



香港信貸
Hong Kong Finance

香港信貸集團有限公司
Hong Kong Finance Group Limited
(Incorporated in the Cayman Islands with limited liability) Stock code: 1273



Share Offer

Sole Sponsor & Sole Bookrunner



ASIAN CAPITAL

(CORPORATE FINANCE) LIMITED

卓亞(企業融資)有限公司

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.



HONG KONG FINANCE GROUP LIMITED 香港信貸集團有限公司

(Incorporated in the Cayman Islands with limited liability)

SHARE OFFER

Number of Offer Shares	: 100,000,000 Shares (subject to the Offer Size Adjustment Option)
Number of Public Offer Shares	: 10,000,000 Shares (subject to adjustment)
Number of Placing Shares	: 90,000,000 Shares (subject to adjustment and the Offer Size Adjustment Option)
Offer Price	: Not more than HK\$1.03 per Offer Share and expected to be not less than HK\$0.85 per Offer Share, plus brokerage fee of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	: HK\$0.01 per Share
Stock code	: 1273

Sole Sponsor and Sole Bookrunner



Joint Lead Managers



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents delivered to the Registrar of Companies in Hong Kong" in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The SFC and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be fixed by agreement between the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Tuesday, 24 September 2013. The Offer Price will be not more than HK\$1.03 and is currently expected to be not less than HK\$0.85 unless otherwise announced. Investors applying for Public Offer Shares must pay, on application, the maximum indicative Offer Price of HK\$1.03 for each Offer Share together with brokerage fee of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%.

The Sole Bookrunner, for itself and on behalf of the Underwriters, may, with the consent of our Company, reduce the indicative Offer Price range and/or the number of Offer Shares below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such a case, announcement of the reduction in the number of Offer Shares and/or the indicative Offer Price range will be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and on our Company's website at www.hkfinance.hk and the website of the Stock Exchange at www.hkexnews.hk not later than the morning of the day which is the last day for lodging applications under the Public Offer.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk factors" in this prospectus.

The obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Offer Shares, are subject to termination by the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) if certain circumstances or grounds arise prior to 8:00 a.m. on the day that trading in the Shares commences on the Stock Exchange. Such circumstances are set out in the section headed "Underwriting – Grounds for termination" in this prospectus. It is important that you carefully read that section before making any investment.

No information on any website forms part of this prospectus.

17 September 2013

EXPECTED TIMETABLE

If there is any change in the following expected timetable, our Company will issue an announcement to be published in English in the South China Morning Post and in Chinese in the Hong Kong Economic Times.

Date⁽¹⁾

2013

Application lists open⁽²⁾ 11:45 a.m. Monday, 23 September

Latest time for lodging **WHITE** Application Forms
and **YELLOW** Application Forms 12:00 noon on Monday, 23 September

Application lists close⁽²⁾ 12:00 noon on Monday, 23 September

Expected Price Determination Date⁽³⁾ on or around Tuesday, 24 September

Announcement of the Offer Price, the indication
of the levels of interest in the Placing,
the levels in the applications of the Public Offer
and the basis of allotment of the Public Offer Shares
to be published in the South China Morning Post
(in English) and the Hong Kong Economic Times
(in Chinese) and on our Company's website
at www.hkfinance.hk and the website of
the Stock Exchange at www.hkexnews.hk on or before Monday, 30 September

Hong Kong Identity Card/passport/Hong Kong business
registration numbers of successful applicants (where
applicable) will be made available through a variety of
channels as described in the section headed "How to
apply for Public Offer Shares – Results
of allocations" in this prospectus on Monday, 30 September

Results of allocations in the Public Offer will be
available at www.tricor.com.hk/ipo/result
with a "search by ID" function Monday, 30 September

Despatch of Share certificates in respect of wholly or
partially successful applications pursuant to the
Public Offer⁽⁵⁾ on or before Monday, 30 September

Despatch of refund cheques in respect of wholly and
partially successful (if applicable) and wholly or
partially unsuccessful applications pursuant to the
Public Offer^(4 and 5) on or before Monday, 30 September

Listing Date Wednesday, 2 October

EXPECTED TIMETABLE

Notes:

1. All times refer to Hong Kong local time. Details of the structure of the Share Offer, including its conditions, are set out in the section headed “Structure and conditions of the Share Offer” in this prospectus.
2. If there is a “black” rainstorm warning or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 23 September 2013, the application lists will not open and close on that day. Further information is set out in the section headed “How to apply for Public Offer Shares – Effect of bad weather conditions on the opening of the application lists” in this prospectus.
3. Please note that the Price Determination Date, being the date on which the final Offer Price is to be determined, is expected to be on or around Tuesday, 24 September 2013. Notwithstanding that the Offer Price may be fixed at below the maximum indicative Offer Price of HK\$1.03 per Offer Share, applicants who apply for the Public Offer Shares must pay on application the maximum indicative Offer Price of HK\$1.03 per Offer Share plus brokerage fee of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% but will be refunded the surplus application monies as provided in the section headed “How to apply for Public Offer Shares – Refund of application monies” in this prospectus.
4. Refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of successful applications if the Offer Price as finally determined is less than the price payable on application. Refund by cheque(s) will be made out to you, or if you are joint applicants, to the first-named applicant on your Application Form. Part of your Hong Kong Identity Card number/passport number, or, if you are joint applicants, part of the Hong Kong Identity Card number/passport number of the first-named applicant provided by you may be printed on your refund cheque, if any. Such data may also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong Identity Card number/passport number before encashment of your refund cheque, if any. Inaccurate completion of your Hong Kong Identity Card number/passport number may lead to a delay in encashment of, or may invalidate, your refund cheque.
5. Applicants who apply on **WHITE** Application Forms for 1,000,000 Public Offer Shares or more under the Public Offer and have indicated in their Application Forms that they wish to collect refund cheques and (where applicable) Share certificates in person from the Hong Kong Branch Share Registrar may collect refund cheques and (where applicable) Share certificates in person from the Hong Kong Branch Share Registrar from 9:00 a.m. to 1:00 p.m. on Monday, 30 September 2013. Identification and (where applicable) authorisation documents acceptable to the Hong Kong Branch Share Registrar must be produced at the time of collection.

Applicants who apply on **YELLOW** Application Forms for 1,000,000 Public Offer Shares or more under the Public Offer and have indicated in their Application Forms that they wish to collect refund cheques in person may collect their refund cheques (if any) but may not elect to collect their Share certificates, which will be deposited into CCASS for credit to their designated CCASS Participants’ stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedure for collection of refund cheques for applicants who apply on **YELLOW** Application Forms is the same as that for **WHITE** Application Form applicants.

Uncollected Share certificates (where applicable) and refund cheques will be despatched by ordinary post (at the applicants’ own risk) to the addresses specified in the relevant Application Forms. Further information is set out in the section headed “How to apply for Public Offer Shares – Despatch/Collection of share certificates and refund monies” in this prospectus.

Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. (Hong Kong time) on the Listing Date provided that (i) the Share Offer has become unconditional and (ii) the right of termination as described in the section headed “Underwriting – Grounds for termination” in this prospectus has not been exercised and has lapsed. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.

CONTENTS

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Our Company has not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by our Company, the Sole Bookrunner, the Underwriters, the Sole Sponsor, any of their respective directors, employees, agents or professional advisers or any other person or party involved in the Share Offer.

	<i>Page</i>
Expected timetable	i
Contents	iii
Summary	1
Definitions	12
Glossary of technical terms	23
Forward-looking statements	24
Risk factors	25
Information about this prospectus and the Share Offer	34
Directors and parties involved in the Share Offer	37
Corporate information	40
Industry overview	42
Regulatory overview	56
History and development	70
Corporate structure and corporate reorganisation	74
Business	77
Relationship with the Controlling Shareholders	122
Notifiable transactions	131
Directors, senior management and employees	133
Share capital	143
Substantial Shareholders	146
Financial information	147
Future plans and use of proceeds	186
Underwriting	188
Structure and conditions of the Share Offer	199
How to apply for Public Offer Shares	208

CONTENTS

Appendix I	- Accountant's report	I-1
Appendix II	- Unaudited pro forma financial information	II-1
Appendix III	- Property valuation report	III-1
Appendix IV	- Summary of the constitution of the Company and Cayman Islands Company Law	IV-1
Appendix V	- Statutory and general information	V-1
Appendix VI	- Documents delivered to the Registrar of Companies and available for inspection	VI-1

SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OUR BUSINESS OVERVIEW

We are a money lending service provider operating through our principal operating subsidiary, HK Finance, which is a licensed money lender that focuses on providing loans secured by property mortgages to individual and corporate customers. These property mortgage loans are primarily short-term loans with a tenure within one year which contributed over 85% of our revenue during the Track Record Period. According to Euromonitor International, we ranked tenth in the licensed money lending industry in Hong Kong and had market share of 1.2% in terms of the estimated total amount of loan receivables for the year 2012.

Our Group was established and controlled by the Chan brothers, Mr. K.N. Chan and Mr. W. Chan, both of whom are executive Directors. Each of the Chan brothers has over fifteen years of experience in money lending business.

OUR PRINCIPAL BUSINESS ACTIVITIES

We focus on providing to our customers property mortgage loans which include first property mortgage loans and subordinate property mortgage loans. Our loans are secured against real estate properties provided by our customers. These collated properties are diversified, and include residential properties, commercial properties and industrial properties, car parks, tenement houses, village houses and shops. The amount of loan that we lend to a particular customer depends largely on the value of the underlying property collateral, which is assessed based on the valuation by professional valuation firms. As a matter of our loan policy, we usually provide short-term loans with a tenure within one year. For first property mortgage loan, the loan amount we grant to a customer normally does not exceed 70% of the assessed value of the relevant property collateral. For subordinate property mortgage loan, the loan amount that we lend normally does not exceed the difference between 70% of the assessed value of the property collateral and the total amount of all the existing prior mortgage loans attached to that property collateral. Nevertheless, we may also grant loans with longer terms or higher percentage of the assessed value of the property collateral if we are satisfied with our assessment of the relevant risks upon their request.

SUMMARY

We charge interest on our property mortgage loans to customers which is our key source of revenue. Our effective interest rate is determined on the basis of a number of factors including our funding costs and risk assessments. Risk assessments normally include past credit records of the customer(s) with our Group, the value of the collateral(s) provided by the customer(s) as well as market conditions. During the Track Record Period, we had no bad debts.

We market our mortgage loan services by placing advertisements on media and billboards on buses, direct mails and engagement of spokesperson. We have put in place loan approval procedures which are followed by our loan officers. Under these procedures, our customers are able to obtain approvals to their loan application within the same day and can draw down their loans on a timely basis. We can also provide loans on terms that are tailor-made to our customers to meet their financial needs. Apart from credit risk, we have established procedures to manage operational risk, market risk, liquidity risk as well as regulatory risk.

OUR CUSTOMERS

We serve both individual and corporate customers. Out of our loan portfolio as at 31 March 2011, 2012 and 2013, approximately 65.7%, 54.2% and 50.6% respectively were individual customers and approximately 34.3%, 45.8% and 49.4% respectively were corporate customers. For each of the financial years ended 31 March 2011, 2012 and 2013, our top five customers (by interest income generated) accounted for approximately 26.0%, 30.3% and 31.7% of our total revenue respectively; and for the same period, our single largest customer accounted for approximately 8.4%, 8.8% and 9.2% of our total revenue respectively. During the Track Record Period and as at the Latest Practicable Date, all of our customers are Independent Third Parties.

OUR COMPETITIVE STRENGTHS

- We have an experienced management team
- We are able to provide property mortgage loans to customers to meet their financial needs on simple security requirements and quick approval procedures
- We have built up a diverse and sizable base of customers
- We provide efficient and convenient money lending services to cater for the needs of different customers
- We assign a designated loan officer to each customer
- Our pricing is reasonable and we do not load our customers with any extra administrative fees
- We have relatively low credit risk and are specialised in providing loans secured by property mortgages

SUMMARY

OUR BUSINESS STRATEGIES

We intend to intensify our strength and success in the money lending business to become an industry leader. We plan to achieve our objectives with the following strategies:

- we will increase our customer base by expanding our loan portfolio and business operations; and
- we will intensify marketing activities to promote our brand name and mortgage loan services.

SUMMARY OF FINANCIAL INFORMATION

The tables set forth below highlights our audited combined financial information for the years ended 31 March 2011, 2012 and 2013, which should be read in conjunction with our audited combined financial information, including the accompanying notes as set out in the Accountant's Report included in Appendix I to this prospectus.

Highlights of combined statements of comprehensive income

	Year ended 31 March		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Revenue	34,749	57,166	66,420
Other income	2,608	2,386	2,032
Fair value gains on revaluation of investment properties	11,508	6,629	7,950
Profit before income tax	34,932	39,791	42,366
Profit and total comprehensive income for the year	31,138	33,822	35,814

Reconciliation:

	Year ended 31 March		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Profit and total comprehensive income for the year	31,138	33,822	35,814
Less: Fair value gains on revaluation of properties	11,508	6,629	7,950
Adjusted profit and total comprehensive income for the year (unaudited) (Note)	19,630	27,193	27,864

Note: The adjusted profit and total comprehensive income is a not a financial measure under HKFRSs and refers to profit and total comprehensive income adjusted to exclude the fair value gains on revaluation of investment properties. The adjusted profit and total comprehensive income should not be considered in isolation or construed as alternatives to profit and total comprehensive income.

SUMMARY

Highlights of combined statements of financial position

	As at 31 March		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Current assets	220,296	283,047	309,782
Current liabilities	269,916	246,784	214,165
Net current (liabilities)/assets	(49,620)	36,263	95,617
Non-current assets	148,233	146,201	153,588
Non-current liabilities	3,896	3,915	3,832
Net assets	94,717	178,549	245,373

Highlights of combined statements of cash flows

	Year ended 31 March		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Net cash used in operating activities	(30,524)	(2,181)	(13,772)
Net cash (used in)/generated from investing activities	(776)	2,776	(1,142)
Net cash generated/(used in) from financing activities	31,501	(838)	17,192
Net increase/(decrease) in cash and cash equivalents	201	(243)	2,278
Cash and cash equivalents at beginning of the year	315	516	273
Cash and cash equivalents at end of the year	<u>516</u>	<u>273</u>	<u>2,551</u>

SUMMARY

Revenue – Interest income from property mortgage loans by loan types and customer groups

	Year ended 31 March					
	2011		2012		2013	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
First property mortgage loans						
Individual customers	11,536	33.2	15,920	27.8	15,967	24.0
Corporate customers	4,783	13.8	3,568	6.3	7,642	11.5
	<u>16,319</u>	<u>47.0</u>	<u>19,488</u>	<u>34.1</u>	<u>23,609</u>	<u>35.5</u>
Subordinate property mortgage loans						
Individual customers	8,230	23.7	15,692	27.5	17,334	26.1
Corporate customers	10,200	29.3	21,986	38.4	25,477	38.4
	<u>18,430</u>	<u>53.0</u>	<u>37,678</u>	<u>65.9</u>	<u>42,811</u>	<u>64.5</u>
	<u><u>34,749</u></u>	<u><u>100.0</u></u>	<u><u>57,166</u></u>	<u><u>100.0</u></u>	<u><u>66,420</u></u>	<u><u>100.0</u></u>

Interest income from property mortgage loans is our key source of revenue. Our interest income from property mortgage loans amounted to HK\$34.7 million, HK\$57.2 million and HK\$66.4 million respectively for the years ended 31 March 2011, 2012 and 2013. The increase of interest income for property mortgage loans for the year ended 31 March 2011 to 2012 was primarily attributable to the aggregate effect of the increase of average month-end balance of mortgage loans receivables and the increase of effective interest rates for property mortgage loans. The increase of interest income from property mortgage loans for the year ended 31 March 2012 to 2013 was mainly due to the increase of average month-end balance of mortgage loan receivables, partially offset by the slight decrease of average effective interest rates for property mortgage loans.

Source of funds and finance costs

During the Track Record Period, our Group's operations and capital requirements have been financed principally through retained earnings, loans or advances from our Controlling Shareholders and loans from Independent Third Party lenders. Since bank loans and overdrafts which funded our money lending business were accounted for as cash inflow under the financing activities while granting of property mortgage loan to our customers was accounted for as cash outflow under the operating activities pursuant to relevant accounting standards, our Group recorded operating cash outflows during the Track Record Period. As at the Latest Practicable Date, all of our owned properties are mortgaged to banks to obtain financing.

SUMMARY

For the years ended 31 March 2011, 2012 and 2013, our finance costs were HK\$5.6 million, HK\$11.0 million and HK\$9.5 million respectively.

The loans or advances provided by our Controlling Shareholders that remained outstanding as at 31 March 2013 amounting to HK\$15.7 million has been fully settled before the Latest Practicable Date. Based on our current and anticipated levels of operations, barring unforeseen market conditions, our future operations and capital requirements following the Listing will be financed through loans from banks or financial institutions that are Independent Third Parties, the net proceeds from the Share Offer, retained earnings and our share capital.

Net interest margin of our loan products

	Year ended 31 March		
	2011	2012	2013
First property mortgage loans	12.5%	13.1%	14.3%
Subordinate property mortgage loans	22.1%	23.5%	24.2%
Overall	16.5%	18.8%	19.6%

Note:

Net interest margin refers to the ratio of interest income net of finance costs to the average balance of corresponding property mortgage loan receivables at month end.

Our property interests

The Directors believe that the Group's property portfolio, being an integral part of our Group's core assets, serves two important purposes: namely, (i) providing security to banking institutions which provide a reliable source of funds to our lending business; and (ii) continuously allowing the management to have an adequate pulse of the movements of the property market which is a key underlying risk of our business. As at the Latest Practicable Date, our Group owns a total of six commercial or residential properties, which constitute a significant portion of our Group's assets.

For the years ended 31 March 2011, 2012 and 2013, we recognised fair value gains on revaluation of investment properties of HK\$11.5 million, HK\$6.6 million and HK\$8.0 million respectively, which reflected upward revaluation of the investment properties held by our Group.

Based on the valuation report prepared by our property valuer, Asset Appraisal Limited, the market value of the properties owned by our Group amounted to HK\$162.3 million as at 30 June 2013.

Administrative expenses

During the years ended 31 March 2011, 2012 and 2013, we incurred administrative expenses of HK\$8.3 million, HK\$15.3 million and HK\$24.6 million respectively. Our administrative expenses mainly comprised employee benefit expenses, advertising and

SUMMARY

marketing expenses, legal and professional fees, depreciation of property, plant and equipment, listing expenses and other administrative expenses. The increase of our administrative expenses was mainly due to the expansion of our money lending business during the Track Record Period, and the listing expenses recognised for the year ended 31 March 2013.

Estimated listing expenses

The listing expenditure primarily represents fees paid to professional parties for our Share Offer. The total listing expenditures are estimated to be HK\$18.0 million, of which HK\$7.3 million will be charged against the share premium account upon completion of the Listing. Approximately HK\$5.5 million of the listing expenditure was recognised as expense in the combined statements of comprehensive income for the year ended 31 March 2013. The remaining estimated listing expenditure of HK\$5.2 million will be recognised as expense in the combined statements of comprehensive income for the year ending 31 March 2014.

Key financial ratios

	As at 31 March		
	2011	2012	2013
Current ratio ⁽¹⁾	0.82	1.15	1.45
Gearing ratio ⁽²⁾	2.56	1.32	0.80
	For the year ended 31 March		
	2011	2012	2013
Return on total asset ratio ⁽³⁾	8.4%	7.9%	7.7%
Return on equity ratio ⁽⁴⁾	32.9%	18.9%	14.6%
Interest coverage ratio ⁽⁵⁾	5.2 times	4.0 times	4.6 times
Net profit margin ⁽⁶⁾	56.5%	47.6%	50.2%

Notes:

1. Current ratio is calculated by dividing current assets by current liabilities as at the respective year-end date.
2. Gearing ratio is calculated by dividing net debts (being the total interest-bearing loans including banks and other borrowings and amount due to a fellow subsidiary less cash and cash equivalents and pledged bank deposits) by total equity as at the respective year-end date.
3. Return on total assets ratio is calculated by dividing profit for the year by the total assets as at the respective year-end date.
4. Return on equity ratio is calculated by dividing profit for the year by the total equity as at the respective year-end date.
5. Interest coverage ratio is calculated by dividing profit before interest and tax (excluding fair value gains on revaluation of investment properties) by the finance costs for the corresponding year.
6. Net profit margin is calculated by dividing profit for the year (excluding fair value gains on revaluation of investment properties and listing expenses) by revenue for the corresponding year.

SUMMARY

SHARE OFFER STATISTICS

Offer Price per Offer Share	HK\$0.85 per Offer Share to HK\$1.03 per Offer Share
Market capitalisation at Listing	HK\$340 million (based on an Offer Price of HK\$0.85 per Offer Share) to HK\$412 million (based on an Offer Price of HK\$1.03 per Offer Share)
Unaudited pro forma adjusted net tangible assets per Share	HK\$0.80 (based on an Offer Price of HK\$0.85 per Offer Share) to HK\$0.84 (based on an Offer Price of HK\$1.03 per Offer Share)
Offer size	Initially 100,000,000 Offer Shares (excluding Shares to be offered pursuant to the exercise of the Offer Size Adjustment Option)
Offer Size Adjustment Option	Up to 15% of the number of Offer Shares initially being offered under the Share Offer
Use of proceeds (assuming the Offer Size Adjustment Option is not exercised and assuming an Offer Price of HK\$0.94 per Offer Share (being the mid-point of the indicative Offer Price range))	<p>Net proceeds of HK\$76.0 million to the Company from the Share Offer:</p> <ul style="list-style-type: none"> • approximately HK\$60.8 million, representing approximately 80.0% of the net proceeds, to reinforce and expand our market share to increase our customer base by expanding our mortgage loan portfolio by providing loans to existing customers and extending loans to new customers; • approximately HK\$7.6 million, representing approximately 10.0% of the net proceeds, to conduct marketing activities to improve public awareness of our Company's brand name and our image in Hong Kong; • approximately HK\$7.6 million, representing approximately 10.0% of the net proceeds, for general working capital and other general corporate purposes.

Notes:

1. The calculation of the market capitalisation of our Company is based on 400,000,000 Shares in issue immediately following the completion of the Share Offer but without taking into account any Shares which may be issued upon exercise of the Offer Size Adjustment Option or options which may be granted under the Share Option Scheme or any Share which may be allotted and issued or repurchased by our Company pursuant to the Issuing Mandate and Repurchase Mandate.
2. The unaudited pro forma adjusted net tangible assets per Share is arrived at after having made the adjustments set forth in Appendix II to this prospectus and on the basis that 400,000,000 Shares were in issue immediately following the completion of the Share Offer but without taking into account any Shares which may be issued upon exercise of the Offer Size Adjustment Option or options which may be granted under the Share Option Scheme or any Share which may be allotted and issued or repurchased by our Company pursuant to the Issuing Mandate and Repurchase Mandate.
3. For further details concerning the use of proceeds, please refer to the section headed "Future plans and use of proceeds" in this prospectus.

SUMMARY

DIVIDEND AND DIVIDEND POLICY

For each of the two years ended 31 March 2011 and 2012, we did not declare any dividend. For the year ended 31 March 2013, HK Finance declared a dividend of HK\$9.0 million out of the distributable profits, and such dividend has been fully paid before the Latest Practicable Date. Dividend declared and paid in the past should not be regarded as an indication of the dividend policy to be adopted by our Company following the Listing.

After completion of the Share Offer, our Shareholders will be entitled to receive dividends only when declared by our Board. The payment and the amount of any dividends will be determined at the discretion of our Directors and will depend upon our then operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors deem relevant.

Subject to the factors described above, we currently intend to pay by way of interim dividends and recommend at the annual general meetings of our Company dividends in aggregate of no less than 30.0% of our net profit (excluding the fair value gains or losses on revaluation of investment properties) for each year after the Listing (that is, for the avoidance of doubt, commencing from the year ending 31 March 2014) would be available for distribution to Shareholders after the Share Offer. For details of our dividend policy, please refer to the section headed “Financial Information – Dividends and distributable reserves” in this prospectus.

OUR LATEST DEVELOPMENT SUBSEQUENT TO THE TRACK RECORD PERIOD

We continue to carry on our money lending business and work to enlarge our market share and improve our position in the money lending industry in Hong Kong. For the four months ended 31 July 2013, we recorded a total turnover of HK\$25.6 million, or a monthly average of HK\$6.4 million. The financial information disclosed above is derived from the unaudited financial statements for the four months ended 31 July 2013, which have been reviewed by our Company’s Reporting Accountant in accordance with the Hong Kong Standard on Review Engagements 2410 “Review on Interim Financial Information Performed by Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. Comparatively, during the year ended 31 March 2013, our total turnover was HK\$66.4 million, representing a monthly average of HK\$5.5 million. The increase in the average monthly turnover was mainly due to the continuous expansion of our loan portfolio subsequent to the Track Record Period.

Since 1 April 2013 and up to 31 July 2013, we have granted new property mortgage loans of HK\$109.0 million (corresponding period of 2012: HK\$111.4 million). No impairment was made on mortgage loan receivable or interest receivable subsequent to 31 March 2013 and up to the Latest Practicable Date. As at 31 July 2013, our loan portfolio consisted of 177 active loan accounts (with period-end balance) with a balance of HK\$333.9 million. The average interest rate of our property mortgage loans remained stable at 22.8% per annum for the four months ended 31 July 2013 as compared to the average interest rate of 22.7% per annum for the year ended 31 March 2013.

SUMMARY

In view of the recent uncertainties arising for the monetary policies of certain major countries such as the United States of America and the PRC, the volatility of the capital market and the contraction of the property market in Hong Kong, we have adopted a more prudent approach in implementing our loan policy and lending practice by tightening the loan-to-value ratio for certain new customers.

OUTLOOK

According to Euromonitor International, the prospect for the licensed money lending industry remains positive from 2013 to 2017. The outstanding balance of loans and advances of licensed money lenders is thus expected to continue its strong growth albeit at a slightly lower CAGR of 12.6% compared to the historical period. Licensed money lending is set for strong performance and continued value growth.

NO MATERIAL ADVERSE CHANGE

The Directors confirm that since 31 March 2013 (being the date to which the latest audited combined financial information of our Group were made up) and up to the date of this prospectus, there has been no material adverse change in the financial or trading position or prospects of our Group and there is no event since 31 March 2013 which would materially affect the information shown in our combined financial statements included in the Accountant's Report set forth in Appendix I to this prospectus.

RISK FACTORS – HIGHLIGHTS

Our Directors consider that there are risks and uncertainties relating to our business and the money lending industry in which our business operates. Some pertinent risks are highlighted below:

- the value or the residual value of the pledged property may not be sufficient to meet the full repayment of the loans
- our subordinate property mortgage loans are subject to higher-ranked mortgage(s) and therefore have higher credit risk than our first property mortgage loans
- implementation of buyer's stamp duty and special stamp duty by the Hong Kong Government in the property market may affect our loan-to-value ratios
- our financial performance may be adversely affected if our net interest margin erodes, because of increase in interest costs and/or competition
- our Group's operation rely on borrowings from other parties and therefore we recorded net operating cash outflow during the Track Record Period
- our working capital available for our mortgage loan business may be substantially reduced if banks request loan repayment without prior notice

SUMMARY

- we may not be able to obtain sufficient funding from authorised institutions to finance our money lending operation if banks tighten lending against properties, or if the market value of our mortgaged properties decreases
- we may incur higher finance costs for new bank loans after Listing
- competition from the money lending industry (including banks) may affect our market share and thus business performance
- changes in laws and rules applicable to the money lending industry may affect our business operation and thus financial performance

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings:

“Application Form(s)”	WHITE application form(s) and YELLOW application form(s) or, where the context requires, any of them which is used in the Public Offer
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company conditionally adopted on 4 September 2013 which shall become effective upon commencement of trading of Shares on the Stock Exchange and as amended from time to time, a summary of which is contained in Appendix IV to this prospectus
“Asia Ford”	Asia Ford Investment Limited, a company incorporated in Hong Kong on 21 May 1999 with limited liability, which is an indirect wholly-owned subsidiary of our Company
“Asian Capital” or “Sole Sponsor” or “Sole Bookrunner”	Asian Capital (Corporate Finance) Limited, a company incorporated in Hong Kong with limited liability on 25 November 1998, a licensed corporation under the SFO to carry on type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities (being the sole sponsor to our Company in respect of the Listing) and a wholly owned subsidiary of Asian Capital Holdings Limited (stock code: 8295), a company incorporated in the Cayman Islands on 5 January 2010 as an exempted company with limited liability, the shares of which are listed on GEM
“associate(s)”	has the same meaning ascribed thereto under the Listing Rules
“Banking Ordinance”	the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Board”	the board of Directors from time to time
“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business

DEFINITIONS

“BVI”	the British Virgin Islands
“Capitalisation Issue”	the issue of 298,000,000 new Shares upon capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to in the paragraph headed “Written resolutions of sole Shareholder passed on 4 September 2013” under the section headed “Further information about our Company” in Appendix V to this prospectus
“Cayman Share Registrar”	Codan Trust Company (Cayman) Limited
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant(s)”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant(s)”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant(s)”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant(s)”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Charterfame”	Charterfame Investment Limited, a company incorporated in Hong Kong on 5 March 1996 with limited liability, which is an indirect wholly-owned subsidiary of our Company
“Companies Law” or “Cayman Companies Law”	the Companies Law (as revised) of the Cayman Islands, as amended, supplemented and/or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Company” or “our Company”	Hong Kong Finance Group Limited (香港信貸集團有限公司), a company incorporated in the Cayman Islands on 6 February 2013 as an exempted company with limited liability
“Connected Person(s)”	has the same meaning ascribed thereto under the Listing Rules
“Connected Transactions”	the transactions stapled and specified in Rule 14A.13 of the Listing Rules
“Controlling Shareholders”	has the same meaning ascribed thereto under the Listing Rules and, in the context of this prospectus, means the controlling shareholders of our Company, namely, Tin Ching Holdings, Mr. K.N. Chan and Mr. W. Chan
“Deed of Indemnity”	the deed of indemnity dated 16 September 2013 entered into between the Controlling Shareholders and our Company, particulars of which are set out in the section headed “E. Other Information – 1. Estate duty, Tax and other indemnities” in Appendix V to this prospectus
“Deed of Non-competition”	the deed of non-competition undertaking dated 16 September 2013 entered into by the Controlling Shareholders in favour of our Company (for itself and as trustee for each of its subsidiaries)
“Directors”	the director(s) of our Company
“Euromonitor International”	Euromonitor International Limited
“Euromonitor Report”	the industry report prepared by Euromonitor International Limited
“GEM”	the Growth Enterprise Market of the Stock Exchange
“Group”, “our Group”, “we”, “our” or “us”	our Company and our subsidiaries or, where the context so requires or permits, in respect of the period before our Company became the holding company of its present subsidiaries, such subsidiaries and the businesses carried on by them or their predecessor(s) (as the case may be)

DEFINITIONS

“HK Finance”	Hong Kong Finance Company Limited, a company incorporated in Hong Kong on 9 December 1996 with limited liability, which is an indirect wholly-owned subsidiary of our Company
“HKAS(s)”	Hong Kong Accounting Standards
“HKF Overseas”	HKF Overseas Limited, a company incorporated in the BVI on 6 February 2013 with limited liability, which is the direct wholly-owned subsidiary of our Company and the intermediate holding company of the indirect wholly-owned subsidiaries of our Company namely Max Art, HK Finance, Charterfame, Asia Ford and Oriental Credit
“HKFRSs”	Hong Kong Financial Reporting Standards (which include HKASs) issued by HKICPA
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKMA”	the Hong Kong Monetary Authority
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“HK\$” or “HK dollars”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited
“Independent Third Party(ies)”	person(s) or company(ies) which is/are independent of and not connected with any of the directors, chief executive, the Controlling Shareholders or Substantial Shareholders of our Company or our subsidiaries or any of their respective associates within the meaning of the Listing Rules

DEFINITIONS

“Issuing Mandate”	the general unconditional mandate granted to our Directors by our Shareholders in relation to the issuing and dealing of the Shares, further information of which is set forth in the sections headed “Share Capital” in the prospectus and “Statutory and General Information – Written resolutions of sole Shareholder passed on 4 September 2013” in Appendix V to this prospectus
“Joint Lead Managers”	the joint lead managers of the Share Offer, whose names are set out under the section headed “Underwriting – Public Offer Underwriters – Joint Lead Managers” in this prospectus
“Latest Practicable Date”	9 September 2013, being the latest practicable date for ascertaining certain information prior to the printing of this prospectus
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Date”	the date on which dealings in the Shares on the Main Board of the Stock Exchange first commence, which is expected to be on or about Wednesday, 2 October 2013
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
“Main Board”	the stock market operated by the Stock Exchange prior to the establishment of GEM, which excludes the options market and which continues to be operated by the Stock Exchange in parallel with GEM and which, for the avoidance of doubt, excludes GEM
“Max Art”	Max Art Limited, a company incorporated in Hong Kong on 18 November 2011 with limited liability, which is an indirect wholly-owned subsidiary of our Company
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company, as amended from time to time, a summary of which is contained in Appendix IV to this prospectus

DEFINITIONS

“Money Lenders Licence(s)”	the money lenders licence(s) issued by the Licensing Court pursuant to the Money Lenders Ordinance and Money Lenders Regulations for carrying on money lending business in Hong Kong
“Money Lenders Ordinance”	the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Money Lenders Regulations”	The Money Lenders Regulations (Chapter 163A of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Mr. Cheung”	Mr. Cheung Kok Cheong, an independent non-executive Director
“Mr. Chu”	Mr. Chu Yat Pang Terry, an independent non-executive Director
“Mr. K.N. Chan”	Mr. Chan Koung Nam, an executive Director and a founder of our Group
“Mr. R. Chan”	Mr. Chan Siu Wing Raymond, an independent non-executive Director
“Mr. Tse”	Mr. Tse Pui To, an executive Director and the Chief Executive Officer
“Mr. W. Chan”	Mr. Chan Kwong Yin William, an executive Director and Chairman and a founder of our Group
“Nitto”	Nitto International Development Ltd., a company incorporated in the BVI on 7 November 1995 and owned as to 99% equity interest by Tin Ching Holdings and 0.5% equity interest by each of Mr. K.N. Chan and Mr. W. Chan

DEFINITIONS

“Offer Price”	the final offer price per Offer Share in Hong Kong dollars (exclusive of brokerage fee of 1%, the Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.003%) of being not more than HK\$1.03 and expected to be not less than HK\$0.85, at which the Offer Shares are to be subscribed for and issued, or purchased and sold, and which is to be determined by agreement between the Company and the Sole Bookrunner (on behalf of the Underwriters) on or before the Price Determination Date, as described in the section headed “Structure and conditions of the Share Offer – Determination of the Offer Price” in this prospectus
“Offer Shares”	the Public Offer Shares and the Placing Shares
“Offer Size Adjustment Option”	the option granted by the Company to the Sole Bookrunner (for itself and on behalf of the Underwriters), exercisable by the Sole Bookrunner (for itself and on behalf of the Underwriters), at its sole and absolute discretion, prior to the date of allotment results announcement, whereby our Company may be required to allot and issue up to 15,000,000 additional new Shares representing up to approximately 15% of the number of Offer Shares initially being offered under the Share Offer at the Offer Price solely to cover over-allocation (if any) in the Placing, subject to the terms and conditions set out in the Placing Underwriting Agreement, as described in “Structure and conditions of the Share Offer – Offer Size Adjustment Option” in this prospectus
“Oriental Credit”	Oriental Credit (Hong Kong) Limited, a company incorporated in Hong Kong on 3 September 2012 with limited liability, which is an indirect wholly-owned subsidiary of our Company
“PDPO”	Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“per cent” or “%”	per cent

DEFINITIONS

“Placing”	the conditional offering of the Placing Shares for and on behalf of our Company (including professional, institutional, corporate and/or other investors in Hong Kong), subject to adjustment and the Offer Size Adjustment Option, as described under the section headed “Structure and conditions of the Share Offer – The Placing” in this prospectus
“Placing Shares”	the 90,000,000 new Shares initially offered by our Company for subscription at the Offer Price under the Placing, subject to adjustment and the Offer Size Adjustment Option, as described under the section headed “Structure and conditions of the Share Offer” in this prospectus
“Placing Underwriters”	the underwriters of the Placing
“Placing Underwriting Agreement”	the placing underwriting agreement to be entered into by, among others, our Company, the executive Directors, the Sole Sponsor, the Sole Bookrunner and the Placing Underwriters in relation to the Placing
“PRC” or “China”	the People’s Republic of China which shall, for the purpose of this prospectus, exclude Hong Kong, the Macau Special Administrative Region and Taiwan
“Price Determination Agreement”	the agreement to be entered into between the Company and the Sole Bookrunner (for itself and on behalf of the Underwriters) on the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date on which the Offer Price will be determined for the purpose of the Share Offer, which is expected to be on or about Tuesday, 24 September 2013
“Public Offer”	the offer by the Company of the Public Offer Shares for subscription by the public in Hong Kong at the Offer Price (plus brokerage fee of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.003%) (subject to adjustment as described in the section headed “Structure and conditions of the Share Offer” in this prospectus) on the terms and conditions described in this prospectus and the Application Forms

DEFINITIONS

“Public Offer Shares”	the 10,000,000 new Shares (subject to adjustment) being initially offered by our Company for subscription at the Offer Price under the Public Offer, as described under the section headed “Structure and conditions of the Share Offer” in this prospectus
“Public Offer Underwriters”	the underwriters of the Public Offer, whose names are set out under the section headed “Underwriting – Public Offer Underwriters” in this prospectus
“Public Offer Underwriting Agreement”	the public offer underwriting agreement dated 16 September 2013 and entered into by, among others, our Company, the executive Directors, the Sole Sponsor, the Sole Bookrunner and the Public Offer Underwriters, brief particulars of which are set forth in the section headed “Underwriting” in this prospectus
“Registrar of Money Lenders”	the person appointed under the Money Lenders Ordinance for the purpose of establishing and maintaining the register of money lenders, who currently is the Registrar of Companies in Hong Kong
“Regulation S”	Regulation S under the U.S. Securities Act
“Relevant Personnel”	the staff members of Tin Ching Industrial who terminated their employment with Tin Ching Industrial and have been employed by our Group since October 2011
“Reorganisation”	the reorganisation of our Group in preparation for the Listing, details of which are described under the section headed “Corporate Structure and Corporate Reorganisation – Reorganisation” in this prospectus
“Reporting Accountant”	PricewaterhouseCoopers, the auditor and reporting accountant to our Company in respect of the Listing
“Repurchase Mandate”	the general unconditional mandate granted to our Directors by our Shareholders in relation to the repurchase of our Shares, further information of which is set forth in the sections headed “Share Capital” in this prospectus and “Statutory and General Information – Written resolutions of sole Shareholder passed on 4 September 2013” in Appendix V to this prospectus
“SFC”	the Securities and Futures Commission of Hong Kong

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of our Company
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme conditionally approved and adopted by our Company on 4 September 2013, the principal terms of which are summarised and set forth in the section headed “D. Share Option Scheme” in Appendix V to this prospectus
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the same meaning ascribed thereto under the Listing Rules
“Substantial Shareholder”	has the same meaning ascribed thereto under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers issued by the SFC as amended, supplemented or otherwise modified from time to time
“Tin Ching Holdings”	Tin Ching Holdings Limited, a company incorporated in the BVI on 10 July 1996, owned as to 50% by each of Mr. K.N. Chan and Mr. W. Chan, and a Controlling Shareholder of our Company after completion of the Reorganisation
“Tin Ching Industrial”	Tin Ching Industrial Company Limited, a company incorporated in Hong Kong on 24 March 1992 and owned as to 99% interest by Tin Ching Holdings and 1% interest by Nitto
“Track Record Period”	the years ended 31 March 2011, 2012 and 2013
“Underwriters”	the Public Offer Underwriters and the Placing Underwriters
“Underwriting Agreements”	the Placing Underwriting Agreement and the Public Offer Underwriting Agreement

DEFINITIONS

“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“US\$”	United States dollar, the lawful currency of the United States of America
“ WHITE Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the applicant’s or applicants’ own name(s)
“ YELLOW Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be deposited directly into CCASS

Unless expressly stated or otherwise required by the context, all data contained in this prospectus are as at the Latest Practicable Date.

