
SUMMARY

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

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

OVERVIEW

We are a leading licensed money lender in Hong Kong focusing on providing unsecured loans through fintech while offering a convenient customer experience. Our mission is to empower digital finance and make unsecured money lending accessible to anyone who lacks access to traditional mainstream credit products in Hong Kong.

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

We believe that traditional lending process are cumbersome, inaccessible and heavily reliant on traditional credit assessment that focuses solely on an individual borrower’s credit history. However, in today’s connected world, where information exchange is seamless, we believe that traditional money lender businesses are struggling to keep pace with the speed of technological advancements in a digitalized world, resulting in the need for smart lending businesses supported by fintech applications.

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

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

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

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

SUMMARY

Our business is built on fintech and deep industry expertise in Hong Kong’s licensed money lending market and risk management. We provide a range of unsecured loans to borrowers who have been underserved by authorized institutions. We implement a robust credit risk management methodology to control our credit risk exposure throughout the loan cycle of our loan products.

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

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

OUR COMPETITIVE STRENGTHS

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

- We are a leading fintech operating licensed money lender in Hong Kong.
- We provide efficient and competitively priced money lending services through our fintech capabilities.
- We possess robust credit risk management capability enhanced by technology and industry experience.
- We deploy our online plus offline lending platform effectively and set up branches strategically, adopt diverse and effective marketing measures to more efficiently focus on our target customers.
- We have a dedicated and experienced management and fintech team.

OUR BUSINESS STRATEGIES

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

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

SUMMARY

[REDACTED]

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

- approximately [REDACTED] or approximately HK\$[REDACTED] million, will be used to enrich our fintech capabilities;
- approximately [REDACTED] or approximately HK\$[REDACTED] million, will be used to expand our loan portfolio; and
- not more than [REDACTED] or approximately HK\$[REDACTED] million, will be used for general working capital and general corporate purposes.

For details, see “Future Plans and [REDACTED]”.

RISK FACTORS

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

- We are exposed to credit risks of our customers who may default on their loans.
- If we fail to promote our financial technology-based services to a satisfactory level of market acceptance, or if we fail to continuously enhance our technologies at a competitive pace, we may lose certain businesses and not be able to recover our investment on adopting relevant technologies.
- If the credit or other information of a prospective borrower we receive from other parties is inaccurate or unreliable, the accuracy or effectiveness of our credit assessment and risk-based pricing may be compromised.
- If we fail to control our credit risk exposure, our bad debt ratio may increase, and our business and results of operations may be adversely affected.
- We are in a highly competitive industry. If we are not able to compete effectively, it could impact our profitability.
- Our provision for expected credit losses may not be adequate to cover actual credit losses.
- Our future expansion plans are subject to uncertainties and risks.
- We may not be able to obtain sufficient funding on terms acceptable to us to finance our operation; we may not be able to comply with covenants in our borrowings, and our lenders may request loan repayment without prior notice.

SUMMARY

OUR CONTROLLING SHAREHOLDERS

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

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

KEY OPERATIONAL DATA

Loan Receivables

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

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

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

SUMMARY

Interest Income

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

Loan Product ⁽¹⁾	Year ended December 31,					
	2020		2021		2022	
	HK\$'million	%	HK\$'million	%	HK\$'million	%
Unsecured Property Owner Loans	186.6	61.3	169.6	62.8	146.8	62.7
– HOS Property	176.7	58.1	161.3	59.7	140.1	59.9
– Private Property	9.9	3.2	8.3	3.1	6.7	2.8
Personal Loans	106.4	35.0	87.1	32.2	74.6	31.9
SME Loans	10.5	3.4	12.9	4.8	12.1	5.2
Total	304.3	100.0	270.1	100.0	234.0	100.0

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

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

Net Interest Margin

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

Loan Product ⁽¹⁾	Year ended December 31,		
	2020	2021	2022
Unsecured Property Owner Loans	22.8%	21.6%	21.6%
Personal Loans	26.6%	26.5%	27.9%
SME Loans	18.2%	20.3%	20.7%
Overall	23.8%	22.9%	23.3%

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

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

SUMMARY

Bad Debt Ratio

We classify certain loan receivables as bad debt when they have become irrecoverable. Our bad debt ratio is calculated by dividing the amount of bad debt by the aggregate amount of loan receivables and such bad debt as of the relevant year-end dates. The table below sets forth the bad debt ratio of for each of our loan products during the Track Record Period:

Loan Product ⁽¹⁾	As of December 31,		
	2020	2021	2022
Unsecured Property Owner Loans	0.6%	0.5%	0.3%
– HOS property	0.6%	0.4%	0.3%
– Private property	1.4%	1.1%	0.1%
Personal Loans	12.8%	15.4%	12.7%
SME Loans	–	1.7%	7.3%
Overall	4.5%	5.1%	3.8%

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

On December 31, 2022, we acquired a loan portfolio from the Excluded Group at carrying amount of approximately HK\$150.1 million.

