</u>
<b>SME loans</b>				
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
	<u>58,668</u>	<u>49,592</u>	<u>54,303</u>	<u>56,960</u>

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 listing expenses	—	—	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	—	—
	<u>2,844</u>	<u>5,605</u>	<u>12,132</u>	<u>12,343</u>	<u>3,803</u>	<u>5,605</u>

The listing expenses are incurred in connection with the listing of the Company and will be deducted from equity upon listing 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 HK\$'000	Provisions HK\$'000	Total 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	<u>364</u>	<u>183</u>	<u>156</u>	<u>123</u>

## 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)	<u>10,000</u>	<u>1</u>

- (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 ( <i>Note</i> )	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 listing expenses	—	—	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 the five months ended 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
	<u>329,248</u>	<u>328,103</u>	<u>303,095</u>	<u>265,392</u>

#### 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:

- Unlimited joint guarantees provided by the Controlling Shareholders and certain related parties of the Group;
- A floating charge against all assets duly executed by K Cash Express; and
- 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 listing of the Company.

## 23 LEASE

### (a) Amounts recognized in the consolidated balance sheets

The consolidated balance sheets show the following amounts relating to leases:

	As at December 31,			As at May 31,
	2020	2021	2022	2023
	HK\$'000			
<b>Right-of-use assets</b>				
Properties	3,349	19,578	18,083	14,201
Office equipment	793	588	878	798
	<u>4,142</u>	<u>20,166</u>	<u>18,961</u>	<u>14,999</u>
<b>Lease liabilities</b>	<u>4,463</u>	<u>20,620</u>	<u>19,122</u>	<u>14,064</u>

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)	
<b>Depreciation of right-of-use assets:</b>					
Properties	4,104	8,097	12,130	4,853	3,142
Office equipment	216	204	185	72	80
	<u>4,320</u>	<u>8,301</u>	<u>12,315</u>	<u>4,925</u>	<u>3,222</u>
<b>Expenses related to short-term lease (included in general and administrative expenses) (Note 6)</b>	5,303	4,263	2,921	1,144	2,088
<b>Interest expenses on lease liabilities (Note 9)</b>	<u>237</u>	<u>492</u>	<u>803</u>	<u>306</u>	<u>197</u>



**(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	<u>121,000</u>	<u>17,800</u>	<u>—</u>	<u>—</u>	<u>100,000</u>

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	<u>36,829</u>	<u>36,469</u>	<u>23,766</u>	<u>9,578</u>	<u>9,859</u>
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	<u>(27)</u>	<u>52</u>	<u>3,707</u>	<u>4,154</u>	<u>2,381</u>
Cash generated from operations	<u>227,311</u>	<u>276,058</u>	<u>200,776</u>	<u>74,164</u>	<u>10,081</u>

(b) The reconciliation of net debt arising from financing activities is as follow:

	Lease liabilities (Note 23)	Bank borrowings (Note 22)	Amount due to the ultimate holding company (Note 26)	Amount due to the immediate holding company (Note 26)	Amounts due to fellow subsidiaries (Note 26)	Amounts due to other related parties (Note 26)	Total
				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 (Note 23)	Bank borrowings (Note 22)	Amount due to the ultimate holding company (Note 26)	Amount due to the immediate holding company (Note 26)	Amounts due to fellow subsidiaries (Note 26)	Amounts due to other related parties (Note 26)	Total
	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 ( <i>Note 12</i> )	16	24	315	8	360
Loss on disposal of property, plant and equipment ( <i>Note 5(b)</i> )	(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:

<u>Related parties</u>	<u>Relationship with the Group</u>
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			
<b>Amounts due from fellow subsidiaries:</b>				
— 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	—
	<u>213,435</u>	<u>374,649</u>	<u>90,224</u>	<u>1,710</u>
<b>Amounts due from other related parties:</b>				
— 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
	<u>338</u>	<u>272</u>	<u>638</u>	<u>950</u>
<b>Amount due from a director:</b>				
— Ms. Kan Pui Yan	852	675	575	—
— Mr. Lee Kun Tai, Steven	—	—	—	—*
	<u>852</u>	<u>675</u>	<u>575</u>	<u>—*</u>
<b>Amount due to the ultimate holding company:</b>				
— Konew Group Limited	—	(30)	(84)	(97)
<b>Amount due to the immediate holding company:</b>				
— Konew Fintech Corporation Limited	(250,759)	(262,948)	(10,500)	(10,500)
<b>Amounts due to fellow subsidiaries:</b>				
— 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)
	<u>(37,177)</u>	<u>(9,631)</u>	<u>—</u>	<u>(68,514)</u>

\* Below HK\$1,000

	As at December 31,			As at May 31,
	2020	2021	2022	2023
	HK\$'000			
<b>Amounts due to other related parties:</b>				
— Big Development Asset Management Limited	(35,627)	(32,931)	(27,416)	(26,452)
— AQ Communications Limited	—	(360)	(1,070)	—
— Moneysq Limited	(30)	(1)	—	—
	<u>(35,657)</u>	<u>(33,292)</u>	<u>(28,486)</u>	<u>(26,452)</u>

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 listing of the Company. These balances are non-trade in nature.

The Company	As at December 31, 2022	As at May 31, 2023
	HK\$'000	
<b>Amount due to a subsidiary</b>		
— K Cash Limited	<u>6,511</u>	<u>21,296</u>

*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)				
<b>Rental income received from fellow subsidiaries (Note 5(b))</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
<b>Rental income received from a related party (Note 5(b))</b>					
— Moneysq Limited	51	52	30	22	—
— smartME Corporation Limited	—	—	—	—	952
<b>Expenses related to short term leases paid to fellow subsidiaries (Note 6)</b>					
— 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)	—	—	—	—
<b>Referral fee paid to a fellow subsidiary</b>					
— Konew Credit Corporation Limited	(39)	—	—	—	—
<b>Service fee paid to a related party</b>					
— Trustme Chain Corporation Limited	—	(27)	—	—	—
<b>Expenses related to short term leases paid to a related party (Note 6)</b>					
— Fold Time Industries Limited	(2,033)	(1,686)	(1,426)	(703)	—
— Moneysq Limited	—	—	—	—	(1,398)
<b>Loan interest paid to the immediate holding company (Note 9)</b>					
— Konew Fintech Corporation Limited	(7,172)	(14,475)	(73)	(73)	—
<b>Loan interest paid to a fellow subsidiary (Note 9)</b>					
— Konew Credit Corporation Limited	(7,094)	—	—	—	—
<b>Loan interest paid to a related party (Note 9)</b>					
— Big Development Asset Management Limited	(2,237)	(2,087)	(2,224)	(900)	(919)
<b>Advertising agency fee paid to a related party (Note 6)</b>					
— AQ Communications Limited	(2,367)	(1,744)	(990)	(474)	(334)
<b>Collection agency fee paid to a related party (Note 6)</b>					
— Modern Creative (HK) Limited	(1,523)	(738)	(989)	(672)	(22)
<b>IT services fee paid to a fellow subsidiary (Note 6)</b>					
— 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.



羅兵咸永道

## INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of K Cash Corporation Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of K Cash Corporation Limited (the “Company”) and its subsidiaries (collectively the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at May 31, 2023, and related notes (the “Unaudited Pro Forma Financial Information”) as set out on pages II-1 to II-2 of the Company’s prospectus dated November 27, 2023, in connection with the proposed initial public offering of the shares of the Company (the “Prospectus”). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2 of the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed initial public offering on the Group’s financial position as at May 31, 2023 as if the proposed initial public offering had taken place at May 31, 2023. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s financial information for the five months ended May 31, 2023, on which an accountant’s report has been published.

### **Directors’ Responsibility for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7, *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* (“AG 7”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

### **Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control (HKSQC) 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, issued by the HKICPA and accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountant's Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at May 31, 2023 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.




羅兵咸永道

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) or standards and practices of any professional body in any other overseas jurisdiction and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

#### Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

  
PricewaterhouseCoopers  
Certified Public Accountants  
Hong Kong, November 27, 2023