Unless otherwise specified, all references to any shareholding in our Company in this prospectus assume no exercise of any options which may be granted under the Share Option Scheme.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanation of certain terms used in this prospectus in connection with our Company and our business. These terminologies and their given meanings may not correspond to the standard meanings or usage of such terms as adopted in the industry.

“CAGR”	compound annual growth rate
“first property mortgage loan(s)”	loan(s) secured by the first mortgage on the real estate
“GDP”	gross domestic product (all references to GDP growth rates are to real as opposed to nominal rates of GDP growth), unless otherwise stated
“loan-to-value ratio”	the amount of a loan as a percentage of the total appraised value of the collaterals or mortgaged real estates
“money lender(s)”	has the meaning ascribed thereto under the Money Lenders Ordinance
“net interest margin”	net interest income received during the year, being our interest income in respect of our mortgage loans less our finance costs, divided by the average of month-end loan receivables balances of the corresponding loans during the year
“net loan receivables”	outstanding loan amounts due from our Group’s customers after deduction of impairment allowance
“property mortgage loan(s)”	loan(s) secured by real estates
“SMEs”	small and medium enterprise(s)
“sq. ft.”	square feet
“sq. m.”	square metres
“subordinate property mortgage loan(s)”	loan(s) secured by property mortgages which are secondary to the first or higher ranking mortgages charged on the mortgaged real estate

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties, including the risk factors described in this prospectus. Forward-looking statements can be identified by words such as “may”, “will”, “should”, “would”, “could”, “believe”, “expect”, “anticipate”, “intend”, “plan”, “continue”, “seek”, “estimate” or the negative of these terms or other comparable terminology. Examples of forward-looking statements include, but are not limited to, statements we make regarding our business strategies, development activities, estimates and projections, expectations concerning future operations, profit margins, profitability, competition, and the effects of regulation.

Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. We give no assurance that these expectations and assumptions will prove to have been correct. Although these forward-looking statements are made by our Directors after due and careful consideration, these statements reflect the current views of our management with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus. Should one or more of the risks or uncertainties materialise, or should underlying assumptions prove to be incorrect, our financial condition may be adversely affected and may vary materially from those described herein as anticipated, believed, estimated or expected. Accordingly, such statements are neither statements of historical fact nor guarantees or assurances of future performance. Hence, you should not place undue reliance on such forward-looking statements.

Important factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, regional, national or global political, economic, business, competitive, market and regulatory conditions and the following:

- the success of our existing and future operation;
- our ability to materialise and manage our planned business expansion;
- our ability to retain senior management team members and recruit qualified and experienced new team members;
- our ability to maintain our competitiveness and operational efficiency;
- our prospective financial conditions;
- laws, regulations and rules for the money lending industry in Hong Kong; and
- other factors that are described in “Risk Factors” in this prospectus.

Any forward-looking statement made by us in this prospectus applies only as at the date on which it is made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. Subject to the requirements of applicable laws, rules and regulations, we undertake no obligation to update any forward-looking statement, whether as a result of new information, future developments or otherwise. All forward-looking statements contained in this prospectus are qualified by reference to this cautionary statement.

RISK FACTORS

You should carefully consider all of the information set out in this prospectus and, in particular, should consider the risks and uncertainties described below and the special considerations associated with an investment in our Company before making any investment decision in relation to our Company. Our business, financial condition and results of operation could be materially and adversely affected by any of these risks. The trading price of our Shares could decline due to any of these risks, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

The value or the residual value of the pledged property may not be sufficient to meet the full repayment of the loans

We have granted property mortgage loans, including first property mortgage loans and subordinate property mortgage loans, to our customers, the outstanding balance of which amounted to approximately HK\$221.2 million, HK\$286.5 million, and HK\$316.8 million as at 31 March 2011, 2012 and 2013 respectively. All of these outstanding balances were secured by properties pledged to us. If the value or the residual value of the mortgaged property declines, the safety margin of our loan will be reduced and the risk of recovering the full amount of our loan will be increased. Please refer to the section headed “Industry overview – property market in Hong Kong” in this prospectus for the recent trend of property prices in Hong Kong.

Our subordinate property mortgage loans are subject to higher-ranked mortgage(s) and therefore have higher credit risk than our first property mortgage loans

Our subordinate property mortgage loans are subject to higher-ranked mortgage(s). As at 31 March 2011, 2012 and 2013, 45.4%, 60.0% and 62.3% in the amount of HK\$100.4 million, HK\$171.8 million and HK\$197.3 million respectively of our outstanding loan balances are from subordinate property mortgage loans. In the event that (i) the customer increases the first loan amount with the first mortgagee; (ii) the customer sells the property for early repayment of the outstanding loan to the first mortgagee below market price; or (iii) the first mortgagee enforces its first mortgagee right (e.g. that customer enters into the second mortgage without its consent) by demanding the borrower to make repayment and sell the property, it may not generate sufficient proceeds to repay our subordinate property mortgage loan after the outstanding loan of the first mortgagee has been repaid in full. Please refer to the section headed “Business – Loan approval procedures – Loan approval” in this prospectus for more details of our measures to mitigate the risks associated with our subordinate property mortgage loans.

Implementation of buyer’s stamp duty and special stamp duty by the Hong Kong Government in the property market may affect our loan-to-value ratios

The Hong Kong Government introduced measures, including special stamp duty and buyer’s stamp duty, to curb speculation in the real estate market. For details of the measures recently introduced by the Hong Kong Government, please refer to the section headed “Regulatory overview – Recent governmental policies on Hong Kong property market” in this prospectus.

RISK FACTORS

Over 74% of our loan portfolio was secured by residential properties during the Track Record Period. There is no assurance that the Hong Kong Government would not announce further measures to combat speculative activities that would affect the loan-value-ratios for the properties. The liquidity of the property market may be affected due to the newly imposed measures from the Hong Kong Government and the value or the residual value of the mortgaged property may also decline. As such, the safety margin of our loan will be reduced and the risk of recovering the full amount of our loan from the sale of such properties will be increased.

Our financial performance may be adversely affected if our net interest margin erodes, because of increase in interest costs and/or competition

During the Track Record Period, we mainly obtain funding for our money lending business from Independent Third Parties which are mainly authorised institutions in Hong Kong at a commercially viable interest rate, and from loans and advances from our Controlling Shareholders. As at 31 March 2011, 2012 and 2013, we have bank and other borrowings of HK\$172.7 million, HK\$171.9 million and HK\$183.8 million respectively from Independent Third Parties, and we have interest-bearing loans and advances of HK\$75.7 million, HK\$70.0 million and HK\$15.7 million respectively from our Controlling Shareholders. Our operational results and profitability hinge on the net interest margin, primarily being the difference between the average effective interest rate of our loan products and the effective interest rate of our interest-bearing borrowings. For the years ended 31 March 2011, 2012 and 2013, the net interest margins were 16.5%, 18.8% and 19.6% respectively.

After the Listing, our source of funds for our operations will be the combination of loans from banks or financial institutions that are Independent Third Parties, the net proceeds from the Share Offer, retained earnings and our share capital. There is no assurance that we will continue to maintain the same interest margin by virtue of securing funding from Independent Third Parties, particularly authorised institutions at a commercially viable interest rate. In the event that the net interest margin of our loan products made to our customers narrows due to intense competition in the industry, our financial performance and profitability may be materially and adversely affected.

Our Group's operation rely on borrowings from other parties and therefore we recorded net operating cash outflow for the three years ended 31 March 2013

Due to the nature of our money lending business, other than our retained earnings and loans and advances from our Controlling Shareholders, we have to obtain funding from other parties in order to grow our loan portfolio. This would normally give rise to an operating cash outflow since the bank loans and overdrafts were accounted for as financing activities under the relevant accounting standards. Our Group incurred cash outflow for use in operating activities of approximately HK\$30.5 million, HK\$2.2 million and HK\$13.8 million for the years ended 31 March 2011, 2012 and 2013 respectively.

In the event that we are unable to obtain sufficient borrowings to finance our money lending business, we may have to slow down our pace of granting loans to maintain our liquidity, our operations, financial results and business prospects may be materially and adversely affected.

RISK FACTORS

Our working capital available for our mortgage loan business may be substantially reduced if banks request loan repayment without prior notice

During the Track Record Period, most of the loan agreements of our banking facilities contained certain repayable on demand clauses which gave the banks an unconditional right to call the loan at any time. As such, in the event that the banks exercise their right to request us to repay the bank loans without prior notice, we may fail to obtain new banking facilities from other banks as replacement in time. Accordingly, the working capital available for our mortgage loan business may be substantially reduced and our business operation may be materially and adversely affected.

We may not be able to obtain sufficient funding from authorised institutions to finance our money lending operation if banks tighten lending against properties or if the market value of our Group's mortgaged properties decreases

Apart from loans and advances from the Controlling Shareholders and the use of retained earnings, we mainly financed our lending operation from two banks during the Track Record Period. If the banks tighten their lending standards against properties due to their credit policies, there may not be sufficient funding granted to us. As the borrowings from the two banks are secured against properties owned by our Group, any decrease in the value of such properties may also reduce the amount of facility granted to us by the two banks and thereby the amount of funds that are available for our granting of loans. In such case, our liquidity, operational results and profitability may be materially and adversely affected.

We may incur higher finance costs for new bank loans after Listing

We have obtained agreement in principle from the Independent Third Party lenders that the corporate guarantee from a fellow subsidiary, personal guarantees from the directors of the subsidiaries of our Group and properties held by the fellow subsidiaries of our Group, a Director and relatives of a Director will be released upon the Listing. Nevertheless, since all the properties owned by our Group have already been pledged to secure our existing facilities, when we endeavour to obtain new facilities from banks after Listing, the banks may request a higher interest rate for the additional facility. Our finance costs may then increase and our business operation and financial results may be materially and adversely affected.

Some of our loans to customers are renewed loans which had interest overdue before renewal

During the Track Record Period, we renewed a number of the loans to our customers upon their maturity pursuant to our Approval Policy as set out in the section headed "Business – Loan approval procedures" in this prospectus. Some of these renewed loans had previous interest overdue before their renewal. Although we only renew loans with interest overdue after the repayment of all interest overdue by our customers, the clients may continue to have interest overdue arising from the renewed loans. In the event that we fail to recover all the renewed loans and relevant interests from our customers, our financial performance and profitability may be adversely affected.

RISK FACTORS

Our business operation depends on the expertise and continuing performance of our key management personnel

Our business operation relies on the experience and expertise of our executive Directors, namely Mr. K.N. Chan, Mr. W. Chan and Mr. Tse, and senior management personnel, and their continuous service to our Group. We also need to retain and keep motivating our key management and operational staff to ensure effective and steady performance of our Group. There is no assurance that our Group can retain the continuous services of the executive Directors and members of the senior management. The operations of our Group may be materially and adversely affected if our Group cannot retain their services and replacement cannot be found in a timely and commercially viable manner. For biographical details in relation to the executive Directors and senior management personnel, please refer to the section headed “Directors, senior management and employees” of this prospectus.

We may not be able to achieve our future plans

We have set out our business strategies and future plans in the section headed “Business – Our business strategies” in this prospectus. Our future growth may depend on the extent of our success in implementing such strategies and plans. There are difficulties, risks, costs and expenses that are associated with and affect the implementation of the business strategies and plans. There can be no assurance that we will succeed in implementing our strategies and plans and thereby achieve business growth.

Given the volatile economic condition and business environment of Hong Kong in the context of a changing global economy and world market, there is no assurance that our future plans will materialise or can be effected within the designated time. In the event that our future plans do not materialise, our financial position, operational results and profitability in the future may be materially affected.

We may fail to renew our Money Lenders Licence

Under the Money Lenders Ordinance, it is requisite for the Licensing Court to grant us a Money Lenders Licence in order for us to carry on our money lending business and we are required to renew such licence on a yearly basis upon our satisfying all the licensing conditions set out in the Money Lenders Ordinance. Please refer to the section headed “Regulatory overview – Application for and renewal of Money Lenders Licence” in this prospectus.

There is no assurance that the Money Lenders Licence can be renewed in a timely manner. As such, our operations may be materially affected. In case of non-compliance with the Money Lenders Ordinance, we may be subject to penalty charges and breaches may constitute a criminal offence, which may lead to suspension or revocation of our Group’s Money Lenders Licences resulting in termination of our money lending business.

RISK FACTORS

RISKS RELATING TO OUR INDUSTRY

Recent measures of the Hong Kong Government to curb speculation in the property market may reduce the demand for property mortgage loans

The Hong Kong Government has recently introduced measures to curb speculation in the real estate market. Such measures, particularly the imposition of special stamp duty and buyer's stamp duty, have increased the transaction cost of purchase of residential properties and may deter potential property buyers and investors from acquiring residential properties. This may result in a decrease in the demand for mortgage loans for the purchase of residential properties. As such, the expansion of the property mortgage loans industry may be materially and adversely affected. For details of the measures recently introduced by the Hong Kong Government, please refer to the section headed "Regulatory overview – Recent governmental policies on Hong Kong property market" in this prospectus.

Changes in the political and economic conditions, business environment and property market of Hong Kong may affect our business and operation

As we base our business and operation and derive our income in Hong Kong, the economic and political conditions and business environment and their development in Hong Kong will have a direct impact on the property market and our financial performance and operational results. In addition, Hong Kong's economy and business environment are open to influences from conditions and developments of the world economy as well as the economic and business environment of other territories relevant to Hong Kong such as the PRC. Moreover, a slowdown in the Hong Kong economy and any change in laws, regulations and government policies relating to the property market may lower the value of the mortgaged properties and their liquidity. There is no assurance that any changes in the world economy and the economic and business environment and their developments in Hong Kong will remain having a positive effect on our business and operation in the future. There is no assurance that the market trend of property prices will continue to increase in future, and therefore the value of the property collateral may not be sufficient to cover the loans.

Competition from the money lending industry (including banks) may affect our market share and thus business performance

In 2012, there were 984 licenced money lenders in Hong Kong. The money lender market is highly fragmented due to the large number of players competing within a relatively small territory. Given the relatively low entry barrier to money lending business in Hong Kong, we encounter competition from diverse competitors including both licensed money lenders and authorised institutions in different ways such as diverse loan products, low interest rates and quick loan approval procedures. Consequently, we may need to streamline our corporate structure, improve our operational efficiency and adopt a more competitive interest rate to maintain existing business as well as to acquire new business. Failure to do so may materially and adversely affect our business, financial performance and operational results.

RISK FACTORS

Changes in laws and rules applicable to the money lending industry may affect our business operation and thus financial performance

Our business operation is regulated under the Money Lenders Ordinance and full compliance with such regulation and all applicable laws is essential for us to carry on our business. Notwithstanding this, the relevant regulatory authorities may from time to time amend existing laws and regulations or adopt new laws and regulations applicable to licenced money lenders in Hong Kong. Our operation, financial performance and business prospects may be materially and adversely affected if we are not able to comply with any of the new changes and/or requirements in the relevant and applicable laws and regulations for the money lending industry in Hong Kong.

Notably, for the mortgage loans granted by us to our customers, the interest rate for such loans shall not exceed the maximum effective interest rate of 60% per annum as stipulated under the Money Lenders Ordinance. In the event that such maximum limit for interest rate is lowered as a result of any change to the Money Lenders Ordinance and relevant laws and regulations, thus limiting and lowering the interest rate we can offer to our customers, our financial performance, operational results and profitability may be materially and adversely affected. Please refer to the section headed “Regulatory overview – Relevant Statutes, other relevant laws and regulations” in this prospectus for details.

Natural disasters and other events beyond our control could affect our business

Since the general economic conditions and business environment of Hong Kong may affect our business, diverse factors such as natural disasters, epidemic, pandemic, acts of terrorism, regional conflicts and international disputes, and other acts of God that affect the economic and business conditions of Hong Kong and the livelihood of its people may disrupt our business and operation as much as those of our customers and authorised institutions that provide funding by way of credit facilities to us. Our cost of funding, revenue, financial performance, operational results and business prospects may thereby be materially and adversely affected.

RISKS RELATING TO THE SHARE OFFER AND OUR SHARES

No prior market exists for our Shares and an active or liquid market for our Shares may not develop, the market price of our Shares may suffer and may decline below the Offer Price

Prior to the Share Offer, there was no public market for our Shares. The Offer Price may differ significantly from the market price for the Shares following the Share Offer. We cannot be sure that an active market for our Shares will develop following the completion of the Share Offer. If an active market for the trading of our Shares does not develop after the completion of the Share Offer, the market price and liquidity of our Shares may be materially and adversely affected. Even if an active market for our Shares does develop, there is no assurance that it will be sustained or that the market price of our Shares will not decline below the Offer Price.

RISK FACTORS

The market price and trading volume of our Shares may be volatile, which could result in substantial losses for investors purchasing our Shares in the Share Offer

Factors such as fluctuations in our revenue, cash flows, regulatory changes, departures of key management personnel, or actions taken by competitors could cause the market price of our Shares or trading volume of our Shares to change substantially from time to time. In addition, stock prices have been subject to significant volatility in recent years. Such volatility has not always been directly related to the performance of the specific companies whose shares are traded on the Stock Exchange and may have been caused by other factors such as developments in market conditions and fiscal systems, enactment of new laws and changes in regulations. Nonetheless, such volatility may materially and adversely affect the market price of shares and cause investors in our Shares to incur substantial losses.

Future sale by any of our Controlling Shareholders of a substantial number of our Shares could materially and adversely affect the prevailing market price of our Shares

The Shares held by our Controlling Shareholders are subject to certain lock-up undertakings after the date on which trading in our Shares commences on the Stock Exchange, details of which are set out in the section headed “Underwriting – Underwriting arrangements and expenses – Undertakings by our Controlling Shareholders” in this prospectus. While we are not aware of any intentions on the part of our Controlling Shareholders to dispose of significant amounts of their Shares after the completion of the lock-up periods, we cannot give any assurance that they will not dispose of any Shares that they may own at any time in the future. Future sales of a substantial number of our Shares by our Controlling Shareholders or the perception that such sales may occur may materially and adversely affect the prevailing market price of our Shares and thereby our ability to raise equity capital in the future at a time and price that we deem appropriate.

Purchasers of our Shares may experience immediate dilution and further dilution if we issue additional Shares in the future

The Offer Price of our Shares is higher than our net tangible assets value per Share immediately prior to the Share Offer. Therefore, purchasers of our Shares in the Share Offer will experience an immediate dilution in pro forma net tangible assets value per Share. We may need to issue additional Shares in order to raise more funds in the future to finance our business. If in the future we shall issue additional funds at a price which is lower than our net tangible assets value per Share, purchasers of our Shares may experience further dilution in the net tangible assets value per Share.

The market price of the Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins

The initial price to the public of the Shares sold in the Share Offer will be determined on the Price Determination Date. However, the Shares will not commence trading on the Stock Exchange until Wednesday, 2 October 2013. As a result, purchasers of the Shares may not be

RISK FACTORS

able to sell or otherwise deal in the Shares until Wednesday, 2 October 2013. Accordingly, purchasers of the Shares are subject to the risk that the market price of the Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins on Wednesday, 2 October 2013.

Shareholders' interests in our Company may be diluted in the future

Our Company may issue additional Shares pursuant to the Share Option Scheme. In addition, we may need to raise additional funds in the future to finance business expansion, whether related to existing operations or new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company, other than on a pro-rata basis to existing Shareholders, then (i) the percentage ownership of those existing Shareholders may be reduced, and they may experience subsequent dilution and reduction in their earnings per Share, and/or (ii) such newly issued securities may have rights, preferences or privileges superior to those of the Shares of the then existing Shareholders.

Prior dividend distributions are not an indication of our future dividend policy and we may not be able to pay any dividends on our Shares

During the years ended 31 March 2011, 2012 and 2013, the respective amounts of dividends declared by us were HK\$Nil, HK\$Nil and HK\$9.0 million respectively. Such historical distributions are not indicative of our future dividend distribution policy and we can give no assurance that dividends of similar amounts or at similar rates will be paid in the future.

Any of our future dividend distribution will be at the discretion of our Directors and will depend on our future earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors consider relevant and take into account. Any declaration and payment as well as the amount of dividends will also be subject to our constitutional documents and the Companies Law, including (where required) the approval of our Shareholders. As an investment holding company registered in the Cayman Islands, we rely on the availability of dividends received from our major operating subsidiary in Hong Kong for our future dividend payments. Therefore, we cannot give any assurance as to whether, when and in what amount dividends will be paid on our Shares following the completion of the Share Offer. We may not have any or sufficient profits to make dividend distribution to our Shareholders in the future, even if our financial statements have indicated that our operations are profitable.

RISKS RELATING TO STATEMENTS MADE IN THIS PROSPECTUS OR THE MEDIA

We cannot guarantee the accuracy of certain facts and statistics contained in this prospectus

Certain facts and statistics in this prospectus which we have derived from various official government and other publications, including those relating to the Hong Kong economy, the property market and licensed money lending industry in Hong Kong, are generally believed to

RISK FACTORS

be reliable. We believe that the sources of these facts and statistics are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. These facts and statistics have not been independently verified by us, the Sole Sponsor, the Underwriters, any of our or their respective directors, officers or representatives or any other party involved in the Share Offer and no representation is given as to the accuracy of such facts and statistics.

Investors should not place undue reliance on information in this prospectus which is not factual but hypothetical in nature such as analyses based on assumptions

Information in this prospectus which is not factual but hypothetical in nature including but not limited to any sensitivity analysis on our historical financial data is based on assumptions and is for reference only and should not be viewed as actual effect. Such information by no means reflects our historical experience and financial results. Prospective investors should not place undue reliance on such information.

Investors should rely solely on the prospectus and should not rely on any information contained in press articles or other media regarding us and the Share Offer

There may have been, prior to the publication of this prospectus, and there may be, subsequent to the date of this prospectus but prior to the completion of the Share Offer, press and media coverage regarding us and the Share Offer. Such coverage may contain information about us that do not appear in this prospectus. We have not authorised the disclosure of any such information in the press or media. We strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the Share Offer. You should rely solely on this prospectus, the Application Forms and any formal announcement made by us in Hong Kong in making your investment decision regarding the Share Offer and our Shares. We do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding the Share Offer or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. We disclaim statements in the press or other media that are inconsistent or conflict with the information contained in this prospectus. Accordingly, you should not rely on any such information, reports or publications in making your decision as to whether to invest in our Shares.

Prospective investors in the Share Offer are further reminded that, in making their decisions as to whether to purchase our Shares, they should rely only on the financial, operational and other information contained in this prospectus and the Application Forms and any formal announcement made by us in Hong Kong. By applying to purchase our Shares in the Share Offer, you will be deemed to have agreed that you will not rely on any information other than that contained in this prospectus and the Application Forms and any formal announcement made by us in Hong Kong.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purposes of giving information to the public with regard to our Group. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the information contained in this prospectus is complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in this prospectus misleading.

UNDERWRITING

This prospectus is published solely in connection with the Share Offer. For applicants under the Share Offer, this prospectus and the Application Forms set out the terms and conditions of the Share Offer. Details of the terms of the Share Offer are described in the section headed “Structure and conditions of the Share Offer” in this prospectus.

The Listing is sponsored by the Sole Sponsor. The Share Offer is fully underwritten by the Underwriters under the terms of the Underwriting Agreements and is subject to the agreement on the Offer Price between the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Group on or before the Price Determination Date. Further details of the Underwriters and the underwriting arrangements are set out in the section headed “Underwriting” in this prospectus.

SELLING RESTRICTIONS

Each person acquiring the Public Offer Shares under the Public Offer will be required to confirm, or by his acquisition of Public Offer Shares be deemed to confirm, that he is aware of the restrictions on offers and sales of the Public Offer Shares described in this prospectus.

No action has been taken to permit an offering of the Public Offer Shares in any jurisdiction other than Hong Kong or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Public Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

INFORMATION ON THE SHARE OFFER

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Share Offer or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by us, the Sole Sponsor, the Sole Bookrunner, the Underwriters, or any of our or their respective directors, officers, agents, employees or advisers or any other party involved in the Share Offer.

Details of the structure of the Share Offer, including its conditions, are set out in the section headed “Structure and conditions of the Share Offer” in this prospectus, and the procedures for applying for Public Offer Shares are set out in the section headed “How to apply for Public Offer Shares” in this prospectus and in the relevant Application Forms.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee for the listing of, and permission to deal in, our Shares in issue, and the Shares to be issued pursuant to (i) the Share Offer; (ii) the Capitalisation Issue; (iii) the exercise of the Offer Size Adjustment Option; and (iv) the exercise of any options that may be granted under our Share Option Scheme.

No part of the shares or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

Under Section 44B(1) of the Companies Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, our Offer Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or/for and on behalf of the Stock Exchange.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, our Shares on the Stock Exchange and our Company’s compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for our Shares to be admitted into CCASS. If you are unsure about the details of CCASS settlement arrangements and how such arrangements will affect your rights and interests, you should seek the advice of your stockbrokers or other professional advisers.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Share Offer are recommended to consult their professional advisers if they are in any doubt as to the tax implications of subscription for, purchasing, holding, disposing of and dealing in our Shares (or exercising rights attached to them). It is emphasised that none of our Group, the Sole Sponsor, the Sole Bookrunner, the Underwriters, any of our or their respective directors, officers, agents or advisers or any other parties involved in the Share Offer accepts responsibility for the tax effects or liabilities resulting from your subscription for, purchase, holding, disposal of, or, dealing in the Shares.

HONG KONG SHARE REGISTER AND STAMP DUTY

All Shares issued pursuant to applications made in the Share Offer will be registered on a branch register of members which will be maintained by Hong Kong Branch Share Registrar. Our principal register of members will be maintained by our Company's principal share registrar in the Cayman Islands.

Dealings in our Shares registered in the share register of our Company in Hong Kong will be subject to Hong Kong stamp duty.

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of Shares will be paid to the Shareholders listed on the Hong Kong share register of our Company, by ordinary post, at the Shareholders' risk, to the registered address of each shareholder.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail.

ROUNDING

Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Residential Address	Nationality
------	---------------------	-------------

Executive Directors

Mr. Chan Koung Nam (陳光南)	Flat D, 5th Floor, Block 1 Pittosporum Court New Town Plaza (Phase III) Nos. 2-8 Shatin Centre Street, Shatin New Territories Hong Kong	Chinese
--------------------------	--	---------

Mr. Chan Kwong Yin William (陳光賢)	Flat A, 30th Floor, Tower 9 The Palazzo No. 28 Lok King Street Fo Tan, Shatin New Territories Hong Kong	Chinese
-------------------------------------	--	---------

Mr. Tse Pui To (謝培道)	Flat 1301, 13th Floor, Block H Kornhill, 3 Hong Shing Street Quarry Bay, Hong Kong	Chinese
----------------------	--	---------

Independent non-executive Directors

Mr. Chan Siu Wing Raymond (陳兆榮)	Flat 1511, 15th Floor Tai Hang Terrace 5 Chun Fai Road Jardine's Lookout Hong Kong	Australian
------------------------------------	--	------------

Mr. Chu Yat Pang Terry (朱逸鵬)	TS-28A, House 28 Forest Hill, 31 Lo Fai Road Tai Po, New Territories Hong Kong	Chinese
---------------------------------	---	---------

Mr. Cheung Kok Cheong (張國昌)	Flat E, 33rd Floor, Block 11 Royal Ascot 1 Tsun King Road Shatin, New Territories Hong Kong	Chinese
--------------------------------	---	---------

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED

Sole Sponsor and Sole Bookrunner	Asian Capital (Corporate Finance) Limited Suite 1006, Bank of America Tower 12 Harcourt Road Central Hong Kong
Joint Lead Managers	Head & Shoulders Securities Limited Room 2511, 25th Floor COSCO Tower 183 Queen's Road Central Hong Kong Convoy Investment Services Limited Ground Floor & 1st Floor Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong Kingsway Financial Services Group Limited 7th Floor, Tower One Lippo Centre 89 Queensway Hong Kong Phillip Securities (Hong Kong) Limited 11-12th Floor United Centre 95 Queensway Hong Kong VC Brokerage Limited 28th Floor, The Centrium 60 Wyndham Street Central Hong Kong
Legal advisers to our Company	<i>As to Hong Kong law:</i> Cheung & Choy Unit B, 5th Floor, CTS House 78-83 Connaught Road Central Central Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

	<p><i>As to Cayman Islands law:</i> Conyers Dill & Pearman (Cayman) Limited Cricket Square, Hutchins Drive P. O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands</p>
Legal advisers to the Sole Sponsor and the Underwriters	<p><i>As to Hong Kong law:</i> P.C. Woo & Co. 12th Floor, Prince's Building 10 Chater Road Central Hong Kong</p>
Auditor and Reporting Accountant	<p>PricewaterhouseCoopers <i>Certified Public Accountants</i> 22nd Floor, Prince's Building Central Hong Kong</p>
Property valuer	<p>Asset Appraisal Limited Room 901, 9th Floor On Hong Commercial Building 145 Hennessy Road Wanchai Hong Kong</p>
Receiving Bankers	<p>Industrial and Commercial Bank of China (Asia) Limited 33rd Floor, ICBC Tower 3 Garden Road Central Hong Kong</p> <p>DBS Bank (Hong Kong) Limited 16th Floor, The Center 99 Queen's Road Central Hong Kong</p>

CORPORATE INFORMATION

Registered office	Cricket Square, Hutchins Drive P. O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Headquarters and principal place of business in Hong Kong	Unit 3410, 34th Floor Tower II, Lippo Centre 89 Queensway Admiralty Hong Kong
Company's website	www.hkfinance.hk <i>(information contained in this website does not form part of this prospectus)</i>
Company secretary	Mr. Hui Chun Ho Eric (<i>HKICPA</i>)
Authorised representatives	Mr. Tse Pui To Flat 1301, 13th Floor, Block H Kornhill, 3 Hong Shing Street Quarry Bay, Hong Kong Mr. Hui Chun Ho Eric House 71, 6th Street, Section M Fairview Park Yuen Long, New Territories Hong Kong
Audit committee members	Mr. Chan Siu Wing Raymond (<i>Chairman</i>) Mr. Chu Yat Pang Terry Mr. Cheung Kok Cheong
Remuneration committee members	Mr. Chu Yat Pang Terry (<i>Chairman</i>) Mr. Chan Koung Nam Mr. Cheung Kok Cheong
Nomination committee members	Mr. Chan Kwong Yin William (<i>Chairman</i>) Mr. Chu Yat Pang Terry Mr. Cheung Kok Cheong
Compliance adviser	Asian Capital (Corporate Finance) Limited

CORPORATE INFORMATION

Principal banker

DBS Bank (Hong Kong) Limited
16th Floor, The Center
99 Queen's Road Central
Hong Kong

**Cayman Islands principal share registrar
and transfer office**

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P. O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

**Hong Kong branch share registrar and
transfer office**

Tricor Investor Services Limited
26/F., Tesbury Centre
28 Queen's Road East, Wanchai
Hong Kong

INDUSTRY OVERVIEW

*This and other sections of this prospectus contain certain information which is derived from government official publications and industry sources as well as a report we commissioned from Euromonitor International Limited (“**Euromonitor International**”), an Independent Third Party. We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information derived from the above sources has not been independently verified by us, the Sole Sponsor, the Underwriters, any of our or their respective directors, affiliates or any other party involved in the Share Offer and no representation is given as to its accuracy.*

SOURCES OF INFORMATION

We have engaged Euromonitor International, an Independent Third Party, to conduct a study of the money lending business in Hong Kong. Euromonitor International is an independent global research organisation with more than 40 years’ of industry experience in conducting trade research and detailed local market analysis. We have included certain information from the Euromonitor Report in this prospectus because we believe such information facilitates an understanding of the money lending business in Hong Kong for potential investors. A total amount of US\$36,000 in fees was paid to Euromonitor International for the Euromonitor Report.