SUMMARY OF FINANCIAL INFORMATION

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

Combined statements of comprehensive income

	Year ended December 31,		
	2020	2021	2022
	(HK\$'million)		
Interest income	304.3	270.1	234.0
Interest expenses	(36.6)	(36.0)	(23.0)
Net interest income	267.7	234.1	211.0
Other income	5.7	3.9	10.1
Other (losses)/gains, net	(0.3)	0.2	(0.2)
Selling expenses	(39.9)	(35.1)	(34.4)
General and administrative expenses	(57.7)	(68.4)	(66.1)
Expected credit losses, net	(69.7)	(41.9)	(37.7)
Operating profit	105.8	92.8	82.7
Other finance cost	(0.3)	(0.5)	(0.8)
Profit before income tax	105.5	92.3	81.9
Income tax expenses	(14.5)	(15.2)	(14.0)
Profit and total comprehensive income for the year	91.0	77.1	67.9

SUMMARY

Combined Balance Sheets

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

	As of December 31,		
	2020	2021	2022
	(HK\$'million)		
ASSETS			
Cash and cash equivalents	29.2	28.9	24.1
Amounts due from fellow subsidiaries	213.4	374.6	90.2
Amounts due from related parties	0.3	0.3	0.6
Amount due from a director	0.9	0.7	0.6
Loan receivables	986.0	844.5	913.8
Prepayments, deposits and other receivables	2.8	5.6	12.1
Reposessed assets	4.2	6.6	5.8
Income tax recoverable	–	6.1	0.1
Deferred income tax assets	17.8	16.9	17.4
Property, plant and equipment	6.3	4.7	3.6
Right-of-use assets	4.2	20.2	19.0
Total assets	1,265.1	1,309.1	1,087.3
EQUITY			
Equity attributable to the owners of the Company			
Combined capital	20.0	20.0	20.0
Retained earnings	573.4	632.7	700.5
Total equity	593.4	652.7	720.5
LIABILITIES			
Amount due to the ultimate holding company	–	0.0	0.0
Amount due to the immediate holding company	250.8	263.0	10.5
Amounts due to fellow subsidiaries	37.2	9.6	–
Amounts due to related parties	35.6	33.3	28.5
Accruals and other payables	1.7	1.8	5.6
Income tax payable	12.7	–	–
Bank borrowings	329.2	328.1	303.1
Lease liabilities	4.5	20.6	19.1
Total liabilities	671.7	656.4	366.8
Total equity and liabilities	1,265.1	1,309.1	1,087.3

SUMMARY

Combined statements of cash flow

	Year ended December 31,		
	2020	2021	2022
	(HK\$'million)		
Cash flows from operating activities			
Cash generated from operations	227.3	276.1	200.8
Interest paid	(36.6)	(36.0)	(23.0)
Income tax paid	(26.2)	(33.1)	(8.6)
Net cash generated from operating activities	164.5	207.0	169.3
Net cash used in investing activities	(316.4)	(162.0)	(111.4)
Net cash generated from/(used in) financing activities	160.3	(45.3)	(62.7)
Net increase/(decrease) in cash and cash equivalents	8.4	(0.3)	(4.8)
Cash and cash equivalents at the beginning of year	20.8	29.2	28.9
Cash and cash equivalents at the end of year	29.2	28.9	24.1

SELECTED FINANCIAL RATIOS

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

	As of or year ended December 31,		
	2020	2021	2022
Gearing ratio ⁽¹⁾	1.06	0.96	0.47
Return on Assets ⁽²⁾	7.2%	5.9%	6.2%
Return on Equity ⁽³⁾	15.3%	11.8%	9.4%
Interest coverage ratio ⁽⁴⁾	3.9 times	3.6 times	4.6 times

- (1) Gearing ratio is calculated by dividing net debts (being total interest bearing debts including borrowings, amounts due to the ultimate holding company, the immediate holding company and related parties and lease liabilities less cash and cash equivalents) by total equity as of the respective year-end dates.
- (2) Return on assets is calculated by dividing net profit for the year by total assets as of the respective year-end dates.
- (3) Return on equity is calculated by dividing net profit for the year by total equity as of the respective year-end dates.
- (4) Interest coverage ratio is calculated by dividing profit before tax and interest (excluding interest expenses on lease liabilities) by the interest expenses for the corresponding year.