The methodology used by Euromonitor International for the Euromonitor Report consisted of both primary research and secondary research on the money lending industry in Hong Kong. Research was undertaken through a top-down central approach with bottom-up intelligence to present a comprehensive and accurate picture of the money lending industry.

The Directors confirm that to the best of their knowledge and information and after taking reasonable care, there is no adverse change in the market information since June 2013, the date of the Euromonitor Report, which may qualify, contradict or have an impact on the information in this section.

INDUSTRY OVERVIEW

HONG KONG ECONOMIC OVERVIEW

Gross Domestic Product (“GDP”)

Table 1 *Total GDP, Hong Kong, 2008-2012*

	2008	2009	2010	2011	2012	Compounded annual growth rate (“CAGR”) 08-12
GDP (HK\$ million)	1,707,487	1,659,245	1,776,783	1,936,058	2,040,104	4.5%
Year-on-year growth (“YOY growth”)		-2.8%	7.1%	9.0%	5.4%	

Source: Census and Statistics Department, Hong Kong

Over the period of 2008 to 2012, the Hong Kong economy grew by CAGR of 4.5% in nominal GDP terms. In the first quarter of 2009, global trade flows collapsed leading to a decline in exports. Hong Kong achieved a full-fledged upturn in 2010 with economic activities sustaining momentum throughout the year. Improved economic prospects in turn boosted consumer confidence which sustained domestic spending. Economic growth slowed significantly from 9.0% in 2011 to 5.4% in 2012 as a result of the sovereign debt crisis in Europe. Hong Kong exports weakened amidst fragile fiscal conditions of and sluggish demand from advanced economies. Growth over both years was driven largely by domestic consumption. Overall consumer expenditure was spurred by stable income and employment, as well as rising inflation. The Eurozone situation deteriorated in mid-2012 alongside tepid recovery in the United States, destabilising the overall economic climate. Despite upbeat local consumer sentiments and a steady domestic sector, the subdued environment continued to slow down external demand.

Small and Medium Enterprises

SMEs in Hong Kong are defined as manufacturing enterprises with fewer than 100 employees and non-manufacturing enterprises with fewer than 50 employees. According to Hong Kong’s Trade and Industry Department, SMEs accounted for over 98% of the total business units in Hong Kong and provided 47% of total employment, forming the backbone of Hong Kong’s economy.

The number of SMEs has grown at a CAGR of 3.5% from 2008 to 2012, which can be attributed to Hong Kong’s position as a main trading hub in Asia Pacific with a supportive business environment and extensive trade links with China. Businesses in Hong Kong enjoy a favourable tax structure, a stable financial environment and a sound legal system that effectively enforces contracts and intellectual property rights.

INDUSTRY OVERVIEW

Table 2 *Number of SMEs, Hong Kong, 2008-2012*

	2008	2009	2010	2011	2012	CAGR 08-12
Total number of SMEs (Unit)	268,264	281,808	295,745	302,764	307,784	3.5%
YOY growth (%)		5.0%	4.9%	2.4%	1.7%	

Source: Support and Consultation Centre for SMEs, Hong Kong

The Hong Kong government has committed to supporting the continuous development of SMEs through various SME financing and loan guarantee schemes. However, according to trade sources, SMEs which attempt to obtain funding from authorised institutions tend to be deterred by the stringent and long-drawn approval process. Depending on how urgently they require funding, SMEs may still turn to licensed money lenders for funding despite the higher interest rates and a potential reduction in their credit ratings.

PROPERTY MARKET IN HONG KONG

Private property prices across all property types fell in 2008 and early 2009 as investment sentiment and consumer confidence plummeted due to the global financial crisis. These rebounded strongly after Hong Kong recovered in late 2009, cushioning the year's stagnation and decline. The decline of Hong Kong Interbank Offered Rates (“**HIBOR**”), on which most mortgage loan rates are based, also drove demand for private properties. Whilst the average prime rate for the year 2008 is 5.39% per annum and for each of the years 2009 to 2012 is 5.00%, the average three-month HIBOR for the years 2008 to 2012 is 2.28%, 0.37%, 0.25%, 0.33% and 0.48% respectively, which reduced financing costs for property buyers significantly. The property market performed even better in 2010 and 2011 with most indices growing upwards of 20.0% and some breaking the 30.0% barrier. Over the entire review period of 2008-2012, all private property price indices registered double-digit CAGRs.

INDUSTRY OVERVIEW

Table 3 Private Property Price Indices, Hong Kong, 2008-2012

(Index)	2008	2009	2010	2011	2012	CAGR 08-12
Private domestic	120.5	121.3	150.9	182.1	206.2	14.4%
Private retail	192.2	193.1	257.2	327.4	420.3	21.6%
Private office (Grades A, B & C)	199.0	179.8	230.4	297.9	333.7	13.8%
Private flatted factories	235.9	216.3	284.4	385.0	489.4	20.0%
(%)		2009	2010	2011	2012	
YOY growth – private domestic		0.6%	24.4%	20.6%	13.3%	
YOY growth – private retail		0.5%	33.2%	27.3%	28.4%	
YOY growth – private office (Grades A, B & C)		-9.7%	28.1%	29.3%	12.0%	
YOY growth – private flatted factories		-8.3%	31.5%	35.4%	27.1%	

Source: Rating and Valuation Department, Hong Kong

Private Domestic Property

Private domestic property supply in Hong Kong remained tight over the period of 2008 to 2012. The controlled release of new private domestic property contributed to an imbalance in demand and supply, leading to sharp property price hikes over the review period.

Private domestic property price index rose between 2008 and 2012. In 2010, Hong Kong introduced a series of cooling measures including the Special Stamp Duty (“SSD”) effective November 2010 which imposed additional stamp duty for the resale of residential property within 24 months of purchase. Further, maximum loan-to-value ratios for private properties were lowered across various price ranges. As a result of these cooling measures, the total number of sales and purchase agreements fell in 2011.

The low interest rate environment and relative ease of obtaining credit in Hong Kong coupled with a tight demand-supply balance of private domestic property continued to drive prices up throughout 2011 and 2012. Another round of cooling measures was rolled out in October 2012, extending the restriction period of the SSD to 36 months. A Buyer Stamp Duty (“BSD”) of 15.0% charge on all acquisitions of private domestic properties by any person or entity except a Hong Kong permanent resident was also imposed. To prevent excessive growth in mortgage lending and related risks from the banking sector, maximum tenors for all new property mortgage loans was restricted to 30 years. Mortgage loan applicants with outstanding mortgage loans faced tighter loan-to-value ratios by banks.

INDUSTRY OVERVIEW

Table 4 *Completions, Stock and Vacancy, Private Domestic Property, Hong Kong, 2008-2012*

(Unit)	2008	2009	2010	2011	2012	CAGR 08-12
Completions	8,776	7,157	13,405	9,449	10,149	0.7%
Stock	1,085,922	1,090,614	1,102,909	1,110,561	1,117,932	3.7%
Vacancy	52,938	47,347	51,534	47,915	47,997	-2.4%
% vacancy against stock	4.9%	4.3%	4.7%	4.3%	4.3%	-3.1%
(%)		2009	2010	2011	2012	
YOY growth – completions		-18.4%	87.3%	-29.5%	7.4%	
YOY growth – stock		0.4%	1.1%	0.7%	0.7%	
YOY growth – vacancy		-10.6%	8.8%	-7.0%	0.2%	
YOY growth –% vacancy against stock		-10.9%	7.6%	-7.7%	-0.5%	

Source: Rating and Valuation Department, Hong Kong

Table 5 *Number of Sales and Purchase Agreements, Private Domestic Property, Hong Kong, 2008-2012*

	2008	2009	2010	2011	2012	CAGR 08-12
Private domestic (Unit)	95,931	115,092	135,778	84,462	81,333	-4.0%
YOY growth (%)		20.0%	18.0%	-37.8%	-3.7%	

Source: Rating and Valuation Department, Hong Kong

Private Non-Residential Property

Private non-residential property refers to an aggregation of private commercial, private office, private flatted factories, private specialised factories, private storage and private industrial/office property. The supply of private non-residential property in Hong Kong has seen limited growth from 2008 to 2012. Total private non-residential property floor area grew marginally, a 0.3% CAGR over five years from 45,415,000 sq.m. in 2008 to 45,927,800 sq.m. in 2012. Completed floor area fell by a CAGR of 1.9%, from 479,000 sq.m. completed in 2008 to 443,500 sq.m. completed in 2012. The vacancy rate fell 1.4 percentage points from 6.8% of total stock in 2008 to 5.4% in 2012. With no significant measures to ease supply limitations of new private non-residential property space, corresponding prices have risen.

INDUSTRY OVERVIEW

LICENSED MONEY LENDING INDUSTRY IN HONG KONG

Lending industry and types of money lenders in Hong Kong

Hong Kong has a long history in money lending as a result of being a regional finance hub. Formalised in the 1980s, the money lending industry plays a salient role in facilitating financing requirements of both businesses and individuals.

The two main types of legal money lenders in Hong Kong are the authorised institutions, regulated by the HKMA and governed under the Banking Ordinance; and licensed money lenders which fall under the jurisdiction of the Hong Kong Police Force and are subject to the Money Lenders Ordinance.

Authorised institutions account for more than 99.0% of total outstanding balance of loans and advances in Hong Kong. Licensed money lenders enjoy greater autonomy in operational options such as loan size, loan-to-value ratio, type of collateral and income proof. They also offer increasingly sophisticated products and services and are therefore well-positioned to cater to the urgent needs of individuals or SMEs which possess less leverage to access capital markets the same way larger firms can.

Licensed Money Lenders

Licensed money lending in Hong Kong is well established and attracts new players each year. The industry has seen accelerating growth. Over the review period, the industry witnessed a growth from a size of 760 licensed money lenders in 2008 to 984 in 2012.

Table 6 *Number of Licensed Money Lenders (Note), Hong Kong, 2008-2012*

	2008	2009	2010	2011	2012	CAGR 08-12
Number of licensed money lenders in Hong Kong (Unit)	760	779	784	864	984	6.7%
YOY growth (%)		2.5%	0.6%	10.2%	13.9%	

Source: Licensed Money Lenders Association, Hong Kong

Note: For the purpose of calculating the number of licensed money lenders, these data are extracted from official statistics from Licensed Money Lenders Association, which therefore include lending arms of securities brokers and/or investment companies.

Lower hurdle to funding from licensed money lenders

Licensed money lenders play an important role in supporting the credit needs of Hong Kong's businesses and individuals. Potential borrowers with urgent and large financial needs may find it difficult to meet the application criteria of authorised institutions, as these mandate rigorous audits which take time.

INDUSTRY OVERVIEW

Conversely, loan application criteria through licensed money lenders are less rigid. Most times, borrowers are not even required to present their income statements; licensed money lenders focus directly on borrower creditworthiness and repayment ability. Since licensed money lenders are themselves responsible for managing exposure, threshold for such factors as loan-to-asset ratio and loan-to-salary ratio are set internally. Overall threshold is set higher than that of authorised institutions to maintain a competitive edge. This lowers barriers to funding and opens up the client pool for licensed money lenders, despite a smaller suite of products and services compared to authorised institutions.

Different tiers of the licensed money lending market

The licensed money lending market remains fragmented; only a fraction of all 984 licensed money lenders are mid- or large-sized. Many of the remaining are small-sized and cater to consumer niches, while others form the lending arm of securities brokers or finance companies which lend only to their existing clients for stock transactions.

The number of small-sized licensed money lenders typically fluctuates due to unsustainable business – they may not have a sizable client base, are not able to offer attractive enough interest rates, lack capital to support expansion and are ill-equipped with sufficient resources to weather market troughs and intensifying competition within the industry. The mid- and large-size licensed money lenders, on the other hand, possess bigger marketing ammunition and have reached a critical mass of clients from which repeat business comes. Larger licensed money lenders are therefore more stable in numbers.

Key Clientele and Products

Licensed money lenders in Hong Kong offer both secured and unsecured loans to address the financing needs of both individual and corporate clients. They offer a variety of loan products which are broadly categorised by type of borrower and whether or not collateral is pledged against the loan. Offer terms vary on a case-by-case basis on such factors as borrower profile, credit history, asking quantum, collateral pledged, repayment preferences and prevailing market interest rates among others.

Property mortgage loans

Property mortgage usually take the form of property mortgage loans taken out against a property, wherein the issuing licensed money lender holds the property deed or title until full repayment inclusive of interest and other administration fees. In the event of default, the loan provider can seize the property and sell it to settle the borrower's debt.

INDUSTRY OVERVIEW

Properties can be mortgaged more than once. The first loan taken out against a property – normally the one taken to finance the property purchase itself – is known as the first mortgage, and the subsequent loan is known as the subordinate mortgage. In the event of a default, creditors will be paid in sequence. Lenders hence associate subordinate mortgages with larger risk and in turn charge higher interest rate as a form of compensation, making subordinate mortgages a lucrative business. In Hong Kong, most first mortgages are provided by authorised institutions while most subordinate mortgages are provided by licensed money lenders.

Individual loans

Individual clients of licensed money lenders tend to be unemployed or self-employed, lacking access to authorised institutions without plausible proof of income. A significant portion of this client segment is made up of individual borrowers with a poor credit history, which bars them from further credit extension. Meant to meet immediate financing needs, these loans are normally taken for tenures between six to twelve months with some as short as a single month. All are aware of the higher interest rates licensed money lenders charge due to their relatively high-risk profiles. Hong Kong people seek short-term personal loans for a host of different reasons.

Corporate loans

SMEs and corporations who are unable to access capital markets through authorised institutions due to higher loan default and delinquency risk turn to licensed money lenders for an alternative source of funding. Similar to individual clients, business clients may be new or facing liquidity issues, and hence are unable to meet income requirements of authorised institutions. Loans taken up by corporations for their business needs tend to be of a larger quantum and hence are backed by collateral, without which the loan amounts would be insufficient. Hence, it is common for businesses to take out collateral loans against their properties, accounts receivables, shares or invoices, among others. Loans sought may be used to manage short-term operational cash flows, for the purchase of equipment and facilities or for general business expansion. Loan-to-value ratios offered by licensed money lenders are more attractive than those of authorised institutions. Likewise, loans are short-term in view of higher interest rates incurred.

INDUSTRY OVERVIEW

PERFORMANCE OF LICENSED MONEY LENDING INDUSTRY IN HONG KONG

Current Market

Impressive growth clocked by licensed money lending industry

The total outstanding balance of loans and advances granted by licensed money lenders has grown steadily over 2008 to 2012. Growth accelerated throughout the period; the outstanding balance grew 13.8% in 2009 and continued on an upward trend through 2010 to 2012. The growth in outstanding balance of loans and advances made by licensed money lenders correlates to the growth in the number of licensed money lenders in Hong Kong, a 6.7% CAGR (Table 6 above) over the same period.

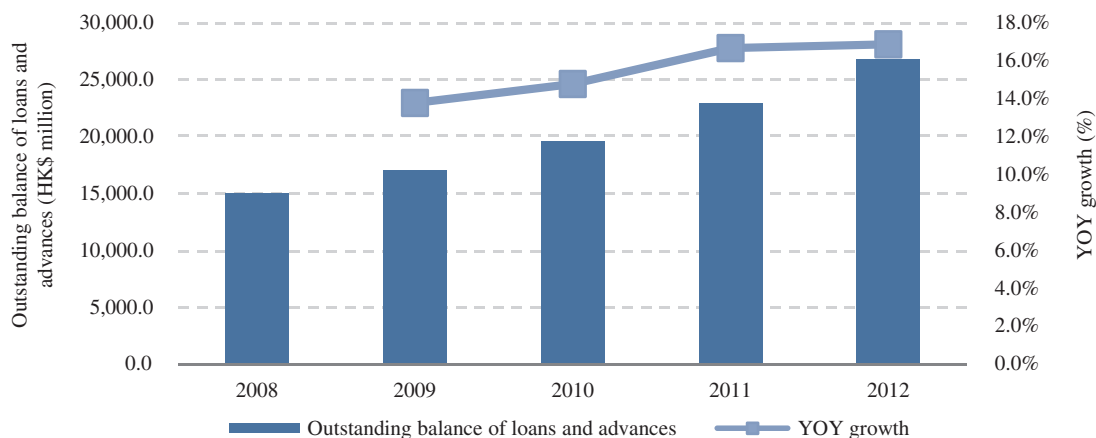
Table 7 *Outstanding Balance of Loans and Advances, Licensed Money Lenders (Note), Hong Kong, 2008-2012*

	2008	2009	2010	2011	2012	CAGR 08-12
Outstanding balance of loans and advances (HK\$ million)	15,062.1	17,135.2	19,672.1	22,953.2	26,830.2	15.5%
YOY growth (%)		13.8%	14.8%	16.7%	16.9%	

Source: Industry players (via trade interviews), trade associations, company sources, Euromonitor International estimates

Note: For the purpose of determination of outstanding balances of loans and advances, lending arms of securities brokers and/or investment companies are excluded.

Chart 1 *Outstanding Balance of Loans and Advances, Licensed Money Lenders (Note), Hong Kong, 2008-2012*



Source: Industry players (via trade interviews), trade associations, company sources, Euromonitor International estimates

Note: For the purpose of determination of outstanding balances of loans and advances, lending arms of securities brokers and/or investment companies are excluded.

INDUSTRY OVERVIEW

Popularity of licensed money lenders stem from flexibility and convenience

Licensed money lenders have also gained popularity over the recessionary years for efficient and flexible money lending and borrowing requirements are less stringent than those of authorised institutions. The higher interest rates have not appeared to be a deterrent as most loans are meant for the short-term.

Property loans main driver of growth of outstanding balance of loans and advances

Quantum per loan has similarly increased as first and subordinate mortgage loans gained momentum from the bullish property market. Hong Kong's strong economic recovery from 2008 and 2009, coupled with the influx of mainland Chinese buyers, sent private property prices soaring over a short period of time. This has driven property purchases for investment purposes, which largely involve a first mortgage, as well as encouraged borrowers to pledge existing properties on a subordinate mortgage to cash in on the rising value of their assets for personal needs.

Furthermore, cooling measures imposed by the government (i.e. HKMA) since 2010 have limited the competitiveness of authorised institutions in the mortgage lending business. Authorised institutions were subject to tighter caps on loan-to-value ratios while licensed money lenders remained unaffected. The lending industry then saw a shift of mortgage applications from the authorised institutions to licensed money lenders. This led to a sharp growth in total outstanding balance of loans and advances attributable to licensed money lenders post 2010. Property loans therefore are the primary driver of increasing quantum per loan and overall outstanding balance of loans and advances by licensed money lenders.

Heavy marketing investment pays off

The wide usage of above-the-line marketing, such as television commercials and internet advertisements, has generated much exposure for licensed money lenders. These aggressive marketing strategies by large- and mid-sized licensed money lenders to position themselves as trustworthy professionals have created brand awareness, increased brand equity and promoted brand recall among borrowers. In addition, licensed money lenders are increasingly competitive on service quality, ease of loan application and flexibility in repayment plans to project professionalism not unlike authorised institutions. Coupled with a reputation for fast and hassle-free loan approval, consumers are more likely to turn to licensed money lenders for urgent financing needs.

Reasonableness in handling loan default and delinquency

In the face of competition from authorised institutions and within licensed money lending industry, licensed money lenders differentiate their business by adopting a softer approach to debt collection. While authorised institutions typically adhere to rigorous guidelines with limited flexibility, licensed money lenders are more open to working out a feasible repayment plan with their clients should they have issues meeting repayment deadlines. Generally, licensed money lenders prefer to avoid, where possible, legal embroilments such as seizing collaterals pledged. Licensed money lenders are also not allowed to resort to hard-handed – sometimes violent – intimidation tactics commonly employed by their unlicensed counterparts. Licensed money lenders hence project an image of flexibility and professionalism.

INDUSTRY OVERVIEW

Future Outlook

Money lending industry expected to perform well over forecast period

The prospect for the licensed money lending industry remains positive in over 2013 to 2017. Positive consumer sentiment and rising property prices are expected to be underpinned by favourable economic conditions, sustaining demand for personal and corporate loans. The outstanding balance of loans and advances of licensed money lenders is thus expected to continue its strong growth at a slightly lower CAGR of 12.6% compared to the historical period. Licensed money lending is set for strong performance and continued value growth.

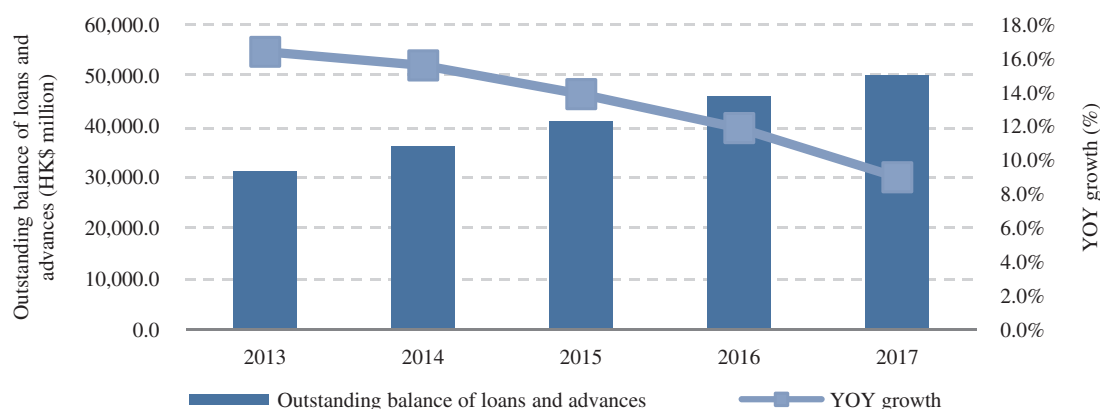
Table 8 *Outstanding Balance of Loans and Advances, Licensed Money Lenders (Note), Hong Kong, 2013-2017*

	2013	2014	2015	2016	2017	CAGR 13-17
Outstanding balance of loans and advances (HK\$ million)	31,233.8	36,105.3	41,113.9	46,000.8	50,124.9	12.6%
YOY growth (%)	16.4%	15.6%	13.9%	11.9%	9.0%	

Source: Industry players (via trade interviews), trade associations, company sources, Euromonitor International estimates

Note: For the purpose of determination of outstanding balances of loans and advances, lending arms of securities brokers and/or investment companies are excluded.

Chart 2 *Outstanding Balance of Loans and Advances, Licensed Money Lenders (Note), Hong Kong, 2013-2017*



Source: Industry players (via trade interviews), trade associations, company sources, Euromonitor International estimates

Note: For the purpose of determination of outstanding balances of loans and advances, lending arms of securities brokers and/or investment companies are excluded.

INDUSTRY OVERVIEW

China an emerging market due to differential in interest rates

Due to the tightening of credit flow in China, the base interest rate of the mainland has soared and is expected to continue on this growth trajectory in the near future. The cost of borrowing in China has surged to a level much higher than that in Hong Kong and this phenomenon creates lucrative market opportunities for Hong Kong-based licensed money lenders. Trade sources have observed a growth in China-based SMEs setting up corporate offices in Hong Kong to borrow at lower costs from licensed money lenders there. These funds are then channeled back to fund operations in the mainland.

INDUSTRY CHALLENGES

Intense competition within different tiers

The licensed money lending industry has seen an influx of new entrants over the review period given the low barriers to entry. Different size tiers – small-, medium- and large-sized licensed money lenders – within the industry face different types of competition, yet all increasingly intense.

Small-sized licensed money lenders have seen an increase in direct competition as new entrants flooded the market in 2011 and 2012. While mid- and large-sized licensed money lenders are not particularly affected by new entrants, they have observed existing competitors aggressively expanding into mortgage loan and unsecured personal loan segments. This is especially so for those linked to authorised institutions and other listed companies, who have enough capital backing to further their businesses through heavy marketing. Furthermore, such licensed money lenders have already established a trustworthy reputation and business model through their parent entity. Between licensed money lenders backed by authorised institutions and those that are not, the former still has stricter lending criteria and policies.

Exposure to volatility of economy, property market

In times of economic distress, borrowers may themselves struggling to repay loans; yet, demand for loans also increases to help tide over tough times. Property loans, especially subordinate mortgages, are issued based on initial loan-to-value ratio. Should the property market decline, pledges too lose value. Licensed money lenders may have to write off uncollectable repayments as bad debt. Further, reactive policy-making by the government such as cooling measures to tame a bullish property market and curb excessive speculation may prevent prices from increasing, a key driver of mortgage loans.

Reinforced presence of authorised institutions

Regardless of size, all licensed money lenders face competition from authorised institutions. Authorised institutions have themselves reinforced presence in areas of personal and mortgage loans. Previously criticised for complicated loan application procedures and lack of urgency in handling approvals, authorised institutions have since streamlined application processes to retain some competitive edge. Many now offer same-day loan approvals, and some have even set up specialised retail outlets separate from current retail banking branches to cater specifically to borrowers of personal and property loans.

INDUSTRY OVERVIEW

COMPETITIVE LANDSCAPE

The licensed money lenders market can be considered a highly fragmented market due to the large number of players competing within a relatively small territory. Bigger players are typically funded by large financial groups.

Industry sources note that despite the large number of registered licensed money lenders in the market, only a fraction market their services to the public on a visible scale. For most of the small and medium licensed money lenders, funding is typically from private shareholders alongside borrowing capital from authorised institutions.

Licensed money lenders seek to differentiate themselves from competitors by establishing market niches focusing on target consumer segments. Licensed money lenders with a distinct focus on personal loans tend to have an aggressive outlet expansion plan to increase accessibility to the mass consumers. Licensed money lenders with a focus geared towards corporate loans and mortgage loans tend to be more conservative on their outlet expansion plan, instead choosing to focus on their service quality and loan application and approval processes.

Owing to the different target consumer focus and difference in the types of loan products offered, industry players have different maximum loan limits and interest charges for different clientele.

A list of major licensed money lenders and a description of the top five key market players for the year 2012 are set out below.

Table 9 *Major Players, Licensed Money Lending Industry, Hong Kong, 2012*

Rank <i>(note)</i>	Licensed Money Lender	Number of Branch(es)
1	Company A	65
2	Company B	35
3	Company C	21
4	Company D	1
5	Company E	20
6	Company F	1
7	Company G	1
8	Company H	1
9	Company I	5
10	HK Finance	1

Source: Industry players (via trade interviews), trade associations, company sources, Euromonitor International estimates

Note: the ranking of major players is based on the estimated total amount of loan receivables payable to a particular major player (in Table 9 above) by its customers in the year 2012.

INDUSTRY OVERVIEW

Company A operates as a subsidiary of a Hong Kong listed company which is a group of leading financial service provider, has maintained a leading role in consumer finance in Hong Kong by focusing on general consumer and SME sectors and provides a wide range of personal loan products. It has established branches in major cities in China.

Company B is backed by a group based in Japan and focuses on unsecured personal loans, establishing themselves as a leading licensed money lender for consumer personal loans.

Company C is supported by a group based in Japan which allows Company C to tap into the stable client base of the group. It currently has four major operating business segments: insurance business, credit card issuance, hire purchase loans and personal loans.

Company D is a wholly-owned subsidiary of Company A and offers a variety of property loans and personal loan services to meet different consumer needs.

Company E is a subsidiary of a licensed bank in Hong Kong. It has primarily focused on the corporate loan segment which typically demands a larger loan quantum. It has since expanded to offer property mortgages, personal loans and corporate loans.

As shown in Table 9 above, our Group is one of the top ten major players in the licensed money lending industry in Hong Kong for the year 2012. The market share of the ten major players and our Group in terms of the total amount of loan receivables for 2012 were 51.6% and 1.2% respectively.

REGULATORY OVERVIEW

THE REGULATORY AUTHORITIES IN HONG KONG REGARDING MONEY LENDING BUSINESS, AND THE RELEVANT LAWS AND REGULATIONS

The Money Lenders Ordinance and the Money Lenders Regulations (the “**Relevant Statutes**”) are the principal statutes which govern money lending businesses in Hong Kong. The Relevant Statutes provide that any person must obtain a Money Lenders Licence in order to operate money lending business in Hong Kong. The Relevant Statutes also provide for, amongst other things, the licensing requirements for Money Lenders Licences; the supervision and regulation of money lenders and their money lending transactions; the permissible level of interest rates chargeable by money lenders regarding loans made to their customers; and the appointment of the Registrar of Money Lenders (the “**Registrar**”).

Governing authorities

There are three authorities governing money lending businesses in Hong Kong, namely, the Registrar, the Commissioner of Police (the “**Commissioner**”), and the Licensing Court.

The functions of the Registrar include processing new applications for Money Lenders Licences, processing renewal applications for Money Lenders Licences, endorsement on licences, and maintaining a register of money lenders which is open for inspection by members of the public. The Registrar of Companies is presently performing the above functions of the Registrar.

The Licensing Court comprises a magistrate sitting alone and is empowered to hear and determine whether to grant or renew Money Lenders Licences. It also determines applications for and granting of Money Lenders Licences.

The Commissioner is responsible for enforcing the Money Lenders Ordinance, including investigating complaints against money lenders, and endorsements on Money Lenders Licences in relation to applications for Money Lenders Licences.

Money Lenders Licence

Under Section 7 of the Money Lenders Ordinance, no person shall carry on business as a money lender (i) without a Money Lenders Licence; (ii) at any premises other than that specified in the Money Lenders Licence; or (iii) otherwise than in accordance with the conditions of the Money Lenders Licence. Generally, a Money Lenders Licence issued to a corporate is not transferrable, and it only entitles the person or any entity named in the licence to conduct money lending business.

A Money Lenders Licence is valid for twelve months from the date on which it is granted, and the licensee may apply for renewal of the licence for another twelve months annually. The licence will be renewed from, irrespective of whether the renewal of the licence was made prior to, upon or after its expiration, the day immediately following the day on which it would have, but for its renewal, or has, as the case may be, expired. The licensee may apply for such renewal within three months before the expiries of the licence or subsequent renewed licences.

REGULATORY OVERVIEW

Application for and renewal of Money Lenders Licence

Information to be submitted to the Registrar

Whether for making application for or renewal of Money Lenders Licences, an applicant is required to submit an application form and a statement in prescribed form (together with the prescribed application fee) to the Registrar.

Where the applicant is a limited company, the application shall also include the appropriate evidence of authorisation such as written resolution to show that the application or renewal is made by a person duly authorised by the limited company applicant.

Under the Money Lenders Regulations, the application must also include the following details for the Registrar to consider the application:

- (i) the name (and former names if any) of the applicant (in both English and Chinese);
- (ii) the date and place of incorporation of the applicant;
- (iii) the date of registration under Part XI of the Companies Ordinance (in the case of the applicant is an overseas company);
- (iv) the registered office address of the applicant, and the address and telephone number of the applicant's each place of business at which the applicant's money lending business is conducted;
- (v) details of each of the directors of the applicant, including their English and Chinese names together with name codes; their residential addresses; their Hong Kong Identity Card numbers; their length of periods as directors of the applicant; and any records of conviction in Hong Kong or elsewhere for offences other than traffic offences together with the details of any such conviction(s);
- (vi) the details of six principal shareholders (or all the shareholders if the number of shareholders is less than six), including their English and Chinese names and name codes; their residential addresses; details of their respective shareholdings in the applicant; and details of the beneficial owners of their respective shares if such principal shareholders are not the beneficial owners of the shares of the applicant; and
- (vii) the names and addresses of the applicant's banks, and the number(s) of account(s) maintained at each of the banks and the date(s) of opening of the account(s).

REGULATORY OVERVIEW

Investigation and Lodgment of application

In addition to submitting the application to the Registrar, the applicant must also send a copy of the application to the Commissioner. Upon receiving a copy of the application, if it thinks fit, the Commissioner may conduct an investigation on the applicant, covering amongst other things:

- (i) conducting site visits to the applicant's places of business or offices at which the applicant operates or intends to operate the money lending business; and
- (ii) conducting interviews with the principal officers of the applicant and making inquiries on the operations of the applicant's money lending business.

In addition to site visits and interviews, the Commissioner may also request the applicant to produce such books and records, or documents for his inspection. The Commissioner may also require that the applicant to furnish any other information which deems necessary for investigation purpose.

Within 60 days after either (i) the date on which the application is made, or (ii) the date on which the Commissioner notifies the Registrar that the investigation has been completed (the "**Relevant Date**"), the application shall be registered by the Registrar.

In the event the Registrar or the Commissioner wishes to object to an application for Money Lenders Licence on any ground, he shall serve on the applicant a notice of his intention to object (stating his ground(s) of objection thereon) not later than seven days after the Relevant Date.

The Registrar shall then lodge the application for Money Lenders Licence with the Licensing Court (together with any notice of objection) on the expiry of a period of seven days after the Relevant Date.

Grant or renewal of Money Lenders Licences by the Licensing Court

Under Section 11 of the Money Lenders Ordinance, the Licensing Court will not grant or renew a Money Lenders Licence on application if either one or more of the following circumstances arise:

- (i) the application is subject to an objection by the Registrar;
- (ii) the application is subject to an objection by the Commissioner; or
- (iii) the application is subject to an objection by any other person who has served notice of his intention to object, or any other person who is granted leave by the Licensing Court to make such an objection,

REGULATORY OVERVIEW

unless the Licensing Court is satisfied that:

- (i) the applicant is a fit and proper person to carry on business as a money lender, or, if the applicant is a company, then the person who, is in control of the company, is a fit and proper person to be conducting the money lending business;
- (ii) any person responsible (or proposed to be responsible) for the management of the applicant's business, or, if the applicant is a company, any director, secretary or officer of the company, is a fit and proper person to be conducting the money lending business;
- (iii) the applicant's name under which the Money Lenders Licence is applied for is not misleading or undesirable;
- (iv) the premises to be used in the applicant's money lending business are suitable for conducting the money lending business;
- (v) the applicant has complied with the relevant laws and regulations relating to the application; and
- (vi) the granting of such licence to the applicant is not contrary to public interest in all the circumstances.

No Money Lenders Licence shall be granted by the Licensing Court if an applicant is convicted of an offence under the Money Lenders Ordinance, or is otherwise disqualified by any court order from holding a Money Lenders Licence.

Upon granting or renewing any Money Lenders Licence, the Licensing Court may impose any condition as it deems fit in the licence.

If a licensee intends to conduct business as a money lender at other premises other than or in addition to the premises specified in his licence, he may apply to the Licensing Court to have such additional premises endorsed on his licence.

Suspension or revocation of Money Lenders Licence by the Licensing Court

The Registrar or the Commissioner may apply to the Licensing Court, and the Licensing Court may make an order to suspend or revoke any Money Lenders Licence granted if it is of the opinion that:

- (i) the licensee has seriously breached any condition specified on the Money Lenders Licence or has not been able to satisfy any other conditions relating to his money lending business; or
- (ii) the licensee has ceased to become a fit and proper person to conduct money lending business; or

REGULATORY OVERVIEW

- (iii) the premises specified in the Money Lenders Licence have become unsuitable for conducting the money lending business; or
- (iv) at any time after the granting of the Money Lenders Licence, the money lending business of the licensee has been conducted by the use of any method or in any manner which is contrary to public interest.

Our licensing history

HK Finance

The money lending business has been conducted by our principal operating subsidiary HK Finance. HK Finance commenced its money lending business upon obtaining the Money Lenders Licence granted by the Licensing Court on 20 May 1998 with the name known as Tin Ching Finance Company Limited. The change of name from Tin Ching Finance Company Limited to Hong Kong Finance Company Limited was duly notified to the Registrar on 25 January 2005.

Since the first granting of the Money Lenders Licence to HK Finance (formerly known as Tin Ching Finance Company Limited) up to the Latest Practicable Date, HK Finance (or under the name of Tin Ching Finance Company Limited) has never (i) received any objection from the Registrar or the Commissioner; and (ii) been investigated by the Registrar nor the Commissioner regarding its applications for and renewal of licences.

Our Money Lenders Licence has been successfully renewed by the Licensing Court annually since commencement of our money lending business in 1998 and our present licence shall expire on 20 May 2014.

Oriental Credit

Oriental Credit, another subsidiary of our Group, obtained a Money Lenders Licence on 22 January 2013 and it shall expire on 22 January 2014. As at the Latest Practicable Date, Oriental Credit has not commenced any money lending business.

REGULATORY OVERVIEW

Relevant Statutes, other relevant laws and regulations

(I) *Money Lenders Ordinance*

There are various requirements or regulations imposed by the Money Lenders Ordinance on money lenders regarding money lending transactions including, amongst others, the following:

(a) *Duty to notify the Registrar of changes of certain particulars – Section 17 of the Money Lenders Ordinance*

The following changes to certain particulars entered into the register in respect of any licensee which is a company, must be notified by the licensee to the Registrar in writing within 21 days after such changes taking place:

- i. the officers;
- ii. the control by any person; and
- iii. the number of shares of the licensee, or shares of a prescribed class, therein held by any person whereby the nominal value of any such shares held by that persons exceeds such proportion of the nominal value of the share capital thereof or of the issued shares of that class, as the case may be, as may be prescribed.

(b) *Written memorandum of agreement to be signed by borrowers – Section 18 of the Money Lenders Ordinance*

No agreement between a borrower and a licensed money lender regarding the repayment of money and the payment of interest and any security given to the licensed money lender shall be enforceable, unless a note or memorandum in writing of the agreement containing all the terms of such agreement is signed personally by the borrower within seven days after the making of the agreement, and that a copy of such memorandum is given by the licensed money lender to the borrower at the time of signing.

(c) *Duty to give information to borrower – Section 19 of the Money Lenders Ordinance*

A licensed money lender shall, on demand in writing being made by the borrower at any time during the continuance of the loan agreement, and, on the borrower paying the relevant fees, provide a statement signed by the licensed money lender or his agent, to the borrower or any other person specified by the borrower in his demand, showing certain information including, amongst others, (i) the date on which the loan was made, the amount of principal and interest rate charged; (ii) the amount of any payments already received by the money lender and the date(s) of such payments; and (iii) the amount not yet due which remains outstanding, and the date on which it will become due.

REGULATORY OVERVIEW

A licensed money lender who fails to comply with Section 19 of the Money Lenders Ordinance without reasonable excuse within one month after the demand has been made by the borrower shall not, as long as the default continues, be entitled to sue the borrower for recover of any sum due, whether for principal or interest, under the agreement, and that interest shall not be chargeable during the period of default.

However, this duty does not apply to any licensed money lender in respect of any demand made by a borrower within one month after a previous demand relating to the same agreement has been complied with.

(d) Borrowers entitled to early repayment – Section 21 of the Money Lenders Ordinance

Any borrower under any agreement for money lent by a licensed money lender is entitled to, by giving written notice to the licensed money lender at any time, make early repayment of all outstanding principal under the agreement together with the relevant interest calculated up to the date of such early payment.

(e) Provision against compound interest, increase of interest by default, and prohibition of repayment by installment – Section 22 of the Money Lenders Ordinance

It is illegal for any loan agreement between a money lender and a borrower to provide for, whether directly or indirectly:

- i. the payment of compound interest;
- ii. prohibition of repayment of the loan by installments; or
- iii. the rate or amount of interest being increased by reason of any default in the payment of sums due under the agreement. Such a provision may however be permissible if default is made in the payment upon the due date of any sum payable under the agreement, whether in respect of principal or interest, the money lender shall be entitled to charge simple interest, subject to Part IV of the Money Lenders Ordinance, on that sum from the date of the default until the sum is paid at an effective rate not exceeding the effective rate payable in respect of the principal apart from any default, and any interest so charged shall not be reckoned for the purposes of the Money Lenders Ordinance as part of the interest charged in respect of the loan. (According to Section 2 of the Money Lenders Ordinance, effective rate, in relation to interest, means the true annual percentage rate of interest calculated in accordance with Schedule 2 of the Money Lenders Ordinance.)

However, when deciding on the legality of any agreement, if the court is satisfied that in all the circumstances of a particular case, it would be inequitable for any agreement which does not comply with Section 22 of the Money Lenders Ordinance to be held unenforceable, the court may order that such agreement is enforceable to such extent, and subject to such modifications or exceptions, as the court considers equitable.

REGULATORY OVERVIEW

(f) Excessive interest rate is not allowed – Section 24 of the Money Lenders Ordinance

Section 24 of the Money Lenders Ordinance makes it a criminal offence for any person (whether a licensed money lender or not) to lend or offers to lend money at an effective rate of interest which exceeds 60% per annum. It also provides that no agreement for the repayment of any loan or for the payment of interest on any loan and no security given in respect of any such agreement or loan shall be enforceable in any case in which the effective rate of interest exceeds 60% per annum.

Contravention of Section 24 of the Money Lenders Ordinance carries a maximum penalty of:

- i. a fine of HK\$500,000 and two-year imprisonment, on summary conviction; or
- ii. a fine of HK\$5,000,000 and ten-year imprisonment, on conviction upon indictment.

(g) Re-opening of certain transactions by the court – Section 25 of the Money Lenders Ordinance

The court may re-open any transaction and make such orders and give such directions as it may think fit if, in any proceedings for the recovery of any money lent or the enforcement of any agreement or security in respect of any loan, the court is satisfied that the transaction is extortionate. A transaction is extortionate if it requires the borrower or a relative of his to make payments (i) which are grossly exorbitant; or (ii) which grossly contravenes ordinary principles of fair dealing. Any agreement for the repayment of a loan or for the payment of interest on a loan in respect of which the effective rate of interest exceeds 48% per annum shall be presumed to be a transaction which is extortionate.

Except where the effective interest rate exceeds 60% per annum, a court may declare that a particular transaction is not extortionate, if, having regard to all circumstances relating to that transaction in question, the court is satisfied that such rate is not unreasonable or unfair even if it exceeds 48% per annum. Factors and evidence which the court may take into account when deciding whether a transaction is extortionate or not include, amongst others, (i) interest rate prevailing at the time; (ii) the borrower's age, experience, business capacity and state of health; (iii) the degree to which, at the time of entering into the transaction, the borrower was under financial pressure and the nature of that pressure; and (iv) the degree of risk accepted by the money lender in that particular transaction, having regard to the nature and value of any security provided by the borrower.

REGULATORY OVERVIEW

(h) Charges for expenses etc. are not recoverable by licensed money lenders – Section 27 of the Money Lenders Ordinance

It is illegal for any agreement entered into between a licensed money lender and a borrower (or intending borrower) to provide for the payment by the borrower to the licensed money lender of any sum for or on account of costs, charges or expense (other than stamp duties or similar duties) incidental to or relating to the negotiations for or the granting of the loan or proposed loan or the guaranteeing or securing of the repayment thereof.

It is also illegal for any licensed money lender or his partner, employer, employee, principal or agent or any person acting for or in collusion with any licensed money lender to charge, recover or receive any sum as for or on account of any such costs, charges or expenses (other than stamp duties or similar charges) or to demand or receive any remuneration or reward whatsoever from a borrower or intending borrower for or in connection with or preliminary to procuring, negotiating or obtaining any loan made or guaranteeing or securing the repayment of a loan.

(i) Types of loans exempted under Part 2, Schedule 1 of the Money Lenders Ordinance

Certain types of loan granted by licensed money lenders are exempted from the provisions of the Money Lenders Ordinance (except Sections 24 and 25, which apply to any person (whether a licensed money lender or not)). These types of loans include, amongst others, (i) loans made bona fide by an employer to its employee; (ii) loans made to a company secured by a mortgage, charge, lien or other encumbrance; (iii) loans made under bona fide credit card schemes; (iv) loans made bona fide for the purchase of immovable property on the security of a mortgage; (v) loans made to a company the shares or debentures of which are listed on a recognised stock market; and (vi) loans made to a company that has a paid up share capital of not less than HK\$1 million or an equivalent amount in any other currencies freely convertible into Hong Kong dollars, or any currencies approved in writing by the Registrar.

(II) Money Lenders Regulations

The Money Lenders Regulations are the subsidiary legislation of the Money Lenders Ordinance. They primarily deal with the administrative aspects and certain procedures for application and renewal of Money Lender Licences such as prescribing the form for the Money Lenders Licences and the fees.

(III) Other laws and regulations

In addition to the Relevant Statutes, there are other laws and regulations in force in Hong Kong which also concern our money lending business. These additional laws and regulations mainly provide for anti-money laundering and protection of data privacy.

REGULATORY OVERVIEW

- (a) *Drug Trafficking (Recovery of Proceeds) Ordinance (Chapter 405 of the Laws of Hong Kong), Organized and Serious Crimes Ordinance (Chapter 455 of the Laws of Hong Kong), United Nations (Anti-Terrorism Measures) Ordinance (Chapter 575 of the Laws of Hong Kong), and the United Nations Sanctions Ordinance (Chapter 537 of the Laws of Hong Kong)*

These Hong Kong legislations concern primarily money laundering. They also provide that it is an offence for any person to carry on a transaction with an aim to conceal, or disguise the identity and origin of criminal proceeds or funds. It is also illegal under these legislations for any person to deal in any property which represents proceeds obtained from drug trafficking or any indictable offence. They also require disclosure by any person of his knowledge or suspicion of any such property, or of Terrorist Property (as defined below).

The Drug Trafficking (Recovery of Proceeds) Ordinance came into force in September 1989. It provides for the tracing, freezing and confiscation of the proceeds of drug trafficking and creates a criminal offence of money laundering in relation to such proceeds. The Organized and Serious Crimes Ordinance came into operation in December 1994. It extends the money laundering offence to cover the proceeds of indictable offences in addition to drug trafficking.

The United Nations (Anti-Terrorism Measures) Ordinance came into force in 2002. This ordinance seeks to implement the mandatory elements of the United Nations Security Council Resolution aimed at combating international terrorism on various fronts. The ordinance provides that it would be a criminal offence to: (i) provide or collect funds (by any means, directly or indirectly) with the intention or knowledge that the funds will be used to commit, in whole or in part, one or more terrorist acts; or (ii) make any funds or financial (or related) services available, directly or indirectly, to or for the benefit of a person knowing that, or being reckless as to whether, such person is a terrorist or terrorist associate. The ordinance also requires a person to report his knowledge or suspicion of Terrorist Property to an authorised officer, and failure to make such disclosure constitutes an offence under the ordinance. Terrorist Property, as defined in Section 2, refers to property of a terrorist or terrorist associate; or any other property that is intended to be used to finance or otherwise assist the commission of a terrorist act; or was used to finance or otherwise assist the commission of a terrorist act.

Sections 7 and 8 of the United Nations (Anti-Terrorism Measures) Ordinance prohibit a person from providing any property knowing that the property will be used, in whole or in part, to commit one or more terrorist acts. It also prohibits a person from making any property or financial services available to or for the benefit of a person knowing that, or being reckless as to whether, the person is a terrorist or terrorist associate, except under the authority of a licence granted by the Secretary for Security in Hong Kong.

Section 12 of the United Nations (Anti-Terrorism Measures) Ordinance regulates the disclosure of knowledge or suspicion that property is Terrorist Property. Where a person knows or suspects that any property is Terrorist Property, the person shall disclose to the

REGULATORY OVERVIEW

Police Department, the Customs and Excise Department, the Immigration Department, or the Independent Commission Against Corruption (the “**Authorised Officer**”) the information or other matter on which the knowledge or suspicion is based; and as soon as is practicable after that information or other matter comes to the person’s attention. It is an offence for failing to disclose to the Authorised Officer such information, and it is also an offence to disclose any information to other parties that may prejudice the investigation.

The United Nations Sanctions Ordinance was enacted to implement resolutions of the Security Council of the United Nations to impose targeted sanctions against certain jurisdictions in Hong Kong as instructed by the Ministry of Foreign Affairs of the PRC. As at the Latest Practicable Date, there are 58 regulations made under this ordinance relating to around 17 jurisdictions, including but not limited to Liberia, Libya, Afghanistan, Eritrea, Democratic Republic of the Congo. There are prohibitions against trade-related activities, which include making available to, or for the benefit of, certain persons, entities funds or other financial assets or economic resources, or dealing with funds or other financial assets or economic resources of certain persons or entities from the above jurisdictions.

Section 3(3) of the United Nations Sanctions Ordinance provides that a contravention or breach of different sanctions or trade restrictions in the regulations shall be punishable on summary conviction by a fine not exceeding HK\$500,000 and imprisonment for a term not exceeding two years; on conviction on indictment by an unlimited fine and imprisonment for a term not exceeding seven years. These penalties can deter trading activities breaching the sanctions or trade restrictions imposed under the Laws of Hong Kong, or by the United Nations.

The Directors confirm that the Group has never conducted any trading activities with companies or individuals from the countries on which the United Nations Sanctions Ordinance or its regulations apply.

Details of the compliance of the above laws and regulations are set out in the section headed “Business – Legal compliance” in this prospectus.

(b) Personal Data (Privacy) Ordinance

The nature of our business inevitably requires that we collect, keep, and make use of our customers’, and potential customers’ personal data on frequent and regular basis. As a result of which, we have to follow the fair information practices as set out in the data protection principles of the PDPO.

REGULATORY OVERVIEW

Although we owe a duty of confidentiality to our customers under the relevant laws and regulations on protection of data privacy, we are required, and are entitled to report any suspicious cases to the relevant authorities. Legislations in Hong Kong such as the Drug Trafficking (Recovery of Proceeds) Ordinance require that disclosure of certain suspicious transactions be made under the legislation. Such disclosures are not be treated as a breach of any restriction upon the disclosure of information imposed by contract or by any enactment, rule of conduct or other legislation provision, and any person making such disclosure shall not be liable in damages for any loss which may arise out of such disclosure.

Further, Section 58 of PDPO provides that if personal data are used for any of the purposes referred to in Section 58(1) of the PDPO (which includes but not limited to prevention or detection of crimes, prosecution or detention of offenders and prevention, preclusion or remedying of unlawful or seriously improper conduct or dishonesty or malpractice by persons etc.) (“**Exempted Matters**”) and the application of the personal data protection principle in relation to such use would be likely to prejudice any of the Exempted Matters, then: (i) such personal data are exempted from the provisions of certain data protection principle; and (ii) if there is proceeding against any person for a contravention of any of those provisions of PDPO, it shall be a defence if that person can show that he has reasonable grounds for believing that failure to so use the data would have been likely to prejudice any of the Exempted Matters.

Amendments to the PDPO came into effect on 1 April 2013 and the new Part VI A of the PDPO imposes new regulations on the use and provision of personal data in direct marketing by business entities. Under the new amendments, if customers’ personal data are intended to be used in direct marketing, customers must be notified and their consent must be obtained before using or transferring any of their personal data to another person. Furthermore, customers must be notified of their opt-out right when using their personal data in direct marketing for the first time. Customers are entitled to require us to cease using their personal data at any time. Under these amendments to the PDPO, customers shall not be charged for the compliance with these amendments.

Details of the compliance of the PDPO and the amendments to PDPO are set out in the section headed “Business” in this prospectus.

(c) Code of Money Lending Practice (the “Code”)

The Code was issued by the Hong Kong S.A.R. Licensed Money Lenders Association Limited. The importance of the Code is that it sets out the best practice of money lending services, and the major clauses of the Code are reproduced below:

- i. the terms and conditions should, where applicable, highlight the relevant interest rates or the basis on which this will be determined, and the customers’ liabilities and obligations in the use of a service. In drawing up terms and conditions for the services, members should have due regard to applicable laws in Hong Kong;

REGULATORY OVERVIEW

- ii. licensed money lenders should at all times comply with the PDPO in the collection, use and holding of customer information. They should also comply with any relevant codes of practice issued or approved by the Privacy Commissioner for Personal Data giving practical guidance on compliance with the PDPO;
- iii. approval of loans should be subject to members' credit assessment which should take into account the applicants' ability to repay. Licensed money lenders should endeavor to ensure that a prospective borrower understands the principal terms and conditions of any borrowing arrangement, such as the interest rates and terms of repayment; and
- iv. licensed money lenders should have proper systems and procedures in place for the selection of debt collection service providers and the monitoring of their performance. They should also establish procedures to handle complaints received from customers and should bring apparently illegal behavior by debt collection service providers to the attention of the police.

Accordingly, we have taken some measures to follow the best practice set out in the Code. These include (i) engaging external legal adviser to review the terms and conditions of our loan agreements to ensure consistency with the Code; (ii) establishing Know-Your-Client procedures to assess the background of the customers; and (iii) requiring all the transfer of funds/transactions being made through bank transfers.

Our Directors confirm that to the best of their knowledge, our Group has followed the best practice set out in the Code.

Recent governmental policies on Hong Kong property market

In view of the booming trend of the property market in Hong Kong in recent years, and in order to curb speculation in the property market, the Hong Kong Government has introduced various measures and policies to reduce such speculation. In November 2010, the amended Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) introduced the SSD on top of the ad valorem stamp duty for selling any residential property within 24 months of purchase.

In October 2012, the Stamp Duty (Amendment) Bill 2012 was proposed to adjust the rate of SSD and extend the holding period of residential property from 24 months to 36 months. It also introduced BSD on the disposal of residential properties acquired by any person or company except a Hong Kong permanent resident.

In February 2013, the Stamp Duty (Amendment) Bill 2013 was proposed to the effect that any residential property (except that acquired by a Hong Kong permanent resident who does not own any other residential property in Hong Kong at the time of acquisition) and non-residential property acquired on or after 23 February 2013 will be subject to the proposed new rates of ad valorem stamp duty upon the enactment of the relevant legislation.

REGULATORY OVERVIEW

Apart from the above legislative measures, the HKMA has also tightened up its measures regarding provision of mortgage loans by authorised institutions (as defined under the Banking Ordinance) to the effect that the loan-to-value ratio and the debt servicing ratio have been lowered for mortgage loan applications.

The above recent amendments to the Stamp Duty Ordinance and government policy on Hong Kong property market may have an impact on the value of the collaterals of the Group. Details of such impact are set out in the section headed “Risk Factors” in this prospectus.

Mortgagee action under the Conveyancing and Property Ordinance (Chapter 219 of the Laws of Hong Kong) and the relevant case law

Once the mortgagee has decided to pursue the mortgagee action under the Rules of the High Court, pursuant to the Conveyancing and Property Ordinance, the mortgagee can exercise his power to take possession of the mortgaged land (which includes properties or buildings erected on land) and, for that purpose, to take any legal proceedings after notice requiring payment of the mortgage money has been served on the mortgagor, and default has been made in payment of the mortgage money or part thereof for one month after such service. Notice shall also be served on any second or subsequent mortgagee under the relevant case law.

When the mortgagee exercises his power to sale, the sale proceeds shall be applied in the following order: (a) to discharge all rent, taxes, rates and other outgoings due and affecting the mortgaged land; (b) if the mortgaged land is sold subject to a prior incumbrance, to discharge that prior incumbrance; (c) to pay the receiver’s lawful remuneration, costs, charges and expenses and all lawful costs and expenses properly incurred in the sale or other dealing; (d) to pay mortgage money, interest and costs due under the mortgage, and any residue shall be paid to the person who, immediately before any sale or other dealing, is entitled to the mortgaged land or authorized to give a receipt for the proceeds of the sale of that land.

HISTORY AND DEVELOPMENT

HISTORY AND GROUP LEGAL STRUCTURE

Our Group's history can be traced back to Mr. K.N. Chan and Mr. W. Chan who founded Fung Ming Profits Limited in July 1996. Fung Ming Profits Limited's name was changed to its present name Tin Ching Holdings in July 1997. Mr. K.N. Chan and Mr. W. Chan each holds 50% interest in Tin Ching Holdings.

During the early to mid-1990s, the property market in Hong Kong was booming, and Mr. K.N. Chan and Mr. W. Chan became interested in investing in the property market. They then started to gather more market information through their personal contacts in the industry such as estate agents, bankers, solicitors, valuers and loan brokers. Mr. K.N. Chan and Mr. W. Chan were aware of the inadequacy of the then financial services provided by the authorised institutions (as defined under the Banking Ordinance) in Hong Kong to their customers regarding loans secured by properties, in particular subordinate property mortgages. They therefore understood that there was still room in this area for them to explore business opportunities. As a result, Mr. K.N. Chan and Mr. W. Chan founded the Group in 1996, and obtained our Money Lenders Licence in 1998 and entered into the money lending industry to provide loans secured by property mortgages to individual and corporate customers in Hong Kong. The source of funding for the money lending business was Mr. K.N. Chan and Mr. W. Chan's personal funding.

Prior to the Reorganisation, Tin Ching Holdings was the holding company of the Group.

Subsidiaries of the Group

HK Finance

HK Finance was incorporated in Hong Kong as Elegant Luck Industrial Limited on 9 December 1996 with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. Since incorporation, HK Finance underwent several name changes: firstly to Elegant Luck Management Limited on 8 August 1997, then to Tin Ching Finance Company Limited on 4 February 1998, and finally to its present name on 21 January 2005. The principal business of HK Finance is money lending.

Initially, Elegant Luck Industrial Limited allotted and issued one share each at par value to two nominee subscribers, T & T Registrations Limited and Symbol (Nominees) Company Limited. On 25 April 1997, T & T Registrations Limited and Symbol (Nominees) Company Limited transferred their respective one share in the then Elegant Luck Industrial Limited to Mr. K.N. Chan and Mr. W. Chan at par value for the consideration of HK\$1.00 respectively. Both T & T Registrations Limited and Symbol (Nominees) Company Limited are Independent Third Parties.

HISTORY AND DEVELOPMENT

On 28 July 1997, Elegant Luck Industrial Limited allotted and issued 98 shares to Tin Ching Holdings at par value. On 28 August 1997, Mr. K.N. Chan and Mr. W. Chan transferred their respective one share in Elegant Luck Management Limited to Tin Ching Holdings and Nitto respectively at par value for the consideration of HK\$1.00 respectively.

On 16 April 2009, HK Finance increased its authorised share capital to HK\$10,000,000 divided into 10,000,000 shares of HK\$1.00 each, and allotted and issued 9,899,901 and 99,999 shares to Tin Ching Holdings and Nitto respectively at par value, credited as fully paid in satisfaction of part of the separate loans in the sum of HK\$9,899,901 and HK\$99,999 made by the respective allottee companies to HK Finance.

On 21 March 2012, HK Finance increased its authorised share capital to HK\$100,000,000 divided into 100,000,000 shares of HK\$1.00 each. On 30 March 2012, HK Finance allotted and issued 50,000,000 shares to Tin Ching Holdings at par value, credited as fully paid in satisfaction of the entire loan in the sum of HK\$50,000,000 made by Tin Ching Holdings to HK Finance.

On 28 March 2013, HK Finance allotted and issued 40,000,000 shares to Tin Ching Holdings at par value, credited as fully paid in satisfaction of the entire loan in the sum of HK\$40,000,000 made by Tin Ching Holdings to HK Finance.

Thereafter, HK Finance was owned as to 99.9% and 0.1% by Tin Ching Holdings and Nitto respectively prior to Reorganisation.

Asia Ford

Asia Ford was incorporated in Hong Kong on 21 May 1999 with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. Asia Ford is a property investment holding company.

Asia Ford initially allotted and issued one share at par value to each of the two nominee subscribers, Creation Management Limited and Prince Nice Limited. On 20 July 1999, Creation Management Limited and Prince Nice Limited transferred their respective one share to Tin Ching Holdings and Corne Company Limited respectively at par value for the consideration of HK\$1.00 respectively. On the same date, Asia Ford further allotted and issued 7,999, 1,000 and 999 shares to Tin Ching Holdings, Mr. He Sen Hui and Corne Company Limited respectively at par value. Creation Management Limited, Prince Nice Limited, Mr. He Sen Hui and Corne Company Limited are Independent Third Parties.

On 5 January 2001, Mr. He Sen Hui transferred his 1,000 shares in Asia Ford to Prosperity Asset Management (Asia) Limited for a consideration of approximately HK\$1.0 million. Prosperity Asset Management (Asia) Limited was a BVI company owned by Mr. Chan Chen Tong and Ms. Lam Lai Pik, who are parents of both Mr. K.N. Chan and Mr. W. Chan, in equal shares. Prosperity Asset Management (Asia) Limited was struck off and deregistered on 1 May 2006.

HISTORY AND DEVELOPMENT

On 27 October 2003, Corne Company Limited transferred its 1,000 shares in Asia Ford to Tin Ching Holdings for a consideration of approximately HK\$0.4 million.

On 13 April 2005, Prosperity Asset Management (Asia) Limited transferred its 1,000 shares in Asia Ford to Tin Ching Holdings at par value for the consideration of HK\$1,000.00. Thereafter, Asia Ford was owned as to 100% by Tin Ching Holdings prior to Reorganisation.

Charterfame

Charterfame was incorporated in Hong Kong on 5 March 1996 with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. Charterfame is a property investment holding company.

Charterfame initially allotted and issued one share each at par value to two nominee subscribers, Time Way Limited and Cheerfit Development Limited. On 3 May 1996, Time Way Limited and Cheerfit Development Limited transferred their respective one share to Mr. K.N. Chan and Mr. W. Chan respectively at par value for the consideration of HK\$1.00 respectively. Time Way Limited and Cheerfit Development Limited are Independent Third Parties.

On 6 May 1996, Charterfame further allotted and issued 4,999 and 4,999 shares to Mr. K.N. Chan and Mr. W. Chan respectively at par value.

On 29 August 1997, Mr. K.N. Chan transferred 100 shares in Charterfame to Nitto at par value for the consideration of HK\$100.00. On the same date, Mr. K.N. Chan and Mr. W. Chan transferred their respective 4,900 and 5,000 shares in Charterfame to Tin Ching Holdings at par value for the consideration of HK\$4,900.00 and HK\$5,000.00 respectively. Thereafter, Charterfame was owned as to 99% and 1% by Tin Ching Holdings and Nitto respectively prior to Reorganisation.

Max Art

Max Art was incorporated in Hong Kong on 18 November 2011 with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. Max Art is principally engaged in the provision of advertising services for other subsidiaries of the Group.

Max Art initially allotted and issued one share at par value to nominee subscriber, GNL11 Limited who is an Independent Third Party. On 8 December 2011, Max Art allotted and issued 9,999 shares to Tin Ching Holdings at par value. On 13 December 2011, GNL11 Limited transferred its one share in Max Art to Tin Ching Holdings at par value for the consideration of HK\$1.00. Thereafter, Max Art was wholly owned by Tin Ching Holdings prior to Reorganisation.

Oriental Credit

Oriental Credit was incorporated in Hong Kong as Oriental First Finance Company Limited on 3 September 2012 with an authorised share capital of HK\$10,000 divided into 10,000 shares in HK\$1.00 each. Oriental First Finance Company Limited's name was changed to its present name on 18 October 2012.

HISTORY AND DEVELOPMENT

Initially, Oriental First Finance Company Limited allotted and issued one share at par value to nominee subscriber, Will-Tech Tax Consultants Limited, who is an Independent Third Party.

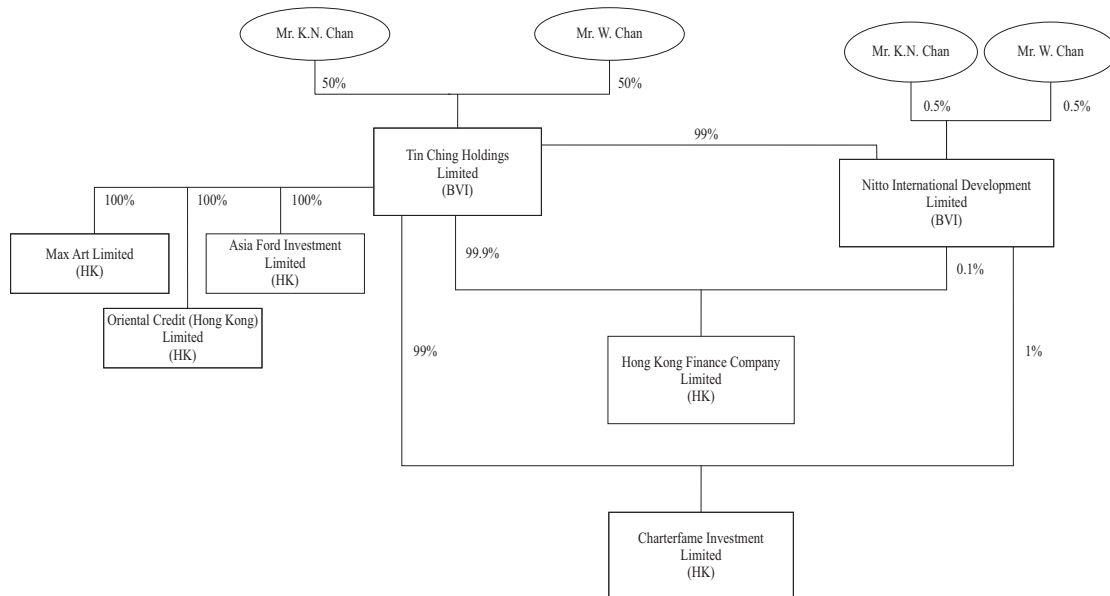
On 12 September 2012, Will-Tech Tax Consultants Limited transferred its one share in the then Oriental First Finance Company Limited to Tin Ching Holdings at par value for the consideration of HK\$1.00. On the same date, the then Oriental First Finance Company Limited allotted and issued 9,999 shares to Tin Ching Holdings at par value. Thereafter, Oriental Credit was wholly owned by Tin Ching Holdings prior to Reorganisation.

Oriental Credit has not commenced any business since incorporation, and remained inactive since then.

CORPORATE STRUCTURE AND CORPORATE REORGANISATION

SHAREHOLDING AND CORPORATE STRUCTURE IMMEDIATELY BEFORE THE REORGANISATION

The following diagram sets out the corporate structure and the shareholders of the Group immediately before completion of the Reorganisation:



REORGANISATION

In preparation for the Listing, our Group underwent a Reorganisation involving the following steps:

(I) Incorporation of HKF Overseas and our Company

- i. HKF Overseas was incorporated in the BVI as a business company with limited liability on 6 February 2013 with 50,000 authorised ordinary shares without par value. Upon incorporation, 10 shares, representing 100% of the total issued shares of HKF Overseas, were allotted and issued to Tin Ching Holdings for cash at US\$1.00 each.
- ii. Our Company was incorporated in the Cayman Islands on 6 February 2013 as an exempted company with limited liability with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 per share. Upon incorporation, 1 share was allotted and issued as nil paid to the initial subscriber Codan Trust Company (Cayman) Limited, who, on the same date, transferred the said 1 share to Tin Ching Holdings. On 12 March 2013, 999,999 new shares were allotted and issued nil paid to Tin Ching Holdings and subsequently credited as fully paid-up at par as described under sub-section (III) below.

CORPORATE STRUCTURE AND CORPORATE REORGANISATION

(II) Transfer of the relevant subsidiaries to HKF Overseas by way of share swap

- i. Tin Ching Holdings transferred to HKF Overseas its 10,000 shares in Asia Ford (representing the entire issued share capital of Asia Ford); 10,000 shares in Max Art (representing the entire issued share capital of Max Art); 10,000 shares in Oriental Credit (representing the entire issued share capital of Oriental Credit); 9,900 shares in Charterfame (representing 99% of the entire issued share capital of Charterfame); 99,900,000 shares in HK Finance (representing approximately 99.9% of the entire issued share capital of HK Finance), to HKF Overseas on 9 September 2013;
- ii. Nitto on 9 September 2013 transferred its 100,000 shares in HK Finance (representing 0.1% of the entire issued share capital in HK Finance) and 100 shares in Charterfame (representing 1% of the entire issued share capital in Charterfame), to HKF Overseas;
- iii. In consideration of the above transfers as mentioned in paragraph (II)i above, HKF Overseas allotted and issued in total 9,950 shares to Tin Ching Holdings on 9 September 2013. In consideration of the above transfers as mentioned in paragraph (II) ii above, HKF Overseas allotted and issued in total 40 shares to Tin Ching Holdings, at the direction of Nitto. In total, HKF Overseas allotted and issued as fully paid 9,990 shares to Tin Ching Holdings on 9 September 2013.

Following completion of the share transfers mentioned in paragraphs (II)i and ii. above, Tin Ching Holdings owns 100% of HKF Overseas, and HKF Overseas in turn owns 100% of Max Art, Asia Ford, HK Finance, Oriental Credit and Charterfame.