RECENT DEVELOPMENTS

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

Loan Participation Scheme

As of the Latest Practicable Date, we are negotiating with a subsidiary of a Japanese financial institution to establish a loan participation scheme. Under the proposed loan participation scheme, we will act as a grantor and our partner acts as the sole participant who participate in loans granted by us, and they are entitled to a certain portion of economic interest under the participation arrangement so that we

SUMMARY

are able to utilize the capital contribution of our partner, to provide loans as the sole lender to grant loan to borrowers. Our business partner could participate in our loans which have and receive certain extent of interest income based on the participation arrangement. We believe we can leverage this opportunity to expand our business and to diversify our risk exposure.

Collaboration of blockchain technology platform with River Square

In February 2023, we entered into a platform collaboration agreement with River Square Company Limited (“**River Square**”), a subsidiary wholly owned by the leading conglomerate in Hong Kong, whereby we will join the Riverchain, a blockchain platform built by River Square. We are the first licensed money lender invited to join this blockchain platform.

The Riverchain is expected to be in operation in the first half of 2023. Through this platform, we would be able to review certain information and documents of the subcontractors necessary for our loan approval purpose, facilitating financial inclusion through supply chain financing. In addition, the Riverchain can decentralize certain subcontractors’ data by use of blockchain technology and make the data storage more secure. The platform facilitates our access to subcontractors’ information and documents, which provides the background information for us to conduct our own comprehensive credit analysis to evaluate the creditworthiness of these subcontractors and monitor their financial status. Hence, we believe that the Riverchain will help us target more subcontractors for property development projects which are more capital intensive and grow our SME Loan portfolio in the long run.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since December 31, 2022, being the latest period reported on in the Accountant’s Report, and there has been no event since December 31, 2022 that would materially affect the information shown in the Accountant’s Report set out in Appendix I.

[REDACTED] STATISTICS

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

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

(2) See “Appendix II — [REDACTED] Forma Financial Information — [REDACTED] Forma Statement of Adjusted Combined Net Tangible Assets” for further details regarding the assumptions used and the calculations method.

DIVIDENDS

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

Following completion of the [REDACTED], our Shareholders will be entitled to receive dividends only when declared by our Board. The payment and amount of dividends declared by our Board will depend on our (i) overall results of operation; (ii) financial position; (iii) capital requirements; (iv) Shareholders’ interests; (v) prospects; and (vi) other factors which our Board deems relevant. We cannot

SUMMARY

assure our Shareholders that we will be able to declare or distribute dividends in any amount each year or in any year. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and Companies Act, including, among others, the approval of the Shareholders. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

[REDACTED]

The [REDACTED] primarily represent fees paid to professional parties for our [REDACTED]. Based on the mid-point [REDACTED] of HK\$[REDACTED] and assuming [REDACTED] not exercised, the total estimated [REDACTED] in relation to the [REDACTED] is HK\$[REDACTED] million including estimated [REDACTED] expenses of HK\$[REDACTED] million, and [REDACTED] expenses consisting of (i) estimated fees and expenses of legal advisor(s) and accountant(s) of HK\$[16.0] million, (ii) estimated other fees and expenses of HK\$[15.7] million, and (iii) miscellaneous fees of HK\$0.8 million. During the Track Record Period, [REDACTED] of HK\$[REDACTED] million were incurred of which HK\$5.3 million were charged to our combined statement of comprehensive income and HK\$1.8 million were recognized to our combined balance sheet. We estimate that we will further incur [REDACTED] of HK\$[REDACTED] million of which HK\$[REDACTED] million will be charged to our combined statement of comprehensive income and HK\$[REDACTED] million, which mainly includes [REDACTED], is expected to be accounted for as a deduction from equity upon the completion of [REDACTED] and the [REDACTED].

IMPACT OF OUTBREAK OF COVID-19 ON OUR BUSINESS

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

In addition to the above, we also implemented certain other measures in response to the COVID-19 outbreak during the Track Record Period. For example, to comply with the Hong Kong Government’s regulations on the prevention and control of COVID-19 (including prohibitions on gathering) imposed from time to time, we were required to shorten our operating hours, which affected our on-site loan application and credit approval process. We continued to apply our IDCM risk-based pricing model while being highly cautious of loan applications from applicants involved in industries affected by COVID-19 outbreak. On the other hand, we put more emphasis on alternative data such as payroll method and consumption habits, in addition to attributes generated by external credit reference agency.

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

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