(III) Share Swap Agreement reorganising the ownership of HKF Overseas

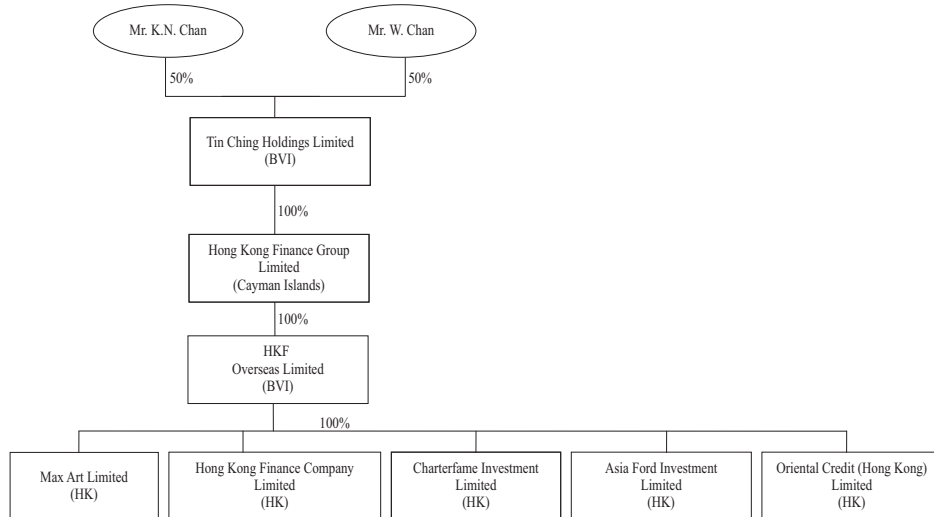
On 4 September 2013, our Company increased its authorised share capital to HK\$100,000,000 by the creation of additional 9,962,000,000 shares of HK\$0.01 each.

On 9 September 2013, the Company and Tin Ching Holdings entered into a share swap agreement. Pursuant to the terms of this share swap agreement, our Company acquired the entire issued share capital in HKF Overseas from Tin Ching Holdings for the consideration of (i) crediting the 1,000,000 nil-paid shares as referred to in paragraph (I) ii above as fully paid at par, and (ii) the allotment and issue of 1,000,000 new shares in our Company, credited as fully paid at par, to Tin Ching Holdings, on the same date.

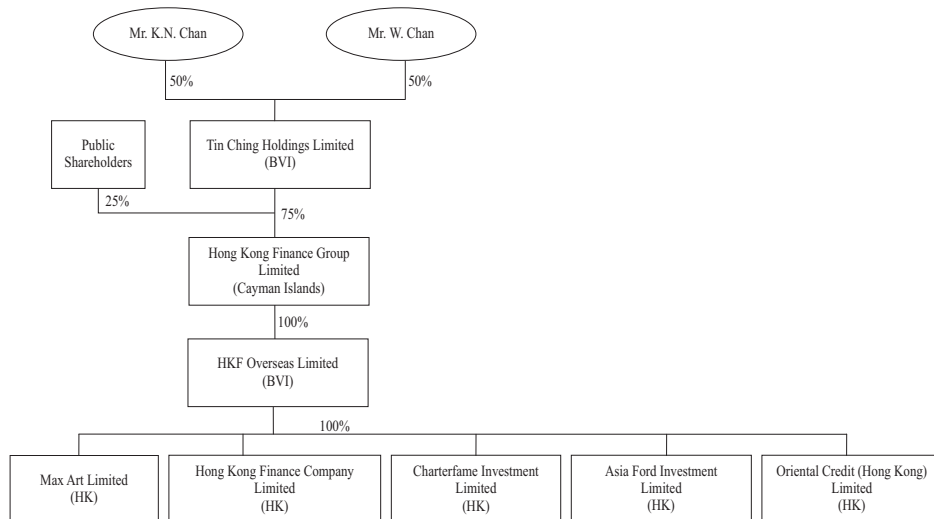
Following completion of this share swap agreement, Tin Ching Holdings owns 100% of our Company, which in turn owns 100% of HKF Overseas.

CORPORATE STRUCTURE AND CORPORATE REORGANISATION

The following diagram sets out the corporate structure and the shareholders of the Group immediately after completion of the Reorganisation and before completion of the Share Offer and Capitalisation Issue:



The following diagram sets out the corporate structure and the shareholders of the Group immediately after completion of the Share Offer and the Capitalisation Issue (taking no account of any Shares which may be issued upon the exercise of the Offer Size Adjustment Option or any Shares which may be issued upon the exercise of any option which may be granted under the Share Option Scheme):



OVERVIEW

We are principally engaged in the money lending business of providing property mortgage loans to corporate and individual customers, with our principal operating subsidiary, HK Finance, operating as a licensed money lender that is regulated under the Money Lenders Ordinance in Hong Kong.

Mr. K.N. Chan and Mr. W. Chan established our Group in 1996. Mr. K.N. Chan and Mr. W. Chan are brothers and each of them has accumulated extensive experience in the money lending business through the running of HK Finance. Throughout the years, the Chan brothers have adopted a policy of ensuring the sufficiency of the security value of the property mortgaged loans, which has enabled the money lending business to grow and prosper.

Our business primarily focuses on providing property mortgage loans which produce revenue in the form of interest income. We only accept properties situated in Hong Kong as collaterals for our loans. These collateral properties are diversified, and include residential properties, commercial properties, industrial properties, car parks, tenement houses, village houses and shops. We assess the value of these properties based on the valuation by professional valuation firms. We also make reference to (i) search records of the sale and purchase prices of relevant properties at the Land Registry of Hong Kong; (ii) transaction prices of relevant properties from real estate agents; and (iii) property valuation tools available on the websites of commercial banks in Hong Kong in considering the amount of loan to be granted. On the basis of such property value assessment, we provide to our customers property mortgage loans which include both first property mortgage loans and subordinate property mortgage loans. Whilst the collaterals of first property mortgage loans are not subject to any prior lenders, subordinate property mortgage loans are secured by collaterals which are subject to prior mortgages to other lenders such as banks or money lenders. We do not accept properties situated outside Hong Kong as collaterals for our loans.

We adopt a policy providing short-term loans to our customers on a secured basis usually with a tenure within a year. These short-term loans contributed over 85% of our revenue during the Track Record Period. We grant the facilities promptly to our customers so as to satisfy their need for liquidity. As part of our policy, we may also grant loans with longer terms to the customers upon their request following our assessment of the relevant risk.

For first property mortgage loan, the loan amount we grant to a customer normally does not exceed 70% of the assessed value of the relevant property collateral. For subordinate property mortgage loan, the loan amount that we lend normally does not exceed the difference between the amount being 70% of the assessed value of the property collateral and the total amount of all the existing prior mortgage loans attached to that property collateral. This policy provides a safety margin to our loan, which represents the difference of the property collateral value and the loan principal (including all prior mortgage loans), of no less than 30% of the property collateral value. Similarly, as part of our policy, we may at times provide to our customers loans exceeding 70% of the assessed value of the relevant property collateral upon our customers' request after assessing the relevant risk.

BUSINESS

All the mortgages taken out as security for our loans are registered with the Land Registry of Hong Kong so that the priority of such property mortgages is established against subsequent mortgages of the same property with other lenders or mortgagees.

The amounts of outstanding property mortgage loans granted by us to our customers as at 31 March 2011, 2012 and 2013 amounted to HK\$221.2 million, HK\$286.5 million and HK\$316.8 million respectively, as we have expanded our business and grown our balance sheet.

For subordinate property mortgage loans, which represented approximately 62.3% of our loan portfolio as at 31 March 2013, it has been a market practice that lenders will require the borrowers to seek consent from prior mortgages who however habitually ignore such requests. Second or subsequent mortgagees have to rely on the registration at the Land Registry of Hong Kong to protect their security interests. So whilst we ask our customers to seek consent from prior mortgagees, we have not received any such consents during the Track Record Period. As a counter measure, we require the borrowers to fully indemnify us for losses and expenses arising from actions taken by prior mortgagees. In addition, we charge a higher interest rate on subordinate property mortgage loans as a compensation for the risks involved. During the Track Record Period, we have not encountered any mortgagee actions to recover our subordinate property mortgage loans.

OUR COMPETITIVE STRENGTHS

We believe that our competitive strengths will enable us to compete effectively in the Hong Kong money lending industry.

Our Group has an experienced management team

Our executive Directors have extensive experience and knowledge in operating money lending business, managing credit and investing in real estates in Hong Kong. Mr. K.N. Chan and Mr. W. Chan founded our Group fifteen years ago and have been responsible for the growth and development of our businesses. Mr. Tse had thirteen years of banking experience before joining us about eleven years ago, and has since been, along with the Chan brothers, actively and effectively managing the business operations of money lending. These experiences and knowledge are essential for running a successful property mortgage business, ensuring that on one hand appropriate business strategies are formulated and implemented, and on the other hand business credit and operational risks are supervised and controlled. In addition, we have an experienced senior management team. Members of the team have worked with us for a period up to fourteen years. We believe that our experienced management team will be able to deliver reliable and efficient services to our customers. Biographical details of our executive Directors and senior management team are contained in the section headed “Directors, senior management and employees” of this prospectus.

BUSINESS

Our Group is able to provide property mortgage loans to customers to meet their financial needs on simple security requirements and quick approval procedures

We have been providing property mortgage loans to our customers, who are normally unable to obtain the loans from banks, with a more flexible approach than banks. We primarily require property collateral from our customers only with no other security requirements. We also adopt a rapid procedure in endorsing loan applications and approving the granting of loans to our customers and are able to approve the granting of loans to our customers on the same day as their loan applications. In addition, though we charge a higher interest rate than banks, we are able to provide loans to our customers on short terms and can even provide loans to customers on terms that are tailor-made to meet their financial needs at their requests. As such, potential customers who have to meet immediate financial needs and/or fail to obtain the loans from banks will apply for loans with our Group rather than with banks.

Our Group has built up a diverse and sizable base of customers

Since the commencement of our business, we have steadily built up a diverse and sizeable customer portfolio consisting of individual customers and corporate entities in different trades and businesses. Such a critical mass gives us scope for service enhancement and business growth. In respect of customer retention, our loan officers keep track of the borrowing history of our customers and promote our property mortgage loans to them when their needs arise.

We provide efficient and convenient money lending services to cater for the needs of different customers

Our customers consist of both corporations and individuals who own different properties and have different financial needs. We will confer with customers and understand their particular needs. We will then offer them first property mortgage loan or subordinate property mortgage loan in response to their needs and purposes. While we must follow our loan approval procedure strictly to ensure compliance with all legal requirements, we are able to complete our loan approval process within the same day so as to provide loans to our customers on a timely basis. As some of our customers return to seek our services, we believe that our efficient, flexible and customer-centered service, reputation for integrity, readiness and capacity to cater for particular needs of our customers are the reasons for their continuing patronage of our services. Our Directors believe that our solidly established customer base, our efficient systems and effective implementation will enable us to consolidate and further expand our business by providing loans to different customers to meet their diverse needs.

We assign a designated loan officer to each customer

Each loan is managed by a designated loan officer so that we can better understand our customers' needs. The loan officer who handled and preliminarily approved the loan application has the primary responsibility of monitoring the credit quality of and following up on his respective customers. Therefore each customer, who is assigned a unique case number, will be served by the same loan officer. Our Directors believe that such customer-centered service will enable us to meet their needs in a timely manner and create opportunities for repeated patronage.

BUSINESS

Our pricing is reasonable and we do not load our customers with any extra administrative fees

We do not charge our customers any other administrative fees for granting loans to them. Our Directors believe that customers therefore consider our loan services are priced reasonably. Our Directors believe that this helps us to retain our customers who readily come back to us when needs arise. They may also refer new customers to us. This will help to grow our mortgage loan business.

Our Group has relatively low credit risk and we are specialised in providing loans secured by property mortgages

We have focused our business on the granting of loans to individual and corporate customers on a collateral basis, that is, the loans are secured against mortgages of properties. We are therefore able to manage credit risk effectively and limit our exposure to credit risk to a minimum. During the Track Record Period, there were no bad debts.

OUR BUSINESS STRATEGIES

We intend to intensify our strength and success in the money lending business to become an industry leader. Our business objectives include widening our source of revenue and achieving a more stable income stream. Our Directors have developed the following strategies to achieve our business objectives:

- 1. Increasing our customer base by expanding our loan portfolio and business operations**
 - (a) We will apply approximately 80.0% of the net proceeds from the Share Offer to increase our mortgage loan portfolio by developing and extending loans to new customers, and grasp opportunities for re-financing existing customers.
 - (b) We will work more closely with loan brokers and referral agents to bring in more new customers.
 - (c) We will increase contact with real estate agents to promote our mortgage loan services in order to bring in more customers.
 - (d) We will recruit more experienced personnel who are proficient in handling mortgage loan transactions and promoting our mortgage loan services.
 - (e) We will further enhance our loan approval procedures to ensure that our operating systems will support increased business volume.

BUSINESS

2. Intensifying marketing activities to promote our brand name and mortgage loan services

- (a) We will improve public awareness of our Company name and profile by increasing marketing activities.
- (b) We will continue to advertise through television, radio, newspapers, magazines, online platforms and public transports.
- (c) We will sponsor commercial, recreational, sports and charitable programmes and events and television programmes.
- (d) We will enhance our website to synchronize our marketing efforts and profile upgrading.
- (e) We will strengthen our promotional pamphlets and leaflets by producing more language versions so as to bring in customers from different ethnic groups.
- (f) We will reinforce our media exposure, seek to increase our popularity and establish more marketing channels to attract customers.

OUR REVENUE

Our source of revenue

During the Track Record Period, our major source of revenue has been the interest that we received from the loans provided by us to our customers. We do not charge our customers any administrative fees.

Breakdown of revenue from our property mortgage loans

The following sets out the breakdown of the interest income from our property mortgage loans during the Track Record Period:

	Year ended 31 March					
	2011		2012		2013	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
First property mortgage loans	16,319	47.0	19,488	34.1	23,609	35.5
Subordinate property mortgage loans	18,430	53.0	37,678	65.9	42,811	64.5
Total	<u>34,749</u>	<u>100.0</u>	<u>57,166</u>	<u>100.0</u>	<u>66,420</u>	<u>100.0</u>

BUSINESS

Breakdown of receivables from our property mortgage loans

The following sets out the breakdown of our property mortgage loans portfolio in respect of different types of property collateral as at 31 March 2011, 2012 and 2013:

	2011		As at 31 March			2012		2013	
	HK\$'000	%	Number of active loan accounts	HK\$'000	%	Number of active loan accounts	HK\$'000	%	Number of active loan accounts
First property mortgage loans									
Residential properties	95,053	43.0	68	75,395	26.3	65	81,820	25.8	63
Commercial properties	4,207	1.9	3	4,907	1.7	3	1,100	0.3	1
Industrial properties	9,239	4.2	13	10,553	3.7	10	11,248	3.6	6
Other properties	12,290	5.5	15	23,827	8.3	20	25,304	8.0	20
	<u>120,789</u>	<u>54.6</u>	<u>99</u>	<u>114,682</u>	<u>40.0</u>	<u>98</u>	<u>119,472</u>	<u>37.7</u>	<u>90</u>
Subordinate property mortgage loans									
Residential properties	92,710	41.9	69	144,790	50.5	68	153,061	48.3	76
Commercial properties	2,550	1.2	3	14,600	5.1	3	10,000	3.2	4
Industrial properties	3,100	1.4	3	1,500	0.5	3	3,100	1.0	3
Other properties	2,080	0.9	4	10,900	3.9	5	31,155	9.8	7
	<u>100,440</u>	<u>45.4</u>	<u>79</u>	<u>171,790</u>	<u>60.0</u>	<u>79</u>	<u>197,316</u>	<u>62.3</u>	<u>90</u>
Total	<u>221,229</u>	<u>100.0</u>	<u>178</u>	<u>286,472</u>	<u>100.0</u>	<u>177</u>	<u>316,788</u>	<u>100.0</u>	<u>180</u>

Notes:

- As at 31 March 2011, 2012 and 2013, all of the loan receivables from our property mortgage loans were neither past due nor impaired. There was no impairment allowance on the loan receivables during the Track Record Period.
- Our Group has established the policy of carrying on negotiation with the customer for repayment of our loan in case the residual proceeds after settlement of the first mortgage loan upon sale of the mortgaged property are not sufficient to settle in full the outstanding subordinate property mortgage loan balance.
- Other properties include car parks, tenement houses, village houses and shops.

BUSINESS

OUR CUSTOMERS

Our customers comprise individuals and corporations in Hong Kong and are all Independent Third Parties. We have not granted any loan to Connected Persons or senior management of our Group during the Track Record Period. We grant loans to our customers on the basis of the properties that they offer to mortgage to us as security for our loans.

When we grant loans to our customers, we apply the eligibility and approval criteria as set out in the sub-section headed “Loan Approval Procedures” in this section below. As a policy, we do not usually grant loans to Connected Persons whilst Mr. W. Chan, our executive Director, is responsible for monitoring loans to Connected Persons. In case loans are to be granted to Connected Persons, we will fully comply with the relevant requirements under the Listing Rules.

As at 31 March 2011, 2012 and 2013, our loan portfolio consisted of 178, 177 and 180 active loan accounts (with year-end balance) of our outstanding loan portfolio respectively, of which less than one-fourth were corporate customers. The number of recurring active loan accounts for the years ended 31 March 2011, 2012 and 2013 were 44, 56 and 68 respectively. As at 31 March 2011, 78.7% of our active loan accounts were individual customers and 21.3% were corporate customers; as at 31 March 2012, 75.1% of our active loan accounts were individual customers and 24.9% were corporate customers; and as at 31 March 2013, 76.7% of our active loan accounts were individual customers and 23.3% were corporate customers.

The following sets out the breakdown of our property mortgage loans portfolio by individual and corporate customers, based on financial years and outstanding loan amounts:

	As at 31 March								
	2011			2012			2013		
	<i>HK\$'000</i>	<i>%</i>	<i>Number of active loan accounts</i>	<i>HK\$'000</i>	<i>%</i>	<i>Number of active loan accounts</i>	<i>HK\$'000</i>	<i>%</i>	<i>Number of active loan accounts</i>
Individuals	145,455	65.7	140	155,264	54.2	133	160,347	50.6	138
Corporations	75,774	34.3	38	131,208	45.8	44	156,441	49.4	42
Total	221,229	100.0	178	286,472	100.0	177	316,788	100.0	180

For a breakdown of our loan receivables in terms of individual and corporate customers with respect to first and subordinate property mortgage loans, please refer to the section headed “Financial Information – Analysis on major components of the combined statements of financial position – Loan receivables” in this prospectus.

BUSINESS

The following sets out the breakdown of interest income derived from our property mortgage loans portfolio by individual and corporate customers during the Track Record Period:

	Year ended 31 March					
	2011		2012		2013	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Individuals	19,765	56.9	31,613	55.3	33,302	50.1
Corporations	<u>14,984</u>	<u>43.1</u>	<u>25,553</u>	<u>44.7</u>	<u>33,118</u>	<u>49.9</u>
Total	<u><u>34,749</u></u>	<u><u>100.0</u></u>	<u><u>57,166</u></u>	<u><u>100.0</u></u>	<u><u>66,420</u></u>	<u><u>100.0</u></u>

Top five customers (by interest income derived from loans granted)

During the Track Record Period, our top five customers by interest income generated comprise corporate and individual customers in Hong Kong. The amounts of loans outstanding from our top five customers were approximately HK\$36.0 million, HK\$94.1 million and HK\$80.0 million, which were equivalent to approximately 16.3%, 32.8%, and 25.2% of our property mortgage loan portfolio as at 31 March 2011, 2012 and 2013 respectively. The amounts of loan outstanding of our single largest customer were approximately HK\$15.5 million, HK\$19.5 million and HK\$16.8 million as at 31 March 2011, 2012 and 2013 respectively, which were equivalent to approximately 7.0%, 6.8% and 5.3% of our property mortgage loan portfolio.

For the years ended 31 March 2011, 2012 and 2013, our top five customers accounted for approximately 26.0%, 30.3% and 31.7% of our total revenue respectively. For the years ended 31 March 2011, 2012 and 2013, our single largest customer accounted for approximately 8.4%, 8.8% and 9.2% of our total revenue respectively.

BUSINESS

The following sets out details of our top five customers (by interest income derived from the loan granted) during the Track Record Period:

For the year ended 31 March 2011

Customer	Customer group	Principal Business	Loan Type	Relationship with our Group since
A	Individual/ corporation <i>(Note 1)</i>	Merchant/ properties investment	Subordinate mortgage	2009
B	Corporation	Properties investment	Subordinate mortgage	2008
C	Corporation	Properties investment	First mortgage	2010
D	Corporation	Properties investment	Subordinate mortgage	2010
E	Individual	Merchant	Subordinate mortgage	2010

For the year ended 31 March 2012

Customer	Customer group	Principal business	Loan Type	Relationship with our Group since
A	Individual/ corporation <i>(Note 1)</i>	Merchant/ properties investment	First/subordinate mortgage	2009
F	Individual/ corporation <i>(Note 2)</i>	Merchant/ properties investment	Subordinate mortgage	2011
G	Corporation	Properties investment	Subordinate mortgage	2011
B	Corporation	Properties investment	Subordinate mortgage	2008
H	Individual/ corporation <i>(Note 3)</i>	Merchant/ properties investment	First/subordinate mortgage	2010

BUSINESS

For the year ended 31 March 2013

Customer	Customer group	Principal business	Loan Type	Relationship with our Group since
I	Corporation	Properties investment	First/subordinate mortgage	2011
F	Individual/ corporation (Note 2)	Merchant/ properties investment	Subordinate mortgage	2011
J	Individual	Merchant	Subordinate mortgage	2012
B	Corporation	Properties investment	Subordinate mortgage	2008
H	Individual/ corporation (Note 3)	Merchant/ properties investment	First/subordinate mortgage	2010

Notes:

1. Customer A, for the years ended 31 March 2011 and 2012, refers to a borrower being an individual who is a merchant, together with two companies wholly-owned by him, which are engaged in properties investments.
2. Customer F, for the years ended 31 March 2012 and 2013, refers to a joint borrower being two individuals who are merchants, together with two companies wholly-owned by them, which are engaged in properties investment.
3. Customer H, for the years ended 31 March 2012 and 2013, refers to a borrower being an individual who is a merchant, together with companies (2012: four, 2013: five) wholly-owned by her, which are engaged in properties investments.

All the top five customers for each of the years ended 31 March 2011, 2012 and 2013 and up to the Latest Practicable Date were Independent Third Parties. To the best of our knowledge, information and belief, none of our Group, our Directors, members of our senior management, and their respective associates and Shareholders who own more than 5% of the issued share capital of our Company, had any interest in or financial or business relationship with any of our Group's top five customers during the Track Record Period and up to the Latest Practicable Date. Since all of our customers including the top five customers borrowed from us on the basis of their own financial needs and preferences, and some of the top five customers are not the same throughout the Track Record Period, we are of the view that we do not have undue reliance on any major or single customers.

BUSINESS

The majority of our loans are short-term loans repayable within a year. As at 31 March 2011, 2012 and 2013, only 9.2%, 5.6% and 5.3% respectively of outstanding loan balances were long-term loans repayable beyond one year. As at 31 March 2011, 2012 and 2013 and as at the Latest Practicable Date, we did not have any loan receivables that were either past due or impaired. Interest receivables from our loans due as at 31 March 2013 amounted to HK\$6.3 million and HK\$6.2 million of which were settled before the Latest Practicable Date. For loan balances that fell due after 31 March 2013, they were fully repaid and received in accordance with their repayment terms. During the Track Record Period and up to the Latest Practicable Date, we had no customers whose loans require impairment or write off.

Interest rate

During the Track Record Period, we charged our customers effective interest rates of 19.6% per annum, 23.1% per annum and 22.7% per annum for the years ended 31 March 2011, 2012 and 2013 respectively. The range of interest rates that we charged our customers for first and subordinate property mortgage loans were 10.8% to 36.0% and 12.0% to 42.0% per annum respectively during the Track Record Period. We determine our interest rate for each customer with due regard to the following factors:

- (i) the cost of funds that we borrow from banks;
- (ii) the credit and security risks, including past credit records of the customers and the value and quality of the collaterals supporting the loans;
- (iii) expected yield;
- (iv) the general economic and business environment, as well as conditions of the financial market;
- (v) the prevailing interest rates in the lending market; and
- (vi) the interest rates for property mortgage loans charged by our competitors.

BUSINESS

The following is the range of interest for first and subordinate property mortgage loans in respect of different types of property collaterals as at 31 March 2011, 2012 and 2013 respectively.

	Interest rate range (per annum)		
	As at 31 March		
	2011 (%)	2012 (%)	2013 (%)
First property mortgage loans			
Residential properties	12.0-30.0	12.0-30.0	12.0-30.0
Commercial properties	12.0-36.0	19.2-36.0	18.0-18.0
Industrial properties	13.2-24.0	14.4-24.0	12.0-24.0
Other properties	12.0-19.2	12.0-24.0	14.4-30.0
Overall for first property mortgage loans	12.0-36.0	12.0-36.0	12.0-30.0
Subordinate property mortgage loans			
Residential properties	18.0-36.0	18.0-36.0	18.0-36.0
Commercial properties	24.0-30.0	27.0-30.0	16.8-30.0
Industrial properties	30.0-30.0	30.0-30.0	25.2-30.0
Other properties	24.0-30.0	24.0-30.0	24.0-36.0
Overall for subordinate property mortgage loans	18.0-36.0	18.0-36.0	16.8-36.0
Overall as at 31 March	<u>12.0-36.0</u>	<u>12.0-36.0</u>	<u>12.0-36.0</u>

Note: Other properties include car parks, tenement houses, village houses and shops.

Net interest margin

Our profitability is directly related to the net interest margins of our loan products. Net interest margin refers to the ratio of interest income net of finance costs to the average balance of corresponding property mortgage loan receivables at month end. The following table sets out the net interest margin of our property mortgage loans during the Track Record Period.

	Year ended 31 March		
	2011	2012	2013
First property mortgage loans	12.5%	13.1%	14.3%
Subordinate property mortgage loans	22.1%	23.5%	24.2%
Overall	16.5%	18.8%	19.6%

BUSINESS

Loan officers

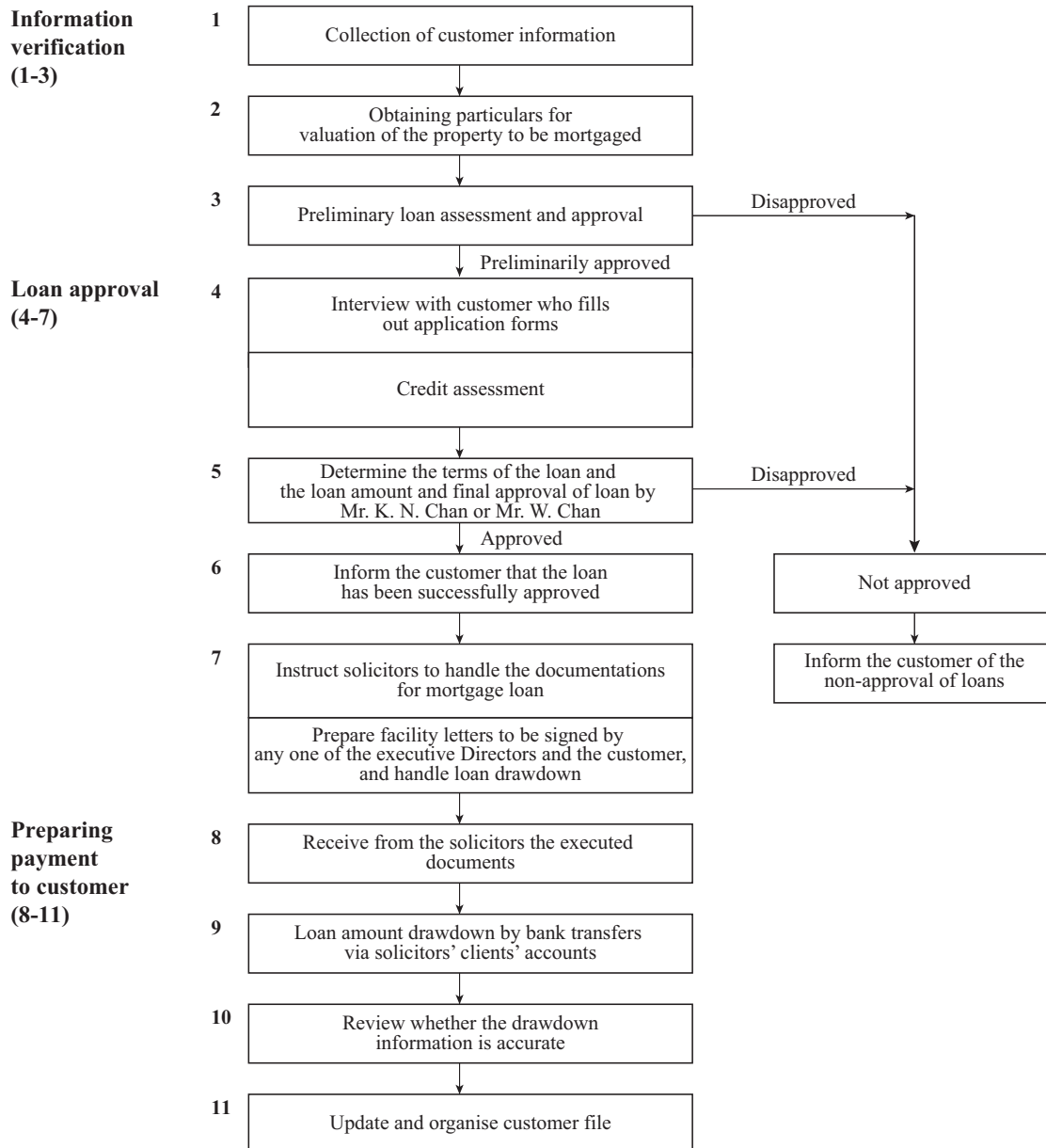
As at Latest Practicable Date, we have six loan officers who are responsible for receiving loan applications from our customers. Our loan officers interview our customers and verify the contents of the loan applications and the documents provided by our customers in support of their loan applications. Our loan officers will then assess if such applications meet our lending criteria set out in the paragraph headed “Loan approval procedures – Summary of property mortgage loan eligibility and approval criteria” below and make, if so, preliminarily approval. As at the Latest Practicable Date, we had a total of six loan officers, three of whom are at senior level with an average of ten years of experience in the money lending business. We provide training to our loan officers to familiarise them with our policy and criteria for granting loans to customers and all loan officers are expected to adhere to our operational manual.

BUSINESS

LOAN APPROVAL PROCEDURES

Our Group has a Property Mortgage Loan Policy (“**Approval Policy**”) which covers approval limits, loan approval procedures and loan collection guidelines.

The following diagram illustrates our loan approval procedures:



Information verification

Information collection

Our potential customers, including those referred by loan brokers or referral agents, usually contact us by making a telephone call. When our loan officer receives a call from a potential customer, our loan officer will ask the potential customer several questions to assess preliminarily the application. These questions are designed to (i) assess the identity of the potential customer; (ii) inquire as to the amount that the customer wishes to borrow; and (iii) understand the beneficial ownership of the relevant property. Following the reply from the potential customer regarding the above information, we endeavour to indicate to the potential customer promptly (normally in five minutes) as to whether the loan application could proceed further.

In case the application could proceed further, our loan officer will continue to obtain further details over the phone which include (i) the customer's personal and contact details; (ii) the particulars of the property to be mortgaged for valuation purpose; (iii) the potential customer's needs and purpose for obtaining our loan. After obtaining the aforesaid information, we will briefly explain to the customers the terms of loan, procedures of the loan applications and the calculation of interests. We endeavor to give the potential customer in fifteen minutes a reply whether or not to proceed formally with their loan application.

Preliminary approval

The property information obtained by us will be used for a preliminary loan assessment, which usually takes less than half a day. The value of property to be mortgaged will then be preliminarily assessed by our checking of the most recent purchase prices of nearby properties, or appraised by professional valuers or surveyors.

Upon such preliminary loan assessment, our loan officers will approve the loan on a preliminary basis in accordance with our loan approval guideline which provides, among other requirements and considerations, that, the loan amounts for first property mortgage loan(s) and subordinate property mortgage loan(s) shall not exceed 70% of the assessed value of the relevant property collateral and the difference between 70% of the assessed value of the relevant property collateral and the total amount of all the existing prior mortgage loans respectively. If the amount of property mortgage loan applied for exceeds the above limit, such preliminary approval may only be given by any one of our executive Directors. However, irrespective of the result of such preliminary approval, no loan can be drawn down unless and until the loan has been finally approved by Mr. K.N. Chan or Mr. W. Chan, both our executive Directors, pursuant to the procedures as set out in the paragraph headed "Loan approval – Final approval" below.

Loan approval

Customer interview

Customers who have their loans preliminarily approved would be invited to our office for interview and to make formal applications. We require our potential customers to submit the title documents of the property collateral and various documents for properties' ownership

BUSINESS

check and credit assessment purposes. In the case of individual customers, we will require them to submit their Hong Kong Identity Cards and valid proof of their addresses. In the case of corporate customers, we will require them to submit their certificates of incorporation, business registration certificates, latest annual returns as well as the Hong Kong identity cards and valid proofs of the addresses of all the shareholders and directors to ascertain the customer's validity of incorporation. Corporate customer may choose to provide financial statements as additional information, if any, to demonstrate its ability to repay the property mortgage loan that it is applying for.

If the loan application is one that involves the transfer of mortgage from another bank or financial institution or application for subordinate property mortgage loans, the customer (whether individual or corporate) has to provide information of the existing loans which include, among others, repayment record and bank statements for at least the most recent three months and the facility letter of the existing loan. Individual subordinate property mortgage loan applicants may choose to provide income proof, if any, to demonstrate their financial ability to repay both the prior mortgage loan and the subordinate property mortgage loan that they are applying for.

If the loan application is one with loan-to-value ratio over 70% or tenure over one year, we will also specially request the customers to provide us with their income proof (for individual customers) and financial statements (for corporate customers) as an additional factor in our credit assessment.

During our interview with the customer at our office, we will check with the customer the information obtained in the information collection process and gather further information concerning the customer and the loan application. We will review the documents provided by the customer to ensure that the customer meet the eligibility and approval criteria for our property mortgage loan as set out below.

Credit Assessment

For all applications

Following the interview, we will perform the credit assessment, including the valuation of the property collateral and legal due diligence on the customer, to assess the repayment ability of our customers.

We will assess the value of the property collateral based on the property valuation by professional valuation firms appointed by us. Since all the mortgage loans will be secured by the properties which can substantially cover our risk in cases of default, we consider that the value of the property collateral has always been the most important factor in our credit assessment. To give ourselves a wider perspective in considering the amount of the loan to be granted, we also make reference to (i) search records of the sale and purchase prices of properties at the Land Registry of Hong Kong; (ii) transaction prices of properties from real estate agents; and (iii) property valuation tools available on the websites of commercial banks in Hong Kong. Based on these, we also compare the relevant property collateral with property of similar type or quality or in the same vicinity as shown on the websites of real estate agencies in Hong Kong.

BUSINESS

Our legal due diligence on the customer includes review of their credit history and prior litigations involved. We will conduct the credit history checking (including the history of borrowing and repayment of the customers) through our loan officers ordering online credit reports of the customers provided by a credit reference agency in Hong Kong. Pursuant to the PDPO and relevant code of practice, a money lender licensed under the Money Lenders Ordinance may, through a credit report provided by a credit reference agency, access consumer credit information and mortgage count on an individual in considering any application for grant of a mortgage loan. It is therefore legitimate and legal for us to obtain online credit reports of our customers from the credit reference agency with due regard to the PDPO. We also instruct our solicitors to perform litigation and bankruptcy/insolvency searches on our potential customers.

If the customer has low credit rating based on the above credit report (such as having involved in previous default cases), we will assess the materiality of such default and its implication to the current application. We will normally consider the repayment ability of these customers to be lower than those with higher credit rating and therefore impose a higher interest rate. If the customer has been or is still involved in any proceedings, we will examine, in particular, whether (i) the customer's ownership and title over the property collateral is uncertain; and/or (ii) the customer is currently bankrupt. In either cases, we will have serious doubt over the repayment ability of the customers and hence we will not approve the loan applications.

As a supplement to our property valuation and legal due diligence as stated above, for all applications, we will take the customers' income proof or financial statements as additional information, if provided, in assessing the loan applications of customers which reflected the customer's financial conditions. Hence, if we are provided with the income proof (for individual customers) during the interview, we will assess whether the customer has sufficient income to repay our property mortgage loan. If we are provided with the financial statements (for corporate customers) during the interview, we will review if there are any outstanding or contingent liabilities which may affect its ownership or title over the property collateral it provides and/or its ability to repay our loan.

For the applications for loans renewal by our existing customers, though their applications can omit the aforementioned procedures of information verification and the customer interview of the loan approval which were performed at the first grant of mortgage loans, we will still conduct our loan approval procedures starting from credit assessment which is the same as new loan application.

For subordinate property mortgage loans applicants

For applications of subordinate property mortgage loan, we will examine the documents to identify the total outstanding amount that the customers are required to pay under the prior property mortgage loan(s). We will also consider the identity of the first mortgagee of the relevant property collateral in performing our own credit assessment.

BUSINESS

For applicants for loans with loan-to-value ratio over 70% or tenure more than a year

In light of the additional risk involved, apart from the above, we will also consider as additional factors in credit assessment on (a) the background of the customers including their occupation or job nature (in case of individual customers); (b) the credit history of the customers such as records of previous default in repayment of loans and the duration, persistence and the amount involved; (c) the quality of the customers' property collaterals in terms of (i) their market value; and (ii) their marketability with regard to their attributes including locations (in respect of convenience and accessibility, the surrounding environment and neighbourhood, higher or lower storey and looking out on any sea, scenic or panoramic view); (d) the availability of any additional guarantee by the customers or third party guarantor(s); and/or (e) the terms of the loan as requested by the customers including the duration of the loan and the interest rate.

Final approval

For all applications

The application together with the relevant results from the credit assessment and recommendation of our loan officers will then be submitted to Mr. K.N. Chan or Mr. W. Chan, our executive Directors, for final approval.

We will take into account the term of the loan and the results from the credit assessment in totality to assess the repayment ability of the customer. We normally accept a loan-to-value ratio of no more than 70% for first property mortgage, and where it is a subordinate property mortgage, the aggregate lending (our loan plus loans under prior mortgages) normally should not exceed 70% of the value of the underlying property collateral, and the term of the loan shall normally be within a year.

If we consider that the customer has good repayment ability, we will approve the loan to be granted to the customer. If we consider the customer has mediocre repayment ability which is still within our acceptable level, we may still approve the loan application but will impose a higher interest rate as a compensation for the additional risk. If we consider that the relevant risk is beyond our acceptable level, we will reject the relevant loan application.

For subordinate property mortgage loans applicants

For subordinate property mortgage loan, we will only approve the loan to our customers if the prior lenders for such property collaterals are banks. Moreover, we will charge a higher interest rate as a compensation for the risks involved and require our customers as borrowers to fully indemnify us for damages, losses, costs, fees and expenses that may arise from or as a result of any actions, proceedings, demands or claims taken or brought by prior mortgagees.

BUSINESS

For applicants for loans with loan-to-value ratio over 70% or tenure more than a year

For some mortgage loan applications, we may provide our customers, at a higher interest rate to cover the additional risk, with loans exceeding 70% of the loan-to-value ratio or with tenure over a year if we are satisfied with accepting the relevant risk as set out in the paragraph headed “Credit assessment – For applicants for loans with loan-to-value ratio over 70% or tenure more than a year” above.

We will only approve loan (including loans to be renewed) exceeding 70% of the assessed value of the relevant property collateral if (i) the relevant customers have no default repayment of principal and interest overdue history; and (ii) the loan is granted for a term of less than a year. We will only approve loans with tenure of more than a year if we are satisfied with the sustainability of their ability to repay the loans in a longer period of time, the amount of the loan is below 70% of the assessed value of the relevant property collateral of the customer and imposing an additional term requiring the customer to repay the loan principal together with the interest by monthly instalment.

Summary of property mortgage loan eligibility and approval criteria

In order to effectively manage our credit risk at approval, we adopt the following key eligibility and approval criteria for granting of property mortgage loans by us:

Eligibility criteria	
Individuals	Corporations
<ul style="list-style-type: none"> – Age 18 or over – valid and good title of the mortgaged property 	<ul style="list-style-type: none"> – valid incorporation – valid and good title of the mortgaged property
<p>Documents required during the interview</p> <p><i>Mandatory</i></p> <ul style="list-style-type: none"> – Identity proof – Address proof – Information of existing loans (for transfer of existing mortgage and application for subordinate property mortgage loan) <p><i>Optional</i></p> <ul style="list-style-type: none"> – Income proof (for individual subordinate property mortgage loan applicant) – Financial statements (for corporations) 	
<p>Approval criteria</p> <ul style="list-style-type: none"> – Provision of documents required during the interview as stated above – Satisfactory credit assessment, including the value of the property collateral and legal due diligence on the applicant 	

BUSINESS

Notifying the customers

If the loan is approved, we will prepare the facility letter and through our solicitors, all the other necessary documents for execution by us and the customer. If we are not satisfied with the customers' ability to repay our loan, we will then inform the customers that the application is rejected.

Typical terms of our facility letters

The facility letter entered into by us with the customer (both corporate and individual) include, among others, the following terms and conditions:

1. *Payment of interest*

Our customer shall pay interest in arrears on a monthly basis.

2. *Repayment of the loan*

Our customer shall repay the loan principal in full on the maturity date. We also have the right to demand our customer from time to time for immediate repayment of all outstanding loan principal and interest.

3. *Early repayment of the loan*

Our customer may repay early the whole or part of the loan with one month's notice in advance or paying one month's interest on the outstanding loan principal in lieu of such advance notice.

4. *The provision of property collateral by our customer*

Our customer must execute a legal charge in our favour over the property collateral and provide us with a declaration and undertaking to the effect that, among other things, we have the absolute right to demand the repayment of the total outstanding loan amount together with all accrued interest immediately.

5. *Default of payment by our customer*

If our customer defaults in payment of the outstanding loan principal and/or interest, we have the right to charge default interest on the outstanding loan principal and overdue interest. In case we take any action or commence any proceedings to recover the outstanding loan principal and accrued interest, our customer will also be liable for payment of all such legal fees and costs, charges and expenses for such actions or proceedings.

6. *Insurance for the property collateral of our customers*

Our customers shall effect fire insurance in an amount no less than the loan principal on the property collateral with an insurance company nominated by us. We shall be endorsed as mortgagee who is entitled to the beneficial interests under the first or subsequent legal charge executed by our customer.

BUSINESS

Preparing payment to customer

Upon receiving the executed documents from the solicitors, we will open an account for the customer and make ready the money for drawdown by the customer by bank transfer. When the customer notifies us of the drawdown of the loan, we will review the accuracy of the information on the drawdown documents and, if such information is accurate, release the loan money to the customer via solicitor's clients accounts.

Follow-up of loans granted

Every loan portfolio is followed up by a designated loan officer. Every customer is assigned a unique case number and will be served by the same loan officer who handled the loan application and has followed up on that customer's portfolio from the very beginning. The loan officer who handled the loan application and carried out preliminary assessment has the primary responsibility of monitoring the credit quality of and following up on their respective portfolios of customers.

Details of the internal control measures in monitoring the credit risk after the loan approval are set out in the paragraph headed "Risk Management and Internal Control – Credit risks management" below.

Loan officers are responsible for overseeing the loan collection status and review the loan files periodically to ensure that payments of interest and repayments are on schedule. They also propose to executive Directors the measures to be taken should there be any likelihood of defaults on payments of interest or repayment. Further details of the loan collection process are discussed in the paragraphs headed "Loan Collection" below.

During the Track Record Period, our management did not identify any misconduct, fraud or irregularity on the part of our employees relating to the loan approval procedures above.

LOAN COLLECTION

Procedures for dealing with loan repayment default

When there is a default in loan repayment or interest payment on the part of customer, our loan officer will firstly contact the customer by phone to enquire the reasons for the default. Depending on the reasons given by the customer, the loan officer, after consultation with an executive Director, may grant some time tolerance, usually not exceeding three months. Nevertheless, we will be more cautious and handle with particular care about loans with loan-to-value ratio over 70% and renewed loans with interest overdue record prior to the renewal, therefore time tolerance for these loans are usually shorter. Where the reasons offered or such tolerance has not resulted in the default being rectified, we will send written demand to the customer. Normally some settlement proposals would be negotiated between the customer and our loan officer and approved by Mr. K.N. Chan or Mr. W. Chan. Where settlement proposals cannot be agreed, or where the customer fails to honour the commitments

BUSINESS

under the settlement proposals, or we fail to establish contact with the customer, we will institute legal proceedings against the customer, seeking to foreclose the property for public auction to recover the loan and outstanding interest. In determining the time tolerance and the settlement proposals, we will have regard to, amongst other things, the loan-to-value ratio of the loan (including interest) that is in default.

We adopt the same procedure (including the time tolerance and relevant consideration as mentioned above) in relation to loan collection for both first and subordinate property mortgage loans as mentioned above. However, if the prior mortgagee of our subordinate property mortgage loans has already commenced proceedings to recover the prior outstanding loan amount, we report to the solicitors of the prior mortgagee instead in respect of the amount of outstanding loan due to us and monitor the progress of such proceedings. Pursuant to section 54 of the Conveyancing and Property Ordinance (Chapter 219 of the Laws of Hong Kong), the prior mortgagee has to apply the money received from the sale of the property collateral in a specified order which includes, among others, the payment of the mortgage loan money to the lower ranked mortgagee(s), after the prior mortgagee has paid such expenses as rent, taxes, rates and other outgoings due and affecting the property collateral and all lawful costs and expenses properly incurred in the sale of the property collateral.

Loan repayment and interest payment default cases during the Track Record Period

During the Track Record Period, all of our loan receivables were not past due and our Group has not instituted any proceedings on overdue loans through the courts. As at 31 March 2011, 2012 and 2013, there were interest receivables of HK\$1.5 million, HK\$4.2 million and HK\$3.1 million respectively that were past due and HK\$3.0 million of these past due interest receivable as at 31 March 2013 had been settled before the Latest Practicable Date. As at the Latest Practicable Date, there were no outstanding delinquent accounts. While we had not engaged any debt collection agent(s) to collect any overdue or unpaid property mortgaged loans from customers for us during the Track Record Period, we may in future consider engaging such agents, if necessary, after consulting our compliance adviser and legal adviser. For more details of our loan receivables and interest receivables, please refer to the sections headed “Financial information – Analysis on major components of the combined statements of financial position – Loan receivables” and “Financial information – Analysis on major components of the combined statements of financial position – Interest receivables” in this prospectus.

MARKETING

Our senior management is responsible for formulating the overall corporate business development plans and developing our marketing initiatives. These measures are implemented by our marketing and customer service department. Our advertising and promotion expenses amounted to approximately HK\$1.9 million, HK\$4.3 million and HK\$6.2 million for each of the years ended 31 March 2011, 2012 and 2013 respectively. As described under sub-section headed “Our business strategies” in this section, we will enhance our marketing efforts through various means. We employ the following promotional channels:

The media

During the Track Record Period, to promote customer awareness of our brand, we advertised our products and services in a number of local Chinese newspapers, on the Internet, radio and television. We sponsored a movie and a programme shown on television in Hong Kong.

We have entered into three separate advertisement agreements with three local television programme service providers in Hong Kong in 2012. These agreements will enable us to broadcast our advertisements on the television programmes provided by these three local television programme service providers for the period from 1 January to 31 December 2013.

Direct mails and billboards

During the Track Record Period, we designed 24 promotional leaflets for distribution by way of direct mails to existing or potential customers. The Group will closely observe any amendments to PDPO (Chapter 486 of the Laws of Hong Kong) for the use of our customers’ and potential customers’ personal data for marketing purposes. In addition, we also designed advertisements for billboards on buses.

Engagement of spokesperson

In promoting the business of our Group, we have engaged a Hong Kong television artiste for the period from 10 April 2012 to 9 April 2014 to act as spokesperson and take part in advertising and promotional activities to increase the popularity of our Group.

Loan brokers and referral agents

We have also co-operated with loan brokers and referral agents to source for new customers. These loan brokers and referral agents are all Independent Third Parties, with no past or present relationships with our Company, its subsidiaries, their shareholders or directors or any of their respective associates, apart from being the referral agents of our Group. They include individuals comprising mainly ex-estate agents and ex-bankers with access to potential borrowers and companies comprising mainly consultancy and financial advisory firms involving in business or loan referral activities. We do not have any long term contractual

BUSINESS

relationship with these loan brokers and referral agents. We have not entered into any written agreement with any of the loan brokers and referral agents, but we have been receiving referrals from them on the basis of a tacit understanding in the context of usual practice of co-operation. Accordingly, through the website and other advertising materials of HK Finance, we have been disclosing to our customers our co-operation with loan brokers and referral agents. This also includes the information that referral fees up to 1% of the loan amount in the form of cash rebate will be paid to loan brokers or referral agents for any successful referral of customers. We have an absolute discretion to decide whether to approve the granting of loans to any particular customer referred to us by such loan brokers or referral agents.

All these referrals must also go through the usual loan application procedures as set out in the sub-section headed “Loan Approval Procedures” above. The Company will go through the usual legal due diligence, including anti-money laundering procedures as set out in the paragraph headed “Legal and regulatory risks – Due diligence on customers” above, on customers who are referred by the loan brokers and referral agents. Referral fees payable to such loan brokers and referral agents are based on the loan amounts lent to the customers so referred. The referral fee is typically payable to the loan broker and the referral agent upon draw down of the loan by such customer.

The following table sets out the number of loans successfully referred by the loan brokers and referral agents to us, the range of principal amount of loans referred and interest rate charged, the interest income earned and the corresponding referral fee paid during the Track Record Period:

	Year ended 31 March		
	2011	2012	2013
Number of loans successfully referred	32	13	29
Principal amount of loans (HK\$'000)	350 to 35,000	200 to 10,000	160 to 25,000
Interest income earned (HK\$'000)	5,107	5,630	8,436
Interest rate charged (p.a.)	12% to 42%	18% to 36%	12% to 36%
Referral fee paid (HK\$'000)	376	126	571

The amount of interest income earned from customers referred by loan brokers and referral agents constituted 14.7%, 9.8% and 12.7% respectively of our gross interest income derived from our property mortgage loans for the years ended 31 March 2011, 2012 and 2013; and these loan outstanding principals represent 18.1%, 1.5% and 17.6% respectively of our gross outstanding loan receivables as at 31 March 2011, 2012 and 2013. Accordingly, we do not place heavy reliance on loan brokers and referral agents to generate business for our Group.

SOURCE OF FUNDS

Whereas authorised institutions (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) apart from their capital and retained earnings, can obtain funding through deposit taking from the public and possibly from the inter-bank market, our Group obtains funding from two sources: (i) retained earnings and shareholders' loans and advances; and (ii) Independent Third Party lenders, who are licensed banks and money lenders.

The Controlling Shareholders provide loans and advances to our Group from time to time, acting as quasi capital and providing the needed liquidity that our Group may require from time to time. Details of the financial support from the Controlling Shareholders are set out in the section headed "Relationship with Controlling Shareholders" in this prospectus. The balance of the amounts due to the Controlling Shareholders amounting to HK\$15.7 million as at 31 March 2013 had been fully settled before the Latest Practicable Date.

We had facilities with two Hong Kong licensed banks and one licensed money lender during the Track Record Period. Whilst the banking facilities provided by the two banks, DBS Bank (Hong Kong) Limited and The Bank of East Asia, Limited, have subsisted throughout the Track Record Period and are continuing, the loan that we obtained from the licensed money lender, Classic Charter Limited, was fully repaid in August 2012. Borrowings from these lenders who are Independent Third Parties amounted to HK\$172.7 million, HK\$171.9 million and HK\$183.8 million as at 31 March 2011, 2012 and 2013 respectively. As at Latest Practicable Date, our unutilised banking facilities available for drawdown amounted to HK\$16.9 million. Except for the corporate tax loan offered by The Bank of East Asia, Limited and the loan extended by Classic Charter Limited which were jointly and severally guaranteed by Mr. K.N. Chan and Mr. W. Chan, all other borrowings are secured by properties held by the Group. All these borrowings do not carry any specific financial covenants or financial requirement that restrict the borrowing capacity of our Group.

BUSINESS

The following table sets out our Group's borrowings from licensed banks, licensed money lenders and our Controlling Shareholders during the Track Record Period.

Lenders	Type of entity	Date	Loan amount (HK\$)	Nature	Interest
<i>Prior borrowings which were renewed or came to mature before the Latest Practicable Date</i>					
DBS Bank (Hong Kong) Limited	Licensed bank	1 February 2010	(1) 40,000,000	(1) Overdraft	(1) P
			(2) 60,000,000	(2), (3) Revolving term loan	(2) HIBOR + 2.25%
			(3) 60,000,000		(3) HIBOR + 2.5%
		21 February 2011	(1a) 12,000,000	(1a) Overdraft	(1a) P - 1.25%
			(1b) 21,000,000	(1b) Overdraft	(1b) P
			(2) 60,000,000	(2), (3) Revolving term loan	(2) HIBOR + 1.75%
	18 August 2011	(3) 60,000,000	(3) 60,000,000	(3) HIBOR + 2.25%	
			(1a) 12,000,000	(1a) Overdraft	(1a) P - 1.25%
			(1b) 26,000,000	(1b) Overdraft	(1b) P
		(2) 60,000,000	(2), (3) Revolving term loan	(2) P or 3% p.a. over cost of funds, whichever the higher	
			(3) 60,000,000		(3) P or 3% p.a. over cost of funds, whichever the higher
The Bank of East Asia, Limited	Licensed bank	14 September 2011	(1) 7,000,000	(1) Term loan	(1) HIBOR + 2.25%
			(2) 3,000,000	(2) Overdraft	(2) P or HIBOR + 2%, whichever the higher
Classic Charter Limited	Licensed money lender	8 August 2011	5,000,000	Loan facility matured on 8 August 2012	7%
Tin Ching Industrial	-	1 April 2010	100,050,000	Revolving term loan	3%
		1 October 2011	130,524,000	Revolving term loan	6%

BUSINESS

Lenders	Type of entity	Date	Loan amount (HK\$)	Nature	Interest
<i>Existing borrowings as at the Latest Practicable Date</i>					
DBS Bank (Hong Kong) Limited	Licensed bank	21 February 2011	(1) 14,750,000	(1) Instalment loan maturing on 24 February 2026	(1) P - 2.5%
		26 September 2012	(1a) 12,000,000	(1a) Overdraft	(1a) P - 1.25%
			(1b) 26,000,000	(1b) Overdraft	(1b) P - 0.25%
			(2) 60,000,000 (3) 60,000,000	(2), (3) Revolving term loan	(2) HIBOR + 2.25% (3) HIBOR + 2.25%
8 August 2013	35,000,000	Overdraft	P + 1%		
The Bank of East Asia, Limited	Licensed bank	4 January 2012	5,150,000	Corporate tax loan maturing on 4 January 2014	P or HIBOR + 3.5%, whichever the higher
		6 November 2012	(1) 3,000,000	(1) Overdraft	(1) P or HIBOR + 2%, whichever the higher
			(2) 7,000,000	(2) Revolving loan	(2) HIBOR + 3%
9 January 2013	7,200,000	Corporate tax loan maturing on 9 January 2015	P - 1% or HIBOR + 3%, whichever the higher		
Tin Ching Industrial	–	1 October 2012	56,548,000	Revolving term loan	3.5%

BUSINESS

With reference to the table on borrowings obtained by our Group,

- (a) all monetary figures are expressed in the Hong Kong currency.
- (b) all interest rates are expressed per annum, unless otherwise indicated above.
- (c) “P” refers to the prime rate as quoted by the respective banks from time to time. The prime rate quoted by the respective banks has been 5.25% per annum since the beginning of the Track Record Period.
- (d) “HIBOR” refers to the Hong Kong Inter-bank Offered Rate as quoted by the respective banks from time to time. The range of one-month HIBOR were 0.08% to 0.52%, 0.19% to 0.36%, and 0.21% to 0.30% respectively for the year ended 31 March 2011, 2012 and 2013. The average one-month HIBOR for the year ended 31 March 2011, 2012 and 2013 were 0.21%, 0.24% and 0.28% respectively.
- (e) All the loans except those term loans with their maturity dates shown beside them are revolving overdraft or term loans which are subject to termination without any maturity date.
- (f) Classic Charter Limited is a subsidiary of Hycomm Wireless Limited (stock code: 499), the shares of which are listed on the Main Board of the Stock Exchange.
- (g) The amounts of loan from Tin Ching Industrial represent the maximum amount of loans drawn down since such respective dates.

The interests for loans from DBS Bank (Hong Kong) Limited and The Bank of East Asia, Limited fluctuated during the Track Record Period due to the changes in conditions of banks’ money lending market whilst the movement of interest rate charged by Tin Ching Industrial was in line with that of the banks.

Upon Listing, our Directors expect that our money lending business will be primarily financed by loans from banks or financial institutions that are Independent Third Parties, the net proceeds from the Share Offer, retained earnings and share capital. Our Group has not received any indications from banks or financial institutions that they would discontinue these facilities.

RISK MANAGEMENT AND INTERNAL CONTROL

Our Directors confirm that during the ordinary course of our money lending business, we are exposed primarily to (i) credit risks in respect of our loan portfolio; (ii) operational risks relating to our internal processes, our employees and systems or from external events; (iii) market risks in respect of our financial and property assets and liabilities; (iv) liquidity risks in respect of our working capital; and (v) legal and regulatory risks. For details of the risks arising from the ordinary course of our business, please refer to the section headed “Risk factors” in this prospectus.

BUSINESS

As part of our initiatives to manage these risks, we have established internal control procedures for the purpose of (i) ensuring that our business, lending practices, management, information systems, and overall operations are conducted in line with best practices in the money lending industry, for example, the non-statutory code of money lending practice issued by the Hong Kong S.A.R. Licensed Money Lenders Association Limited; (ii) reinforcing the integrity of our employees and reputation of our money lending business; and (iii) complying in full with all relevant laws and regulations. Our Directors confirm that during the Track Record Period, there has been no incidence of fraud or misconduct discovered among our employees. The following sets out the key risks for our money lending business and the mitigating internal control procedures thereof.

Credit risks management

Managing the risk at grant of the mortgage loans

The mortgage loans granted to our customers are secured by collaterals to reduce the credit risks. We have adopted a set of loan approval procedures (the Approval Policy as set out in the sub-section “Loan approval procedures” in this section) to effectively manage such risks. The set of loan approval procedures includes that we generally accept a loan-to-value ratio of no more than 70% for all property mortgage loans (our loan plus loans under prior mortgages for subordinate property mortgage loans) and with a tenure within a year, except that we have assessed the relevant risk under the credit assessment and are satisfied with the customer’s repayment ability. For details of our loan approval procedures, please refer to the sub-section headed “Loan approval procedures” in this section.

Moreover, we are well aware of the credit risks of our subordinate property mortgage loans being higher than those of first property mortgage loans, details of which are set out in the section headed “Risk factors – risks relating to our business” in this prospectus. Accordingly, as a compensation for the risks involved and counter measure, we usually charge a higher interest rate on subordinate property mortgage loans and require the borrowers to fully indemnify us for any damages, losses, costs, fees and expenses that may arise from or as a result of any actions, proceedings, demands or claims taken or brought by prior mortgagees.

BUSINESS

The range of loan-to-value ratios and the number of cases of our first and subordinate property mortgage loans granted in respect of different types of property collaterals during the Track Record Period are set out below:

For the year ended 31 March									
	2011			2012			2013		
	Number of cases	Range of loan-to-value ratio (%)	Range of (excluding pre-existing mortgages) ratio (%) (Note 1)	Number of cases	Range of loan-to-value ratio (%)	Range of (excluding pre-existing mortgages) ratio (%) (Note 1)	Number of cases	Range of loan-to-value ratio (%)	Range of (excluding pre-existing mortgages) ratio (%) (Note 1)
First property mortgage loans									
Residential properties	173	9.8-75.6	N/A	189	2.0-75.0	N/A	199	3.0-75.0	N/A
Commercial properties	11	16.0-75.0	N/A	6	18.7-75.0	N/A	5	23.0-69.0	N/A
Industrial properties	25	18.0-70.0	N/A	23	14.0-75.0	N/A	11	10.0-66.7	N/A
Other properties (Note 2)	35	2.0-75.0	N/A	25	9.3-75.0	N/A	28	9.3-73.0	N/A
	<u>244</u>	<u>2.0-75.6</u>	<u>N/A</u>	<u>243</u>	<u>2.0-75.0</u>	<u>N/A</u>	<u>243</u>	<u>3.0-75.0</u>	<u>N/A</u>
Subordinate property mortgage loans									
Residential properties	190	33.5-75.0	1.1-50.0	174	26.5-75.0	1.1-50.0	213	10.0-75.0	1.0-61.4
Commercial properties	3	52.0-69.0	11.5-23.1	5	37.0-71.4	4.0-14.3	8	37.0-74.0	2.4-30.8
Industrial properties	11	47.0-70.0	1.8-28.6	12	35.0-72.0	3.4-21.3	10	26.5-72.0	2.6-35.6
Other properties (Note 2)	12	31.0-75.0	4.0-30.0	31	41.0-75.0	2.8-50.0	27	10.0-75.0	2.6-51.6
	<u>216</u>	<u>31.0-75.0</u>	<u>1.1-50.0</u>	<u>222</u>	<u>26.5-75.0</u>	<u>1.1-50.0</u>	<u>258</u>	<u>10.0-75.0</u>	<u>1.0-61.4</u>
Overall	<u><u>460</u></u>	<u><u>2.0-75.6</u></u>	<u><u>1.1-50.0</u></u>	<u><u>465</u></u>	<u><u>2.0-75.0</u></u>	<u><u>1.1-50.0</u></u>	<u><u>501</u></u>	<u><u>10.0-75.0</u></u>	<u><u>1.0-61.4</u></u>

Notes:

1. The loan-to-value ratio (excluding pre-existing mortgages) represents the amount of property mortgage loan granted by our Group as a percentage of the total appraised value of the property collaterals less pre-existing mortgages.
2. Other properties include car parks, tenement houses, village houses and shops.

BUSINESS

The following table shows during the Track Record Period, the number of cases of our first and subordinate property mortgage loans granted falling into different bands of loan-to-value ratio (including pre-existing mortgages):

	For the year ended 31 March		
	2011	2012	2013
	<i>Number of cases</i>	<i>Number of cases</i>	<i>Number of cases</i>
<u>First property mortgage loans</u>			
10.0% or less than 10.0%	2	8	9
More than 10.0% to 30.0%	36	37	45
More than 30.0% to 50.0%	62	66	69
More than 50.0% to 70.0%	102	109	103
Over 70.0%	42	23	17
	<u>244</u>	<u>243</u>	<u>243</u>
<u>Subordinate property mortgage loans</u>			
10.0% or less than 10.0%	–	–	2
More than 10.0% to 30.0%	–	2	9
More than 30.0% to 50.0%	32	33	47
More than 50.0% to 70.0%	145	156	165
Over 70.0%	39	31	35
	<u>216</u>	<u>222</u>	<u>258</u>
	<u><u>460</u></u>	<u><u>465</u></u>	<u><u>501</u></u>

The property mortgage loans granted by us during the Track Record Period with the loan-to-value ratio over 70.0% as shown above included first and subordinate property mortgage loans, and most of these property mortgage loans were pledged against residential properties provided by our customers. The outstanding balances of these property mortgage loans as at 31 March 2011, 2012 and 2013 amounted to HK\$35.9 million, HK\$64.5 million and HK\$54.8 million, respectively.

BUSINESS

Managing the risk after the grant of loans

Our Directors believe that our policy in granting loans generally with loan-to-value ratio no more than 70% and terms no more than a year for both first and subordinate mortgage loans allows the loan value to be sufficiently backed by the property collaterals even if there would be a significant decline of property value up to, for example, 30% in a year.

Notwithstanding, since the commencement of the Track Record Period, our executive Directors share information with our loan officers on the latest terms of loans granted to our customers, the conditions of the loans and exchange views on the trend of the property market during daily operation. Furthermore, our executive Directors conduct monthly meetings to discuss the movement of the property price and its impact on the value of the customers' property collaterals which affect the credit risk of our loan portfolio, accompanied with the monthly analysis on the general movements of the property prices conducted by our loan officers. In particular, if we are aware of a decline in property price in Hong Kong, we will assess the relevant decrease in the value of the property collaterals of our customers and the corresponding increase in their credit risk.

Based on the above, the executive Directors will review the safety margin of the loan portfolio of existing customers which represents the difference of the property collateral value and the loan principal (including all prior mortgage loans), and, if appropriate, take actions as set out in paragraph headed "Managing the decline in safety margin" below. We may also adjust the loan-to-value ratio and the amount of our new property mortgage loans as one measure for maintaining control over the future overall credit risk profile of our Group's loan portfolio.

After the Track Record Period, in view of the recent uncertainties of the monetary policies of certain major countries such as the United States of America and the PRC, the volatility of the capital market and the contraction of the property market in Hong Kong, we have adopted a more prudent approach in our loan policy and lending practice with the tightening of the loan-to-value ratio for certain new customers.

The number of active loan accounts (with year-end balance) and market value of the loan collaterals, and loan-to-value ratio with its respective ranges for first and subordinate property mortgage loans in respect of different types of property collaterals as at 31 March 2011, 2012 and 2013 respectively are set out below:

	2011				As at 31 March 2012				2013			
	No. of active loan account	Market value of the loan collaterals (HK\$'000)	Loan-to-value ratio (%)	Range of loan-to-value ratio (%)	No. of active loan account	Market value of the loan collaterals (HK\$'000)	Loan-to-value ratio (%)	Range of loan-to-value ratio (%)	No. of active loan account	Market value of the loan collaterals (HK\$'000)	Loan-to-value ratio (%)	Range of loan-to-value ratio (%)
First property mortgage loans												
Residential properties	68	248,410	38.3	5.4-76.2	65	216,960	34.8	2.2-74.5	63	240,470	33.8	0.6-75.0
Commercial properties	3	8,800	47.8	11.1-74.5	3	7,330	66.9	65.3-68.2	1	1,800	61.1	61.1-61.1
Industrial properties	13	30,400	30.4	7.9-70.0	10	32,000	33.0	2.1-68.9	6	22,700	49.6	1.5-68.1
Other properties	15	61,640	19.9	1.7-70.0	20	70,250	33.9	5.7-75.0	20	48,680	52.0	10.3-71.4
	99	349,250	34.6	1.7-76.2	98	326,540	35.1	2.1-75.0	90	313,650	37.9	0.6-75.0
Subordinate property mortgage loans												
Residential properties	69	713,200	13.0	2.3-41.1	68	1,166,250	12.4	2.5-50.0	76	835,600	18.3	2.1-61.4
Commercial properties	3	9,050	28.2	16.0-48.4	3	85,650	17.0	16.6-36.4	4	196,600	5.1	4.3-42.1
Industrial properties	3	28,100	11.0	10.0-18.8	3	18,000	8.3	7.3-14.3	3	10,450	29.7	7.0-47.4
Other properties	4	14,750	14.1	10.7-38.0	5	183,900	5.9	4.9-15.3	7	177,250	17.6	10.0-23.8
	79	765,100	13.1	2.3-48.4	79	1,453,800	11.8	2.5-50.0	90	1,219,900	16.2	2.1-61.4
	178	1,114,350	19.9	1.7-76.2	177	1,780,340	16.1	2.1-75.0	180	1,533,550	20.6	0.6-75.0

Notes:

- Market value of loan collaterals assessed based on valuation conducted by professional valuers or surveyors appointed by us.
- The loan-to-value ratio only considers the amount of property mortgage loan granted by our Group and do not include the amount of property mortgage loan granted by prior mortgages, if any.
- Other properties include car parks, tenement houses, village houses and shops.

BUSINESS

Managing the decline in safety margin

Through the measures as set out in the paragraph headed “Managing the risk after the grant of loans” above, if we note that there is a material decline in the safety margin of any of our loans such as a decline on the value of property collateral of any customer, or the prior mortgage loan from other lenders attached to the collateral of our subordinate property mortgage loans has been increased, the loan officers will assess individually whether such amount of loans can be fully recovered with reference to the loan repayment ability of that customer including (i) the historical default rate of the individual customer; (ii) in case of individual customers, the background of the customers including their occupation or job nature and their history of work and employment; and (iii) in case of corporate customers, the financial statements of the corporate customers.

We will closely monitor the safety margin of our loans and assess the relevant risk from time to time. In addition, we will adopt the following measures with our loans to customers:

- (i) we will liaise with our customer to provide additional property collateral to top up the mortgage or to reduce the principal loan amount;
- (ii) if our customer is unable to provide additional property collateral or not willing to reduce the principal loan amount, we will request our customer to arrange for an additional guarantor to provide additional property collateral; and
- (iii) failing all of the above, we will not renew their existing loans upon maturity, but may still grant another loan to the customer with adjusted loan terms (such as with reduced principal loan amount and/or additional property collateral) if the customer is eligible pursuant to our Approval Policy.

In the event the safety margin of any of our loans becomes lower than zero (when the property collateral value is lower than the loan principals (including all prior mortgage loans)) and the default in repayment of principal or interest by our customers for more than three months, we may, though we never did during the Track Record Period, exercise our right to demand our customer for immediate repayment of all outstanding loan principal and interest pursuant to the facility letters. In addition, impairment would be recognised and reflected in the combined statement of comprehensive income in the year such impairment arisen. During the Track Record Period, there was no impairment which should be made on our mortgage loan receivable or interest receivable.

In the event that our customers want to sell the mortgaged property, for both first and subordinate property mortgage loans, we will immediately review the loan portfolio of such customer and demand their repayment of all existing loan principals and interests. Although our customer is not obliged to inform our Company before selling his property, our customer has to contact us to obtain a release of our charge on his property collateral before the completion of the sale and purchase of the property can take place. In any case, we will only release such property charge attached to our loans until all of the loan principals and interest due to us have been settled, and upon the authorisation by our executive Directors after reviewing the above.

BUSINESS

Managing the risk of subordinate property mortgage loans

It has been a market practice for banks, which are subject to various restrictions under HKMA, not to increase their existing loans with the customers if there are any subordinate property mortgage loans attached to the same property. Since the first mortgagees attached to the collateral of our subordinate property mortgage loans were banks, we believe that we were able to minimise the risk that the customer may need to increase the first loan amount with the first mortgagee during the Track Record Period.

Nevertheless, since the safety margin of our subordinate property mortgage loan will also decrease if the prior mortgage loan from other lenders has been increased, we will closely monitor the situation and take actions pursuant to the measures as set out in the paragraph headed “Managing the decline in safety margin” above. In addition, once the prior mortgagees initiated any mortgagee actions against the customers, the prior mortgagees are obligated to inform all the lower ranked mortgagees pursuant to Conveyancing and Property Ordinance (Chapter 219 of the Laws of Hong Kong) and the relevant case law. As such, we will immediately report to the solicitors of the prior mortgagee as set out in the paragraph headed “Loan Collection – Procedures for dealing with loan repayment default” above.

Operational risk management

Our executive Directors are responsible for determining an overall operational risk control framework, devising and updating policies and procedures that are adequate to control operational risks. The executive Directors meet monthly to review operational issues, conduct sample checks on loan files for proper security documentation. The senior management is responsible for supervising the day-to-day adherence of operational control procedures and maintenance of security documentation.

We have established internal reporting procedures to allow employees report any suspected case (including but not limited to employee misconduct or fraud), through which our employees can directly report to our executive Directors, bypassing their immediate supervisors where necessary. We provide training to our employees on our policies and procedures, as well as update them of current legislation and practices. We have formulated credit monitoring policies and operational procedures (which are continuously updated) to ensure that our employees comply with our internal procedures and requirements. In addition, to reduce the operational risk caused by failures of information technology systems, we maintain backup of our data which are in the custody of one of our executive Directors.

Market risk management

Our executive Directors are responsible for determining an overall market risk control framework, monitoring and assessing market conditions and devising refined policies in light of changes in economic conditions, business environment and property market in Hong Kong. The senior management is responsible for making sure that the policies so developed are duly implemented.

Liquidity risk management

Unlike banks and other financial institutions which may be subject to strict requirements under various banking regulations, we are not required to comply with any specific rules and regulations or operating requirements related to liquidity, such as liquidity ratios or loan-to-value ratio or any inter-bank lending and borrowing ratios. Notwithstanding, our objective in liquidity management is to be able, even under adverse conditions, to meet all our payment obligations and fund our investment and lending opportunities on a timely basis. Our executive Directors are responsible for the day-to-day monitoring and management of our liquidity. Specifically, in conducting the money lending business, our management will monitor our Group's cash inflow and outflow on a weekly basis to ensure the accuracy of cash collection and deployment such that there is no shortfall in cash which may interrupt our Group's business and maintain sufficient cash buffer of at least two month's requirement to meet the working capital requirement and liquidity needs for our money lending business operations in the coming months. Our interest income and the loan principals, which usually have maturity within one year pursuant to the facility letters, has produced a steady stream of cash flow throughout the Track Record Period and up to the Latest Practicable Date, whereas our banking facilities comprise overdraft and revolving facilities available for drawdown and repayment at any time. Hence, given our full discretion in granting new loans to our customers, we consider that we will have sufficient cash available for making repayments to the banks at any point in time and there has never been any mismatch between the repayment schedules of our Company's bank borrowings and loans provided to our customers. During the Track Record Period, our Group had not experienced any shortfall in cash for meeting our liquidity needs.

Legal and regulatory risks*Compliance with Money Lenders Ordinance*

The Approval Policy as set out in the paragraph headed "Loan Approval Procedures" in this section also ensures our business is operated in accordance with the Money Lenders Ordinance.

The Approval Policy specifies the allowable interest rates of the property mortgage loans under the Money Lenders Ordinance, and the application and approval procedures of the property mortgage loans. Moreover, pursuant to Section 18 of the Money Lenders Ordinance, all of our loan facility letters are prepared based on the requirement set out therein and an extract of Part III "Money Lenders Transactions" of the Money Lenders Ordinance is provided to the borrowers upon signing the loan facility letters to inform the borrowers of the money lender's duties.

Anti-money laundering and counter-terrorist financing

Our Group, being a legal entity carrying on business in Hong Kong, is subject to the financial sanctions system in Hong Kong and legislation prohibiting money laundering activities. The relevant policies are implemented under the United Nations Sanctions Ordinance (Chapter 537 of the Laws of Hong Kong) and United Nations (Anti-Terrorism

Measures) Ordinance (Chapter 575 of the Laws of Hong Kong), details of which are set out in the section headed “Regulatory overview – relevant statutes, other relevant laws and regulations”. Our legal adviser as to Hong Kong laws, Cheung & Choy, has opined that the Guideline on Anti-Money Laundering and Counter-Terrorist Financing (For Authorised Institutions) (the “**HKMA Guideline**”) issued by the HKMA is for giving guidance to authorised institutions and intended for use by financial institutions and their officers and staff, and the Guideline on Anti-Money Laundering and Counter-Terrorist Financing together with the Prevention of Money Laundering and Terrorist Financing Guideline (the “**SFC Guidelines**”) issued by the SFC are for giving guidance to licensed corporations and intended for use by financial institutions and their officers and staff. Since our Group is neither an authorised institution regulated by HKMA nor a licensed corporation under the SFO nor a financial institution under the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance (Chapter 615 of the Laws of Hong Kong), we are not required to adopt the policies, procedures and controls in the relevant operational areas as set out in the HKMA Guideline and the SFC Guidelines.

Nevertheless, to prevent and detect money laundering and terrorist financing, we have established a “Guideline on Anti-Money Laundering and Counter-Terrorist Financing” according to the HKMA Guideline, which includes procedures for customer due diligence, reporting suspicious transactions, record-keeping, and staff training.

Due diligence on customers

Before accepting customer’s loan application (including those customers who are referred by loan brokers or referral agents), we carry out Know-Your-Client procedures by verifying the customer’s identity using reliable and independent source documents such as Hong Kong Identity Card and proof of residential address for individual customers, and Certificate of Incorporation and/or Business Registration Certificate for corporate customers. We perform land registry checking to verify the ownership of the properties and ascertain whether the properties are under any charge. We do not allow anonymous customer account to be set up, and all loan repayments from customers are made by cheques with their own bank accounts and payable to us or our solicitors.

Our Group uses documents, data and information obtained from reliable and independent sources, such as those from governments, public authorities or other regulatory bodies, to identify and verify the identity of our customer. If the customer is a body corporate, we will enquire into the ownership structures of the body corporate. If someone is acting on the authority of the customer, we will verify the identity of the authorised person acting for that customer and examine whether the authorised person does have the authority to act for that customer.

As a matter of our established practice, such due diligence procedure should be completed before we enter into any business relationship with our customer.

BUSINESS

Reporting suspicious transactions

According to our “Guideline on Anti-Money Laundering and Counter-Terrorist Financing”, when our staff knows or suspects the property represents the proceeds of crime or terrorist property, a disclosure must be made to our top management as soon as reasonably possible. Afterwards, our Group will report to the Joint Financial Intelligence Unit (JFIU), an unit jointly run by the Hong Kong Police Force and the Hong Kong Customs & Excise Department, using the standard form or the e-channel “STREAMS” therein, to report the suspicious transactions as soon as possible. In identifying suspicious customers or transactions, we focus on verifying the identities of our customers by inspecting his/her personal identification documents (for individual customers) and incorporation documents (for corporate customers) and their ownership and title to the property collaterals provided by them. When we review the findings of the legal due diligence, we will endeavor to see if the findings show any information that may make the customers appear suspicious to us. We also have a lot of emphasis on the money flow and do not allow deposit or payment of loans from us to another person (whether individual or corporate) other than the customers.

Record keeping

We maintain all essential information of our customers, including identity, loan amount and contact details.

We will not open or maintain any anonymous or false accounts for our customers.

Staff Training

We provide training to our employees on our policies and procedures, as well as update them of current legislation and practices.

Our Directors are of the view that our existing procedures and measures relating to anti-money laundering are effective and carried out properly during the Track Record Period and up to the Latest Practicable Date. During the Track Record Period, there were no actual or suspected incidents of money laundering by our Group and our Directors confirm that, to the best of their knowledge, our Group was not aware of any actual or suspected incidents of money laundering activities by our lenders or customers during this period. We have paid close attention to the statutory framework and have complied and will continue to comply with such regulations and guidelines.

BUSINESS

Personal Data (Privacy) Ordinance

In our daily operations, we obtain various types of personal data of our customers being protected by the PDPO. As such, we have set up internal control procedures to ensure our compliance with PDPO which include (i) requiring the employees not to retain or disclose any confidential information about our business activities and other sensitive confidential data to any third parties; (ii) customers are acknowledged of their rights under PDPO and the purpose of collection of their personal data upon completing and signing the Mortgage Loan Application Form; and (iii) confidential personal data is not obtained through phone conversations, and customer files are kept in a locked cabinet.

Our Directors confirm that, to the best of their knowledge, our Group had, during the Track Record Period, complied with the PDPO and the amendments to the PDPO.

Compliance with the internal controls of our Group

Our Group has established internal control procedures and policies to ensure its compliance with the above rules and regulations for our business operations. During the Track Record Period, our staff (including our Directors) have complied with these internal control procedures and policies.

The IC Consultant (as defined below) has reviewed our internal control procedures and policies and no material deficiencies were identified. Having considered the above, our Directors considered the internal control of our Group is sufficient and effective to ensure compliance with all relevant rules and regulations.

Review of internal control systems

To ensure the adequacy of and to continually enhance our internal control systems, we had engaged RSM Nelson Wheeler Consulting Limited, an Independent Third Party, as our internal control consultant (the “**IC Consultant**”) to conduct a review of the management and accounting procedures and internal control environment of the Group. The IC Consultant has provided recommendations for improvements. Key improvement areas are summarised in the table below.

BUSINESS

Key improvement areas highlighted in our IC Consultant's report	Recommendations from our IC Consultant	Remedial Actions
No fire insurance has been effected by our customers pursuant to the terms of our facility letters as set out in the paragraph headed "Loan Approval Procedures – Typical terms of our facility letters" above.	To purchase fire insurance for the mortgaged properties for an amount no less than the mortgage principal endorsing us as the beneficiary.	Insurance for the mortgaged properties has been purchased by us in the form of overall coverage in the total sum insured of HK\$300 million against physical loss and/or damage to any insured property within Hong Kong up to HK\$10 million each.
There was a lack of segregation of duties in the payment process. The Directors who keep cheque books can sign cheques singly for any amounts.	Cheque books should be kept by persons other than those who are authorised cheques signors. The cheque should be signed by more than one person.	The cheque signing now requires any two of three signatures from the executive Directors, with the company chop to authorise a cheque payment. Also, the cheque books are now maintained by a senior staff other than the authorised signatories.

The IC Consultant has conducted a follow-up review of the key improvement areas above and confirmed that the Company has satisfactorily implemented the recommendations. Having considered the above and discussed with the IC Consultant, the Sole Sponsor is of the view that the Company's internal control are sufficient and effective to ensure compliance with all relevant rules and regulations in all material aspects as at the Latest Practicable Date.

PROPERTIES

Owned Properties

The Directors believe that the Group's property portfolio, being an integral part of our Group's core assets, serves two important purposes: namely, (i) providing security to banking institutions which provide a reliable source of funds to our lending business; and (ii) continuously allowing the management to have an adequate pulse of the movements of the property market which is a key underlying risk of our business. As at the Latest Practicable Date, our Group owns a total of six commercial or residential properties, which constitute a significant portion of our Group's asset.

BUSINESS

As at the Latest Practicable Date, our Group owned the following commercial or residential premises:

Address	Mortgaged to	Status	Expiry date of the lease
Unit No. 2 on 7th Floor, Sunray Industrial Centre, No. 610 Cha Kwo Ling Road, Kowloon	The Bank of East Asia, Limited	Leased out	30 November 2013
Office 5, 34th Floor, Tower Two, Lippo Centre, No. 89 Queensway, Hong Kong	DBS Bank (Hong Kong) Limited	Leased out	16 September 2014
Office 10, 11 and 12 on the 34th Floor, Tower Two, Lippo Centre, No. 89 Queensway, Hong Kong	DBS Bank (Hong Kong) Limited	Self-use	N/A
Flat E, 10th Floor, Block 3, (Orchid Court), New Town Plaza (Phase III), Nos. 2-8 Shatin Centre Street, Shatin, New Territories	The Bank of East Asia, Limited	Leased out	14 June 2015
Flat A (with A/C room(s) pertaining thereto which is/are accessible from the flat itself) 30th Floor, Tower 9, The Palazzo, No. 28 Lok King Street, Shatin, New Territories	DBS Bank (Hong Kong) Limited	Self-use	N/A
Office 6A, 25th Floor, Tower Two, Lippo Centre, No. 89 Queensway, Hong Kong	DBS Bank (Hong Kong) Limited	Leased out	31 December 2013

BUSINESS

Our Group used to own the following premises during the Track Record Period, which were disposed of at the then market price in September 2010 and February 2012 respectively, as follows:

Address	Sold to	Consideration	Date of Disposal
Flat B, 16th Floor, Block 5, Royal Ascot, No. 1 Tsun King, Shatin, New Territories	(1) Lee Kin Fai (2) Wong Yan On Georgiana (<i>Note 1</i>)	HK\$5.1 million	February 2012
Office 7, 19th Floor, Tower 1, Lippo Centre, No. 89 Queensway, Hong Kong	High Step Investment Limited (“ High Step ”) (<i>Note 2</i>)	HK\$28.0 million	September 2010

Notes:

1. Mr. Lee Kin Fai and Ms. Wong Yan On Georgiana are Independent Third Parties who have no past or present relationship with our Company, its existing Shareholders or Directors or their respective associates, save for the sale by our Group of the relevant property to them.
2. At the time of the disposal, Mr. W. Chan and his ex-wife, Ms. Tin Yuen Sin Carol, were the directors of High Step. Mr. W. Chan ceased to be High Step’s director on 31 October 2010. Ms. Tin ceased to be the director of one of our subsidiaries on 18 April 2011.

Leased Properties

As at the Latest Practicable Date, we have not rented any property.

For details of the properties owned by us, please refer to the Property Valuation Report prepared by Asset Appraisal Limited as included in Appendix III to this prospectus.

INTELLECTUAL PROPERTY RIGHTS

Domain names

Our Group is the owner of two domain names, as follows;



Domain name	Registration date	Expiry date
“hkfinance.com.hk”	12 January 2005	13 January 2014
“hkfinance.hk”	3 March 2010	3 March 2015

These domain names are subject to renewal. The registration prevents others from using the same domain name during the subsisting registration period.

BUSINESS

Trademarks

As at the Latest Practicable Date, our Group had two registered trademarks in Hong Kong, details of which are as follows:

Trademark	Place of registration	Trademark number	Class	Registration Date	Expiry Date
	Hong Kong	302317176	36	17 July 2012	16 July 2022
	Hong Kong	302317185	36	17 July 2012	16 July 2022

Our Group also has two trademark applications pending approval by the relevant Hong Kong authority, details of which are as follows:

Trademark	Applicant	Application number	Class	Application Date
	HK Finance	302562732	36	28 March 2013
	HK Finance	302686906	36	29 July 2013

Our Directors believe that even if we cannot obtain the registration of the above trademarks, there will not be significant impact on our profitability. Our Group was advised by our intellectual property consultant that the registration process would take about nine months.

Up to the Latest Practicable Date, our Directors are not aware of any challenge by any third parties against our Group's use of the name of "Hong Kong Finance Company Limited" in conducting our money lending business.

BUSINESS

Details of our intellectual property rights are set out in the paragraph headed “Summary of intellectual property rights of our Group” under the section headed “Further information about the business of our Company” in Appendix V to this prospectus. Save as disclosed above, our business or profitability is not dependent on any patent or any other intellectual property rights. As at the Latest Practicable Date, we were not engaged in, and were not aware of, any litigation or legal proceedings for violation of intellectual property rights of any person, or any material violation.

INSURANCE

Our Group has maintained insurance against death and permanent disablement of all our executive Directors from 8 March 2010 to 7 March 2011. This insurance policy was not renewed after its expiry as the board of HK Finance considered it unnecessary to maintain such an insurance policy.

Since July 2009, our Group and Tin Ching Industrial have also jointly maintained an employees’ compensation insurance policy (the “**Employees’ Insurance Policy**”) for all of their employees who work on the premises of Unit 3410-11, Tower II, Lippo Centre, 89 Queensway, Hong Kong through AXA General Insurance Hong Kong Limited (“**AXA**”), an Independent Third Party, in accordance with Section 41 of the Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong). The current Employees’ Insurance Policy expired on 17 July 2013.

Pursuant to the Employees’ Insurance Policy, all the employees of HK Finance or Tin Ching Industrial who work on the office premises are still insured under the same policy notwithstanding their transfer of employment from Tin Ching Industrial to HK Finance in October 2011. Details of this transfer are set out in the section headed “Relationship with the Controlling Shareholders – Prior arrangements between our Group and companies owned by the Controlling Shareholders”. As such, we believe our Group has taken out sufficient insurance policies over our employees. During the Track Record Period, there was no incident of employee injury.

Owing to the Reorganisation, our Group has purchased a new employees compensation insurance policy with AXA for all our employees who work on the premises of Unit 3410-12, Tower II, Lippo Centre, 89 Queensway, Hong Kong.

Insurance for the mortgaged properties has been purchased by our Group in the form of overall coverage in the total sum insured of HK\$300 million against physical loss and/or damage to the insured property anywhere within Hong Kong to the maximum amount of HK\$10 million.

BUSINESS

COMPETITION

According to the records of the Licensed Money Lenders Association, Hong Kong, there were 984 licenced money lenders in Hong Kong in 2012. Given that the entry barrier to the money lending business is relatively low, the money lending industry in Hong Kong is therefore highly competitive. While money lenders in Hong Kong adopt similar sales and marketing strategies such as placing advertisement on mass media and targeting for the same groups of customers in the local market, we seek to differentiate ourselves in terms of market reputation, experience, speed, flexibility and quality of our service as well as the competitive interest rates of our property mortgage loans.

We believe that (a) our efficient, flexible and customer-centered services, (b) our competitively priced loans, (c) our experienced management team; and (d) our long history and reputation history spanning about fifteen years in the property mortgage market enables us to maintain a competitive edge over other market players. The time needed for our loan approval process is often dependent on the ability of customers to provide sufficient information and complete documentation. To ensure our competitiveness, we strive to complete our loan approval process within 24 hours upon receiving all necessary documents from our customers. Our management also regularly reviews our property mortgage loans and their interest rates and also conducts formal marketing research to ensure that we can respond to changing market demands in a timely manner.

LEGAL COMPLIANCE

Our Directors confirm that, since the establishment of our Group and up to the Latest Practicable Date, our Group has complied with relevant and applicable laws and regulations in Hong Kong (including the Money Lenders Ordinance, the United Nations Sanctions Ordinance (Chapter 537 of the Laws of Hong Kong) and the United Nations (Anti-Terrorism Measures) Ordinance (Chapter 575 of the Laws of Hong Kong)) in all material aspects and has obtained the Money Lenders Licences for HK Finance and Oriental Credit in Hong Kong as required under the Money Lenders Ordinance.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

The immediate Shareholder of our Company is Tin Ching Holdings, which is owned as to 50% by Mr. K.N. Chan and 50% by Mr. W. Chan. Accordingly, Mr. K.N. Chan and Mr. W. Chan, will upon completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be issued upon the exercise of the Offer Size Adjustment Option and any options that may be granted under the Share Option Scheme), through Tin Ching Holdings, be interested in a total of 75% of the issued share capital of our Company upon Listing, and will be deemed as our Controlling Shareholders.

PRIOR ARRANGEMENTS BETWEEN OUR GROUP AND COMPANIES OWNED BY OUR CONTROLLING SHAREHOLDERS

Management and consulting services

Background

As detailed in the section headed “History and Development – History and Group Legal Structure – Subsidiaries of the Group”, HK Finance was incorporated on 9 December 1996 with little start-up capital. When HK Finance commenced its money lending business in May 1998, Mr. K.N. Chan and Mr. W. Chan were the only employees and directors of HK Finance. In view of these, the Controlling Shareholders, through their wholly owned company, Tin Ching Industrial, put in place an intra-group management arrangement which provided management and consulting service to the money lending business of our Group (“**Management Arrangement**”). Pursuant to the Management Arrangement, HK Finance engaged Tin Ching Industrial for the provision of management and consulting services and recharged HK Finance for the relevant cost so incurred. Other than engaging in money lending business in our Group, the Controlling Shareholders have never engaged in any competing business with our Group.

Our Controlling Shareholders considered the benefits of this prior Management Arrangement include:

- (i) effective utilisation of the resources of Tin Ching Industrial – it would be cost efficient for the financial and human resources of Tin Ching Industrial to be shared by the two entities (which were under the same common control of the Controlling Shareholders) from the perspective of the Controlling Shareholders;
- (ii) prompt commencement of the then start-up money lending business – it saved the substantial cost and time in recruiting and training a new group of staff capable of operating a start-up business; and

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

- (iii) fair reflection of the performance of the money lending business – through recharging HK Finance for the actual human resources expenses incurred by Tin Ching Industrial, stating and reflecting fairly the operating and running cost of the two different lines of businesses owned by the Controlling Shareholders.

The Management Agreement

In April 2010, our Group and the Controlling Shareholders mutually agreed to continue with the aforesaid terms of the Management Arrangement by entering into a new management agreement (“**Management Agreement**”). The major terms of the Management Agreement, which commenced in April 2010 are set out as follows:

Date of the agreement:	1 April 2010
Term of the agreement:	The agreement can be automatically renewed for successive periods of one year
Parties:	HK Finance and Tin Ching Industrial
Service to be provided by Tin Ching Industrial:	<p>To provide personnel to HK Finance to manage and operate its daily businesses and administrative functions, including:</p> <ul style="list-style-type: none">(a) provision of support in the establishment and maintenance of HK Finance’s office staffed by Tin Ching Industrial’s employees to render efficiently the Management Arrangement;(b) recruiting, selecting, hiring, firing and managing employees required for the operations of HK Finance;(c) provision of consulting services on money lending business as and when required by HK Finance; and(d) performing all other functions necessary or appropriate to maintain the efficient and profitable operations of HK Finance’s money lending business.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Obligation of HK Finance:	To pay upon demand such management and consulting service fees as Tin Ching Industrial may from time to time agreed (which was determined based on the actual salary expenses of the relevant personnel incurred by Tin Ching Industrial under the Management Arrangement during the Track Record Period)
Restrictions:	Tin Ching Industrial has no authority to act on behalf of HK Finance, nor shall Tin Ching Industrial execute any contract in the name of or on behalf of HK Finance
Termination:	Either party may terminate the Management Agreement by giving thirty days written notice to the other party, unless the Management Agreement is otherwise terminated by reason of breach of agreement, or either party becoming insolvent

Management Arrangement during the Track Record Period

During the Track Record Period, certain number of the then Tin Ching Industrial's staff were designated by Tin Ching Industrial to provide the management and consulting services to HK Finance under the Management Agreement. In return, HK Finance paid the relevant management and consulting fees by way of cash settlement in the amount of HK\$2.9 million and HK\$1.5 million respectively to reimburse the relevant salary expenses incurred by Tin Ching Industrial during the years ended 31 March 2011 and 2012 respectively.

Termination of the Management Arrangement

In September 2011, as part of our Group's corporate restructuring and with a view to further developing the money lending business of HK Finance, we decided to segregate the daily and administrative functions of HK Finance and Tin Ching Industrial. As a result, the Management Arrangement came to an end on 30 September 2011.

In October 2011, HK Finance entered into employment contracts directly with all the 13 personnel who were the staff of Tin Ching Industrial designated under the Management Arrangement as at 30 September 2011. As such, there was no Management Arrangement from 1 October 2011 to 31 March 2012 and for the year ended 31 March 2013.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Financial support provided by the Controlling Shareholders and their associates to the Group

The Controlling Shareholders together with their respective associates have from time to time offered financial support for the cash flow and business needs of our Group. The means of financial support include (i) provision of loans or advances, mainly through Tin Ching Industrial, to our Group and (ii) provision of personal guarantee, corporate guarantee and collaterals to support our loans advanced to us by Independent Third Party lenders.

(i) Provision of loans or advances

The loans from our Controlling Shareholders were charged at a rate in the range of 3.0% to 6.0% per annum, with weighted average effective interest rate ranged from 3.2% to 4.9% per annum, during the Track Record Period. Set out below is the weighted average effective interest rate charged on the loans from our Controlling Shareholders comparing with the effective interest rate charged on secured bank loans and overdrafts during the Track Record Period:

	Year ended 31 March		
	2011	2012	2013
Loans from our Controlling Shareholders	3.2%	4.6%	4.9%
Bank loans and overdrafts	2.7%	3.3%	3.8%

Since the financial resources were readily available from our Controlling Shareholders and the interest rate charged by our Controlling Shareholders on an unsecured basis (as compared to that of the banks which is on a secured basis), our Group obtained the unsecured loans from our Controlling Shareholders during the Track Record Period. As at 31 March 2011, 2012 and 2013, the outstanding loan balances from our Controlling Shareholders, mainly through Tin Ching Industrial, were HK\$75.7 million, HK\$70.0 million and HK\$15.7 million, respectively. Our finance cost of the loans from the Controlling Shareholders amounted to HK\$2.2 million, HK\$4.9 million and HK\$2.8 million for the years ended 31 March 2011, 2012 and 2013, respectively.

During the Track Record Period, Mr. K.N. Chan and Mr. W. Chan had also made interest-free advance to our Group. As at 31 March 2011, 2012 and 2013, the balance due to Mr. K.N. Chan and Mr. W. Chan was HK\$13.3 million, nil and nil, respectively.

The maximum amount of loans and advances provided by our Controlling Shareholders to the Group during each of the years ended 31 March 2011, 2012 and 2013 were HK\$100.1 million, HK\$130.5 million and HK\$56.5 million, respectively.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

(ii) Provision of personal guarantees, corporate guarantee and collaterals by the Controlling Shareholders and their associates to our loans advanced by Independent Third Party lenders

During the Track Record Period, the Controlling Shareholders and their respective associates had provided personal guarantees, corporate guarantee and collaterals to secure loans from Independent Third Party lenders to our Group. The total amounts of bank loans were approximately HK\$172.7 million, HK\$171.9 million and HK\$183.8 million as at 31 March 2011, 2012 and 2013 respectively. Such bank loans were supported by personal guarantees, corporate guarantee and collaterals given by our Controlling Shareholders and their associates. There are four properties provided by the Controlling Shareholders as collaterals as at 31 March 2013.

The above corporate guarantee, personal guarantees and collaterals will be fully released before Listing. As at the Latest Practicable Date, the respective Independent Third Party lenders have agreed, in principle, to release the corporate guarantees, personal guarantees and collaterals given by our Controlling Shareholders and their respective associates in view of (i) the corporate guarantees and indemnities for an unlimited amount given by our Company, which will become a listed company in Hong Kong upon Listing; and (ii) the value of the properties owned by our Group which will continue to secure the facilities and loans granted by these Independent Third Party lenders to our Group. After the Listing, we will consider the costs of various financing means and may raise further funds by equity financing and/or negotiate with the banks to increase the bank facilities with our Group's existing collateral given to them. Having considered the net proceeds from the Share Offer which reduce our reliance on bank financing and our credit history with banks, the Directors are of the view that the level of bank loans will remain at similar level as that of the Latest Practicable Date and there will be no material change on the interest terms of new bank loans under current plan.

For details of the above financial support, please refer to note 30 "Related party transactions – Discontinuing" of the Accountant's Report contained in Appendix I to this prospectus.

Financial support provided by the Group to the companies owned by the Controlling Shareholders and its associate

During the Track Record Period, our Group had provided corporate guarantees and collaterals to various banks in connection with bank loans and other banking facilities granted to our fellow subsidiaries and the Controlling Shareholders' associate at the request of the relevant lending banks. The total amounts of bank loans supported by corporate guarantees and collaterals given by our Group amounted to HK\$28.6 million, HK\$27.7 million, HK\$26.7 million as at 31 March 2011, 2012 and 2013 respectively. As at the Latest Practicable Date, such bank loans given to our fellow subsidiaries amounted to HK\$26.3 million. The above corporate guarantees and collaterals will be fully released before Listing.

For details of the above financial support, please refer to note 31 "Contingencies" of the Accountant's Report contained in Appendix I to this prospectus.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Notwithstanding the prior arrangements above, our Directors are satisfied that our Company can manage our business independent of the Controlling Shareholders and their respective associates particularly with respect to the following factors:

Management independence

(i) Board Structure

Upon Listing, the Board comprises six Directors, among them three are independent non-executive Directors who have extensive experience in different areas or professions. The decision of the Board are made only after due consideration of independence and impartial opinions. The Directors believe that the presence of Directors from different background provides a balance of opinions. Further, the Board acts collectively by majority decisions in accordance with its Articles and the laws of Cayman Islands, where no single Director can dominate at the Board meetings.

(ii) Disclosure of interest

According to the Articles, if any Director is in any way, directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company (“**Interested Director**”), he will declare the nature of his interest to the Board at his earliest convenience. In addition, such Interested Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving such contract or arrangement or other proposal in which he or any of his associates is to his knowledge materially interested.

Further, as a matter of good corporate governance practice of our Group, an Interested Director shall abstain from attending any Board meeting, or the relevant part of the meeting, at which matter(s) in which he has a material interest is (are) discussed, unless he is specifically requested to attend or to remain in the meeting by the Directors who have no interest in such matter(s) and the Interested Director shall not be counted in the quorum.

Financial independence

We have our own accounting and finance department and independent financial system and make accounting and financial decisions according to our own business needs. We also have our own treasury function and independent access to third party financing. In addition, most of the financial support provided by the Controlling Shareholders and their respective associates as stated above have already been released or terminated as at the Latest Practicable Date with the remaining financial support to be released in full before the Listing. The Directors confirm that we will not be indebted to any of the Controlling Shareholders upon Listing. Therefore, upon Listing, there will be no financial dependence on our Controlling Shareholders or any of their respective associates.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Operational independence

Although our Controlling Shareholders will retain a controlling interest in our Company after Listing, the Board has full rights to make all decisions on, and to carry out, our business operations independently.

We operate independently from our Controlling Shareholders and their respective associates as (a) the Management Arrangement has already been terminated; (b) we have established our business independent of our Controlling Shareholders; (c) the business nature of each of our Controlling Shareholders is distinct from the nature of our business; (d) our Group holds all relevant and necessary licences independent of our Controlling Shareholders to operate and carry on our business; and (e) our Group has sufficient employees to carry on our business independently. None of our Controlling Shareholders or his/its associates is our customers. Save for the involvement of Mr. K.N. Chan and Mr. W. Chan in our management and operation, in their capacity as Directors, we have independent access to our customers.

DEED OF NON-COMPETITION

For the purpose of the Listing, each of the Controlling Shareholders has entered into the Deed of Non-competition in favor of the Company (for itself and as trustee for all and each of the member of the Group), pursuant to which each of the Controlling Shareholders, irrevocably and unconditionally, undertakes and covenants with each of the Company and its subsidiaries that with effect from the Listing Date and for as long as the Shares remain so listed on the Stock Exchange and he/it and his/its associates, individually or collectively with any other Controlling Shareholder(s) is, directly or indirectly, interested in 30% or more of the Shares in issue, or is otherwise regarded as a controlling shareholder (as that term is defined under the Listing Rules from time to time) of the Company,

- (i) each of the Controlling Shareholders shall not, and shall procure that none of his/its associates (excluding any members of the Group) shall:
 - (a) directly or indirectly (other than through the Group) engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with our existing business activity and any business activities undertaken by us from time to time (the “**Restricted Business**”) which any member of the Group may undertake in the future in Hong Kong (the “**Restricted Territory**”) except for the holding of not more than 5% shareholding interests in any listed company in Hong Kong;
 - (b) take any direct or indirect action which constitutes an interference with or a disruption to the Restricted Business including, but not limited to, solicitation of our customers, suppliers or staff; and

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

- (c) exploit his/its knowledge or information obtained from the Group to compete, directly or indirectly, with the business carried on by the Group from time to time;
- (ii) if any new business opportunity relating to the Restricted Business in the Restricted Territory (the “**Business Opportunity**”) is made available to him/it or his/its associate, he/it shall direct or procure his/its associate to direct such Business Opportunity to us (and not to any other person) on a timely basis but in any event no later than fourteen days from the date of receipt of such enquiry or knowledge of such Business Opportunity together with such required information to enable the Group to evaluate the merits of the Business Opportunity. The relevant Controlling Shareholders shall provide, or procure his/its associates to provide us with all such assistance to secure such Business Opportunity as the Company or the relevant member of the Group may reasonably request or require;
- (iii) the Controlling Shareholders shall not pursue and shall procure that none of their respective associates shall pursue a Business Opportunity unless our Group decide not to pursue such Business Opportunity. Any decision of the Group as to whether to pursue such Business Opportunity shall have to be approved by the independent non-executive Directors. For the avoidance of doubt, we shall not be required to pay any fees to any of the Controlling Shareholders and/or their respective associates in relation to the direction of such Business Opportunity;
- (iv) each of the Controlling Shareholders will provide to the Company all information necessary for the enforcement of the undertakings or covenants in the Deed of Non-competition; and
- (v) each of the Controlling Shareholders represents and warrants that neither the Controlling Shareholders nor any of their respective associates is currently carrying on or engaging in, directly or indirectly, any business that competes with us.

Corporate Governance Measures

As the corporate governance measures to manage potential conflict of interests, the Deed of Non-competition also provides that:

- (i) the Controlling Shareholders shall provide all information necessary for the annual review by the independent non-executive Directors and for the enforcement of this Deed;
- (ii) the Controlling Shareholders shall make a statement in the annual report of the Company confirming compliance by each of them and their respective associates with the terms of the Deed of Non-competition after the Listing Date;
- (iii) the Controlling Shareholders shall abstain from voting at any general meeting of the Company if there is any actual or potential conflict of interest; and

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

- (iv) the independent non-executive Directors of the Company will review, at least on an annual basis, the compliance with this Deed of Non-competition by the Controlling Shareholders and disclose decisions on matters reviewed by the independent non-executive Directors relating to the compliance and enforcement of the undertaking in the annual report.

The Deed of Non-competition will cease to have effect on a Controlling Shareholder on the earliest of the date on which such Controlling Shareholder and his/its associates, individually or collectively with any other Controlling Shareholder(s) ceases to be interested, directly or indirectly, in 30% or more of the Shares in issue, or otherwise ceases to be regarded as a controlling shareholder (as that term is defined from time to time under the Listing Rules) of the Company or the Shares cease to be listed on the Stock Exchange.

NOTIFIABLE TRANSACTIONS

NOTIFIABLE TRANSACTIONS

The ordinary and usual course of our business as a money lender is to provide loans (financial assistance) to our customers. According to Rule 14.04(8) of the Listing Rules, in the context of financial assistance provided in the ordinary and usual course of business, the term “ordinary and usual course of business” means financial assistance provided by a banking company only or by a securities house pursuant to Rule 14.04(1)(e)(iii) of the Listing Rules only. Therefore, it is not applicable to a money lending company, thus not applicable to us.

Upon Listing, the financial assistance provided by us to our customers may constitute notifiable transactions under Chapter 14 of the Listing Rules and be subject to the relevant notification, announcement and shareholders’ approval requirements.

Our loan portfolio as at 31 March 2013 shows that certain percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules with regard to the value of the loans listed below exceed 5% but are less than 25%. Therefore, the following loans would have constituted a discloseable transaction of the Company under Rule 14.08 of the Listing Rules and would be subject to the notification and announcement requirements under the Listing Rules.

Customer	Loan receivables as at 31 March 2013	Maturity dates
1. Customer K	HK\$25.0 million	15 April 2013
2. Customer I (<i>Note 1</i>)	HK\$1.3 million	31 August 2013
	HK\$2.0 million	10 November 2013
	HK\$2.0 million	6 March 2014
	HK\$2.0 million	30 July 2013
	HK\$1.0 million	9 June 2013
	HK\$1.0 million	26 May 2013
	HK\$1.5 million	2 January 2014
	HK\$6.0 million	30 March 2014
3. Customer F	HK\$7.5 million	8 April 2013
4. Customer J (<i>Note 2</i>)	HK\$8.0 million	10 July 2013
	HK\$4.5 million	28 August 2013
	HK\$3.7 million	21 February 2014

Note 1: Customer I refers to six corporations owned by the same group of individuals and had borrowed eight loans totalling HK\$16.8 million from the Group which were outstanding as at 31 March 2013.

Note 2: Customer J refers to two individuals (who applied for the loans jointly as one single borrower) who had borrowed three loans totalling HK\$16.2 million from the Group which were outstanding as at 31 March 2013.

NOTIFIABLE TRANSACTIONS

In addition, the loans provided by us to our customers may also trigger a general disclosure obligation pursuant to Rule 13.13 to Rule 13.15A of the Listing Rules and be subject to announcement and reporting requirements, in the event that the relevant advance to an entity by our Group individually exceeds 8% under the assets ratio as defined in Rule 14.07(1) of the Listing Rules.

Our Group has put in place procedures to ensure that the relevant requirements under Chapter 13 and Chapter 14 of the Listing Rules as set out above are complied with on or after the Listing Date.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

BOARD OF DIRECTORS

Our Board currently has six Directors comprising three executive Directors and three independent non-executive Directors. The following table sets out the information about our Directors.

Name	Age	Position/Title	Date of Appointment	Roles and Responsibilities	Relationship among them
Mr. Chan Koung Nam (陳光南)	57	Executive Director	6 February 2013	Strategic planning and overall development of the Group, and serving as a member of the remuneration committee	Mr. W. Chan's brother
Mr. Chan Kwong Yin William (陳光賢)	48	Executive Director and chairman	6 February 2013	Overseeing the Group's business operation and development, monitoring the Group's corporate strategy and administration and supervising the formulation of the Group's marketing strategy and the execution of the relevant marketing programs and serving as chairman of the nomination committee	Mr. K.N. Chan's brother
Mr. Tse Pui To (謝培道)	47	Executive Director and chief executive officer	4 September 2013	Managing our Group's business operation with focus on our mortgage loan sales, after-sales activities and other administrative functions	N/A

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Age	Position/Title	Date of Appointment	Roles and Responsibilities	Relationship among them
Mr. Chan Siu Wing Raymond (陳兆榮)	48	Independent non-executive Director	4 September 2013	Serving as chairman of the audit committee and advising on corporate governance, connected transactions and other corporate and compliance matters	N/A
Mr. Chu Yat Pang Terry (朱逸鵬)	41	Independent non-executive Director	4 September 2013	Serving as chairman of the remuneration committee and member of each of the audit committee and nomination committee; advising on corporate governance, connected transactions and other corporate and compliance matters	N/A
Mr. Cheung Kok Cheong (張國昌)	55	Independent non-executive Director	4 September 2013	Serving as member of each of the audit committee, remuneration committee and nomination committee; advising on corporate governance, connected transactions and other corporate and compliance matters	N/A

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Executive Directors

Mr. Chan Koung Nam (陳光南), aged 57, was appointed as our executive Director on 6 February 2013. Mr. K.N. Chan and Mr. W. Chan are brothers and founders of the Group. Mr. K.N. Chan has over fifteen years of experience in money lending business through his running of HK Finance. Mr. K.N. Chan is responsible for the strategic planning and overall development of the Group. Before the establishment of the Group, Mr. K.N. Chan worked as salesman with a local electrical appliances company from 1980 to 1986 and as foreman of the production team at a local shoe factory from 1987 to 1992. Mr. K.N. Chan then started his own business and acquired extensive experience in trading in a variety of goods including electronic and electrical home appliances at wholesale level by way of his management of Tin Ching Industrial, a trading company, for about six years.

Mr. Chan Kwong Yin William (陳光賢), aged 48, was appointed as our executive Director on 6 February 2013 and is the Chairman. Mr. W. Chan and Mr. K.N. Chan are brothers and founders of the Group. Mr. W. Chan has over fifteen years of experience in money lending business through his running of HK Finance and is responsible for overseeing the Group's business operation and development as well as monitoring the Group's corporate strategy and administration. Mr. W. Chan also supervises the formulation of the Group's marketing strategy and the execution of the relevant marketing programs. Before the establishment of the Group, Mr. W. Chan has acquired extensive experience in trading in a variety of goods including electronic and electrical goods at wholesale level by way of his management of Tin Ching Industrial, a trading company, for about six years.

Mr. Tse Pui To (謝培道), aged 47, was appointed as our executive Director on 4 September 2013 and is the Chief Executive Officer. Mr. Tse joined our Group in December 2002 and is responsible for managing our Group's business operation with focus on our mortgage loan sales, after-sales activities and other administrative functions. In 1988 to 1989, Mr. Tse worked as assistant manager in The Sanwa Bank Limited and was responsible for business promotion. In 1990 to 1993, Mr. Tse worked as manager being responsible for corporate finance activities in the International Bank of Asia Limited (now known as Fubon Bank (Hong Kong) Limited). In 1993 to 1996, Mr. Tse served as senior account officer of the Belgian Bank (now merged into Industrial and Commercial Bank of China (Asia)) and was responsible for corporate finance activities. In 1996 to 1997, Mr. Tse returned to work as senior manager, section head of the corporate banking department with the International Bank of Asia Limited and was responsible for corporate finance activities. From 1999 to his joining our Group, Mr. Tse was a director responsible for the daily administration and overall development of Ascent Technology Limited which carried on trading business in electronic components.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Independent Non-executive Directors

Mr. Chan Siu Wing, Raymond (陳兆榮), aged 48, was appointed as our independent non-executive Director on 4 September 2013.

Mr. R. Chan has over twenty years of experience in the field of accounting, taxation, finance and trust. Mr. R. Chan worked as the group chief operating officer of Chinachem Group from November 2008 to August 2011. Prior to that, Mr. R. Chan was the financial controller and company secretary of Hua Xia Healthcare Holdings Limited (stock code: 8143), a company the shares of which are listed on GEM of the Stock Exchange, from June 2005 to August 2008. Mr. R. Chan worked as a general manager of Asiatic Trust Hong Kong Limited from June 2003 to September 2004. He was employed as a consultant of International Taxation Advisory Services Limited from August 1992 to December 2002.

Mr. R. Chan had acted and acts as director in a number of listed companies as follows:

Directorship	Period of Directorship	Name of listed companies with which Mr. R. Chan had acted or acts as director
Independent non-executive director	From September 2008 to November 2010	Pan Asia Mining Limited (formerly known as Intelli-Media Group (Holdings) Limited) (stock code: 8173) (the shares of which are listed on GEM of the Stock Exchange)
Independent non-executive director	From June 2011 to September 2011	Orient Energy and Logistics Holdings Limited (which was delisted from the Frankfurt Stock Exchange on 15 December 2012)
Independent non-executive director	From February 2007 to the Latest Practicable Date	Phoenitron Holdings Limited (formerly known as Cardlink Technology Group Limited) (stock code: 8066) (the shares of which are listed on GEM of the Stock Exchange)
Executive director	From December 2008 to the Latest Practicable Date	ENM Holdings Limited (stock code: 128) (the shares of which are listed on the Main Board of the Stock Exchange)

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Directorship	Period of Directorship	Name of listed companies with which Mr. R. Chan had acted or acts as director
Independent non-executive director	From May 2011 to the Latest Practicable Date	Nature Flooring Holding Company Limited (formerly known as China Flooring Holding Company Limited) (stock code: 2083) (the shares of which are listed on the Main Board of the Stock Exchange)
Independent non-executive director	From January 2013 to the Latest Practicable Date	Quali-Smart Holdings Limited (stock code: 1348) (the shares of which are listed on the Main Board of the Stock Exchange)

Mr. R. Chan obtained a Bachelor of Economics degree from the University of Sydney in April 1986. Mr. R. Chan was certified as certified public accountant of the HKICPA in February 1992. He was admitted as a certified practicing accountant of the Australian Society of Certified Practising Accountants in March 1990 and a member of the Macau Society of Certified Practising Accountants in October 1994.

Mr. Chu Yat Pang Terry (朱逸鵬), aged 41, was appointed as our independent non-executive Director on 4 September 2013. Mr. Chu graduated from The University of Western Ontario in Canada with a Bachelor of Arts degree in June 1992 and from The University of Hull in the United Kingdom with a Master of Business Administration (Investment and Finance) degree with distinction in June 1997. He also obtained a Diploma in Accounting from the School of Business and Economics of the Wilfrid Laurier University in Canada in October 1993. Mr. Chu is a member of the HKICPA. Mr. Chu worked for the Department of Assurance and Advisory Business Services of an international accounting firm from September 1993 to February 2000 when he left the firm as manager. Then, Mr. Chu commenced his career in corporate finance in March 2000 when he served as executive of a corporate finance company being responsible for monitoring the business operation of that company. In February 2001, Mr. Chu joined and worked with another corporate finance firm (being a subsidiary of a listed financial institution in Hong Kong) till September 2012 when he left that company as managing director-corporate finance being responsible for managing and supervising that company's corporate finance advisory business. From January 2013 to present, Mr. Chu is a managing director of a private corporate finance firm and a licensed representative of a securities firm in Hong Kong. Mr. Chu possesses twenty years of experience in auditing and corporate finance activities. Mr. Chu manages initial public offerings and fund-raising exercises and advises listed companies on mergers and acquisitions.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Cheung Kok Cheong (張國昌), aged 55, was appointed as our independent non-executive Director on 4 September 2013. Mr. Cheung is a practising solicitor of the High Court of Hong Kong since November 1993. Mr. Cheung worked for Messrs. Liu, Chan & Lam, a solicitors' firm in Hong Kong from 1991 to 1993. He then joined and is currently a partner of S. H. Chan & Co., a solicitors' firm in Hong Kong. Mr. Cheung obtained a Bachelor of Arts degree from the University of Hong Kong in 1981 and a Bachelor of Laws degree from the University of London in 1990. Mr. Cheung was thereafter awarded the Postgraduate Certificate in Laws by the University of Hong Kong in 1991.

Details of our Directors' emoluments (on the basis of service agreements and/or letters of appointment), the basis of determining our Directors' emoluments and the proposed length of service for our Directors as stated in the service agreements or letters of appointment are set out under the section headed "C. Further information about Directors and substantial Shareholders" in Appendix V to this prospectus.

Save as disclosed above, each of our Directors (i) did not hold other positions in our Company or any other member of our Group as at the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management or substantial or controlling shareholders of our Company as at the Latest Practicable Date; and (iii) did not hold any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the three years prior to the Latest Practicable Date. As at the Latest Practicable Date, save as the interests of Mr. K.N. Chan and Mr. W. Chan in the Shares as disclosed in the section headed "C. Further information about Directors and substantial Shareholders" in Appendix V to this prospectus, each of our Directors did not have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed above, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules as at the Latest Practicable Date.

SENIOR MANAGEMENT

Mr. Hui Chun Ho Eric (許俊浩), aged 39, is the Financial Controller of our Group and Company Secretary of our Company. Mr. Hui joined our Group in February 2012 and is responsible for the Group's overall financial accounting and reporting, corporate finance and company secretarial matters. Mr. Hui is also an independent non-executive director of Modern Land (China) Co., Limited (stock code: 1107), the shares of which are listed on the Main Board of the Stock Exchange. Mr. Hui possesses a solid background of over fifteen years of experience in auditing, financial accounting and reporting, and corporate finance. He is a fellow of the Association of Chartered Certified Accountants, a fellow of the HKICPA and an associate of the Taxation Institute of Hong Kong. Mr. Hui obtained a degree of bachelor of arts in accountancy from The Hong Kong Polytechnic University in 1998 and was awarded a degree of master of business administration with distinction by The University of Manchester, United

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Kingdom in June 2013. Prior to joining our Group, from June 2008 to June 2011, Mr. Hui was a group financial controller of Bowker Asia Limited, a principal subsidiary of Win Hanverky Holdings Limited (stock code: 3322) whose shares are listed on the Main Board of the Stock Exchange. From December 2004 to June 2008, he was the group accounting manager of Embry (H.K.) Limited, a subsidiary of Embry Holdings Limited (stock code: 1388), the shares of which are listed on the Main Board of the Stock Exchange. Mr. Hui was thereafter appointed as the company secretary of the Embry Holdings Limited in July 2007. From December 2000 to December 2004, he worked for Ernst & Young and left as manager. Prior to joining Ernst & Young, Mr. Hui worked for Raymond Y. K. Tse & Co. from August 1998 to September 2000 and left as an audit senior.

Mr. Choi Tak On Jobby (蔡德安), aged 44, is the Mortgage Sales Manager of our Group. Mr. Choi joined our Group in January 2005 and is responsible for administering the mortgage loan sales and credit assessment of our Group's lending business. In 1999, Mr. Choi obtained a bachelor degree in business administration from Greenwich University (the accreditation body of which has not yet been identified).

Mr. Chan Siu Fai (陳少輝), aged 51, is the Mortgage Sales Manager of our Group. Mr. Chan joined our Group in November 2000 and is responsible for administering the mortgage loan sales and credit assessment of our Group's lending business.

Save as disclosed above, each of our senior management (i) did not hold other positions in our Company or any other member of our Group as at the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management or substantial or controlling shareholders of our Company as at the Latest Practicable Date; and (iii) did not hold any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the three years prior to the Latest Practicable Date.

COMPANY SECRETARY

Mr. Hui Chun Ho Eric (許俊浩) was appointed as our Company Secretary on 4 September 2013. Further information on Mr. Hui is set forth in the paragraph under "Senior Management" above.

COMPLIANCE WITH THE LISTING RULES AND APPENDIX 14 TO THE LISTING RULES

Our Board has reviewed and considered relevant materials in relation to the corporate governance requirements under the Corporate Governance Code set out in Appendix 14 to the Listing Rules and the relevant amended provisions in the Listing Rules effective on 1 January 2012. Our Directors will endeavour to ensure our Group's compliance with the corporate governance requirements as aforesaid and will comply with the "comply or explain" principle in our corporate governance report which will be included in our annual reports published subsequent to the Listing Date.

BOARD COMMITTEES**Audit committee**

Our Company established an audit committee on 4 September 2013 by a resolution of our Board passed on 4 September 2013 with written terms of reference in compliance with Rules 3.21 and 3.22 of the Listing Rules. The audit committee comprises three independent non-executive Directors: Mr. R. Chan, Mr. Chu and Mr. Cheung. Mr. R. Chan was appointed to serve as the Chairman of the audit committee. Our Board has adopted, for our audit committee, the written terms of reference in compliance with sub-paragraph C.3 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are mainly to make recommendations to the Board on the appointment and removal of external auditor, review and supervise the financial reporting process and internal control procedure of our Company.

Remuneration committee

Our Company established a remuneration committee on 4 September 2013 by a resolution of our Board passed on 4 September 2013. The remuneration committee comprises one executive Director and two independent non-executive Directors: Mr. K.N. Chan, Mr. Chu and Mr. Cheung. Mr. Chu was appointed to serve as the Chairman of the remuneration committee. Our Board has adopted, for our remuneration committee, the written terms of reference in accordance with sub-paragraph B.1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary function of the remuneration committee is, among other things, to make recommendations to our Board on our Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy, to review and approve the management's remuneration proposals with reference to our Board's corporate goals and objectives, to make recommendations to our Board on the remuneration of non-executive directors, and to ensure that no Director or any of his associates is involved in deciding his own remuneration.

Nomination committee

Our Company established a nomination committee on 4 September 2013 by a resolution of our Board passed on 4 September 2013. The nomination committee comprises one executive Director and two independent non-executive Directors: Mr. W. Chan, Mr. Chu and Mr. Cheung. Mr. W. Chan was appointed to serve as the Chairman of the nomination committee. We have adopted, for our nomination committee, the written terms of reference in accordance with sub-paragraph A.5 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee include, among other things, reviewing the structure, size and composition of our Board at least annually and making recommendations on any proposed changes to our Board to complement the Company's corporate strategy, identifying individuals suitably qualified to become members of our Board and selecting or making recommendations to our Board on the selection of individuals nominated for directorships, assessing the independence of our independent non-executive Directors and making recommendations to our Board on the appointment or re-appointment of the Directors.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

During the Track Record Period, the total remuneration (including salaries and bonus, housing allowances, and pension costs) paid by us to our Directors amounted to approximately HK\$0.7 million, HK\$1.5 million and HK\$2.4 million respectively. Details of the Directors' remuneration are set out in note 23(a) "Directors' emoluments" to the financial information set forth in the Accountant's Report in Appendix I to this prospectus. The aggregate amount of remuneration (including salaries and bonus, and pension costs) paid to the five highest paid individuals of our Group, other than the Directors' remuneration disclosed above, during the Track Record Period, were approximately HK\$1.1 million, HK\$1.6 million and HK\$2.3 million respectively.

During the Track Record Period, we did not pay any of our Directors or the five highest paid individuals any remuneration as an inducement for joining our Group or as a compensation for loss of office and none of the Directors has waived or agreed to waive the respective remuneration.

Under the current arrangement, the estimated aggregate amount of our Directors' fees and other emoluments for the year ending 31 March 2014 is approximately HK\$3.6 million.

REMUNERATION POLICY

We base our remuneration policy on the position, duties and performance of our employees. The remuneration of our employees may include salary, overtime allowance, bonus and various subsidies. We conduct performance appraisal under the supervision of Mr. K.N. Chan and Mr. W. Chan, our executive Directors, on an annual basis.

The overall remuneration structure and policy of our Group is expected to remain the same upon Listing, except that the remuneration committee will perform such duties as stated under the paragraph headed "Remuneration committee" in this section.

EMPLOYEES

As at the Latest Practicable Date, our Group employed eighteen full time employees. The total staff costs of our Group for the years ended 31 March 2011, 2012 and 2013 were HK\$2.9 million, HK\$4.8 million and HK\$6.7 million respectively.

The Company has not encountered any significant problems with its employees or experienced any disruption to its business or operations due to dispute with its employees. The Company has no difficulty in the recruitment and retention of experienced staff.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme and the principal terms of the Share Option Scheme are summarised under the section headed "D. Share Option Scheme" in Appendix V to this prospectus.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

BENEFITS

In compliance with all the Mandatory Provident Fund (“MPF”) related legal obligations under the Mandatory Provident Fund Schemes Ordinance, we have participated in a MPF Scheme operated by an approved MPF service provider, enrolled all qualifying employees in the MPF scheme and made MPF contributions for them.

COMPLIANCE ADVISER

We have appointed Asian Capital as our compliance adviser in accordance with Rule 3A.19 of the Listing Rules. The term of the appointment shall commence on the Listing Date and end on the date on which our Group complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year after the Listing Date.

Pursuant to Rule 3A.23 of the Listing Rules, we will consult with and, if necessary, seek advice from the compliance adviser in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues or share repurchase;
- (iii) where we propose to use the net proceeds from the Share Offer in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
- (iv) where the Stock Exchange makes an inquiry with us concerning unusual movements in the price or trading volume of our Shares and/or any other matters.

SHARE CAPITAL

SHARE CAPITAL

The following table is prepared on the basis that the Share Offer and the Capitalisation Issue become unconditional and were effected. This table does not take into account any Shares which may be issued upon the exercise of options granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased pursuant to the Issuing Mandate and the Repurchase Mandate as set out below.

HK\$

Authorised share capital:

10,000,000,000	Shares	100,000,000
----------------	--------	-------------

Issued and to be issued, fully paid or credited as fully paid upon completion of the Share Offer and the Capitalisation Issue:

2,000,000	Shares in issue as of the date of this prospectus	20,000
298,000,000	Shares to be issued under the Capitalisation Issue	2,980,000
<u>100,000,000</u>	Shares to be issued under the Share Offer	<u>1,000,000</u>
<u>400,000,000</u>	Shares	<u>4,000,000</u>

The Shares referred to in the above table have been or will be fully paid or credited as fully paid when issued.

Assumptions

The above table assumes that the Capitalisation Issue and the Share Offer became unconditional and were effected. It does not take into account any Shares which may be issued under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the Issuing Mandate and the Repurchase Mandate.

Ranking

The Offer Shares will rank *pari passu* in all respects with all Shares in issue and/or to be allotted and issued as mentioned in this prospectus and will qualify for all dividends or other distributions hereafter declared, paid or made on the Shares save with respect to the Capitalisation Issue.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme, the principal terms of which are set out in the paragraph headed “Share Option Scheme” in Appendix V to this prospectus.

SHARE CAPITAL

ISSUING MANDATE

Subject to the conditions set forth in the section headed “Structure and conditions of the Share Offer” in this prospectus being fulfilled, our Directors have been granted a general mandate to exercise all the powers of our Company to allot, issue and deal with the Shares with an aggregate nominal value not exceeding:

- 20% of the aggregate nominal value of the Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (excluding any Shares which may be issued upon the exercise of options granted under the Share Option Scheme); and
- the aggregate nominal value of the share capital of our Company repurchased by our Company (if any) pursuant to the Repurchase Mandate.

This mandate will expire:

- at the conclusion of the next annual general meeting of our Company; or
- upon the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws of the Cayman Islands to be held; or
- the passing of an ordinary resolution of the Shareholders in general meeting revoking, varying or renewing such mandate,

whichever is the earliest.

For further details of the Issuing Mandate, please refer to the section headed “Written resolutions of sole Shareholder passed on 4 September 2013” in Appendix V to this prospectus.

REPURCHASE MANDATE

Subject to the conditions set forth in the section headed “Structure and conditions of the Share Offer” in this prospectus being fulfilled, our Directors have been granted a general mandate to exercise all the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following the completion of the Share Offer and the Capitalisation Issue (excluding any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with all applicable laws and the Listing Rules. A summary of the relevant requirements of the Listing Rules on the Repurchase Mandate is set forth in the section headed “Repurchase by our Company of our own securities” in Appendix V to this prospectus.

SHARE CAPITAL

This mandate will expire:

- at the conclusion of the next annual general meeting of our Company; or
- upon the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws of the Cayman Islands to be held; or
- the passing of an ordinary resolution of the Shareholders in general meeting revoking, varying or renewing such mandate,

whichever is the earliest.

For further information about the Repurchase Mandate, please refer to the section headed “Written resolutions of sole Shareholder passed on 4 September 2013” in Appendix V to this prospectus.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Share Offer and the Capitalisation Issue and taking no account of any Shares may be allotted and issued pursuant to the Offer Size Adjustment Option or any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme, the following persons will have an interest or short position in Shares or underlying Shares of our Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name	Capacity	Number of Shares held (Note 2)	Percentage of shareholding
Tin Ching Holdings (Note 1)	Beneficial owner	300,000,000	75%
Mr. K.N. Chan	Interest of controlled corporation	300,000,000 (Note 3)	75%
Mr. W. Chan	Interest of controlled corporation	300,000,000 (Note 3)	75%

Notes:

1. Each of Mr. K.N. Chan and Mr. W. Chan own 50% of the issued share capital of Tin Ching Holdings. By virtue of the provisions of Part XV of the SFO, both Mr. K.N. Chan and Mr. W. Chan are deemed to be interested in all the Shares in which Tin Ching Holdings is interested or deemed to be interested.
2. All interests stated above represent long positions.
3. These Shares are held by Tin Ching Holdings, a company owned by Mr. K.N. Chan and Mr. W. Chan in equal shares.

Save as disclosed herein, our Directors are not aware of any persons who will, immediately following the completion of the Share Offer and the Capitalisation Issue (but without taking into account any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option and the options which may be granted under the Share Option Scheme) have an interest or a short position in the Shares and the underlying Shares which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or will be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

FINANCIAL INFORMATION

*You should read this section in conjunction with our audited combined financial information, including the accompanying notes (collectively, the “**Financial Information**”), as set out in the accountant’s report (the “**Accountant’s Report**”) included in Appendix I to this prospectus. Our audited combined financial information have been prepared in accordance with HKFRSs. You should read the entire Accountant’s Report and not merely rely on the information contained in this section.*

The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as any other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectation and projections depend on a number of risks and uncertainties over which we do not have control. For further information, see the section headed “Risk factors” in this prospectus.

OVERVIEW

Our Group is principally engaged in the money lending business of providing property mortgage loans to our corporate and individual customers. Our principal operating subsidiary, HK Finance, is operating as a licensed money lender that is regulated under the Money Lenders Ordinance in Hong Kong.

During the Track Record Period, our Group focused on providing property mortgage loans which produced revenue in the form of interest income. We only accept properties situated in Hong Kong as collaterals for our loans. These collateral properties are diversified, and include residential properties, commercial properties, industrial properties, car parks, tenement houses, village houses and shops. We provide to our customers property mortgage loans which include both first property mortgage loans and subordinate property mortgage loans. Whilst the collaterals of first property mortgage loans are not subject to any prior lenders, subordinate property mortgage loans are secured by collaterals which are subject to prior mortgages to other lenders such as banks or money lenders. We do not accept properties situated outside of Hong Kong as collaterals for our loans.

We have adopted a policy providing short-term loans to our customers on a secured basis usually within a year and we grant the loan facilities promptly to our customers so as to satisfy their needs for liquidity. We may also grant long-term loans in such amount as below 70% of the assessed value of the customers’ property collaterals upon the customers’ request following our assessment of the relevant risk including considering the reasons of such requests and the sustainability of the customer’s ability to repay the loan in a longer period of time.

FINANCIAL INFORMATION

For first property mortgage loan, the loan amount we grant to a customer normally does not exceed 70% of the assessed value of the relevant property collateral. For subordinate property mortgage loan, the loan amount that we lend normally does not exceed the difference between the amount being 70% of the assessed value of the property collateral and the total amount of all the existing prior mortgage loans attached to that property collateral.

Nevertheless, sometimes we may provide to our customers loans exceeding 70% of the assessed value of the relevant property collateral if we are satisfied with our assessment of the relevant risks upon our customers' request.

For the years ended 31 March 2011, 2012 and 2013, our Group's revenue was HK\$34.7 million, HK\$57.2 million and HK\$66.4 million respectively while our profit and total comprehensive income was HK\$31.1 million, HK\$33.8 million and HK\$35.8 million respectively.

BASIS OF PRESENTATION OF OUR FINANCIAL INFORMATION

Our Financial Information have been prepared in accordance with HKFRSs. They have been prepared under the historical cost convention, as modified by revaluation of investment properties, which are carried at fair value.

Further information on the basis of preparation of Financial Information is set out in Note 4 "Summary of significant accounting policies" of the Accountant's Report contained in Appendix I to this prospectus.

SIGNIFICANT FACTORS AFFECTING OPERATING RESULTS AND FINANCIAL CONDITION OF OUR GROUP

The results of operations and financial condition of our Group have been and will continue to be affected by a number of factors, including those discussed below.

Source of Funds

During the Track Record Period, our Group's operations and capital requirements have been financed principally through retained earning, loans or advances from our Controlling Shareholders, mainly through a fellow subsidiary of our Group, Tin Ching Industrial, and loans from Independent Third Party lenders. Based on our current and anticipated levels of operations, barring unforeseen market conditions, our future operations and capital requirements following the Listing will be financed through loans from banks or financial institutions that are Independent Third Parties, the net proceeds from the Share Offer, retained earnings and our share capital. The expansions of our money lending business as well as our loan portfolio highly rely on the sufficiency of our source of funding.

FINANCIAL INFORMATION

Net interest margin

Our operational results and profitability hinge on the net interest margin, primarily being the difference between the interest rate charged on the loans from Independent Third Party lenders to us and the interest rate charged on loans we grant to our customers. Our profitability normally increases when the net interest margin widens and decreases when the net interest margin narrows. As such, our operating results and financial condition will rely heavily on our ability to maintain the net interest margin.

Valuation of pledged collaterals

We have granted secured loans, including first property mortgage loans and subordinate property mortgage loans, to our customers, based on the values of the properties that they can mortgage to us as collaterals. As such, the fluctuation of the values of the collaterals of our customers will affect both the amount of our loans granted and the risk of recovering the full amount of loans in the event of default. These will in turn affect our interest income and the amount of bad debt.

Valuation of investment properties

Our Group holds several investment properties which have been leased out to Independent Third Parties for rental income. Investment properties are carried at fair value, representing open market value determined at each reporting date by independent professionally qualified valuer. Change in fair value of our investment properties are recognised as gain or loss in the combined statements of comprehensive income directly and affects our net profit accordingly.

SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are set forth in note 6 “Critical accounting estimates and judgements” of the Accountant’s Report contained in Appendix I to this prospectus.

CRITICAL ACCOUNTING POLICIES

We have identified certain accounting policies that are significant to the preparation of our Financial Information. These significant accounting policies are important for an understanding of our financial condition and results of operations and are set forth in note 4 “Summary of significant accounting policies” of the Accountant’s Report contained in Appendix I to this prospectus. The following paragraphs discuss certain significant accounting policies applied in preparing our Financial Information:

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of services in the ordinary course of our Group’s activities.

FINANCIAL INFORMATION

We recognise revenue when the amount of revenue can be reliably measured; when it is probable that the future economic benefits will flow to our Group; and when specific criteria have been met for each of our Group's activities as described below.

(a) Interest income

Interest income is recognised and accrued using the effective interest method. When a loan and receivable is impaired, our 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 loan and receivables are recognised using the original effective interest rate.

(b) Rental income

Rental income from investment properties is recognised in the combined statements of comprehensive income on a straight-line basis over the period of the lease.

Property, plant and equipment

Leasehold land classified as finance lease and all other 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 recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to our Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the combined statements of comprehensive income during the financial 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:

– Land and buildings	40-50 years
– Office equipment	4 years
– Furniture and fixtures	4 years
– Leasehold improvement	4 years

FINANCIAL INFORMATION

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.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the combined statements of comprehensive income.

Investment property

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by our Group. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, our Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections.

Changes in fair values are recorded in the combined statements of comprehensive income in the year in which they arise.

Loans receivable

Loans receivable are mainly property mortgage loans granted to our customers in the ordinary course of business. If collection of loans receivable is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Loans receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Interest receivables

Interest receivables are mainly interests derived from property mortgage loans granted to our customers in the ordinary course of business. If collection of other receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Interest receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

FINANCIAL INFORMATION

Provisions

Provisions are recognised when our 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 recognised 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 recognised 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 recognised as interest expense.

Our Group considers the loans receivable and the corresponding interest receivable as doubtful if the repayment of principal and/or of interest has been overdue for more than three months and principal, accrued interest and/or future interest may not be fully secured by the fair value of collateral at its prevailing market price. Our Group considers the loans receivable and the corresponding interest receivable as loss if the repayment of principal and/or of interest has been overdue for more than six months and the collection of principal and/or of interest in full is improbable. Our Group estimates and recognises impairment losses for the loans receivables and the corresponding interest receivable considered as 'doubtful' or 'loss'. Once a loan receivable and its corresponding interest receivable are considered as 'doubtful' or 'loss', 100% provision on the doubtful portion or the loss portion of the loan receivable and the corresponding interest receivable, which represents the difference between (i) the sum of loan receivable and the corresponding interest receivable; and (ii) the fair value of the collateral at prevailing market price, will be made.

Our Group also performs collective assessment of the loans receivable considered as 'performing' by grouping together all its receivables with similar credit risk characteristics. The impairment review is carried out on all those loans receivable based on the historical impairment rates. The Directors considered the use of the historical impairment rate is the best estimate of the probability of defaults under collective assessment.

In general, our loan officers propose to the management of our Group on a monthly basis the amount of provision to be made.

FINANCIAL INFORMATION

OPERATING RESULTS DURING THE TRACK RECORD PERIOD

The table set forth below present the summary of combined statements of comprehensive income of our Group for the years ended 31 March 2011, 2012 and 2013 extracted from the Accountant's Report as set out in Appendix I to this prospectus.

	Year ended 31 March		
	2011	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	34,749	57,166	66,420
Other income	2,608	2,386	2,032
Fair value gains on revaluation of investment properties	11,508	6,629	7,950
Administrative expenses	(8,315)	(15,349)	(24,567)
Finance costs	(5,618)	(11,041)	(9,469)
	<u>34,932</u>	<u>39,791</u>	<u>42,366</u>
Profit before income tax	34,932	39,791	42,366
Income tax expense	(3,794)	(5,969)	(6,552)
	<u>31,138</u>	<u>33,822</u>	<u>35,814</u>
Profit and total comprehensive income for the year attributable to equity holders of the Company	<u><u>31,138</u></u>	<u><u>33,822</u></u>	<u><u>35,814</u></u>

ANALYSIS ON MAJOR COMPONENTS OF THE COMBINED STATEMENTS OF COMPREHENSIVE INCOME

The following paragraphs set out a brief discussion on the revenue, other income, fair value gains on revaluation of investment properties, administrative expenses, finance costs and income tax expenses during the Track Record Period.

Revenue

Our revenue comprises the interest income earned from our money lending business by providing first and subordinate property mortgage loans to our individual and corporate customers. We primarily grant loans to them on the basis of the properties that they can mortgage to us as security.

FINANCIAL INFORMATION

Interest income from property mortgage loans is our key source of revenue. Our interest income from property mortgage loans amounted to HK\$34.7 million, HK\$57.2 million and HK\$66.4 million respectively for the years ended 31 March 2011, 2012 and 2013, representing 93.0%, 96.0% and 97.0% of our operating income.

Set out below is the breakdown of our interest income from property mortgage loans by loan types and customer groups during the Track Record Period:

	Year ended 31 March					
	2011		2012		2013	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
First property mortgage loans						
Individual customers	11,536	33.2	15,920	27.8	15,967	24.0
Corporate customers	4,783	13.8	3,568	6.3	7,642	11.5
	<u>16,319</u>	<u>47.0</u>	<u>19,488</u>	<u>34.1</u>	<u>23,609</u>	<u>35.5</u>
Subordinate property mortgage loans						
Individual customers	8,230	23.7	15,692	27.5	17,334	26.1
Corporate customers	10,200	29.3	21,986	38.4	25,477	38.4
	<u>18,430</u>	<u>53.0</u>	<u>37,678</u>	<u>65.9</u>	<u>42,811</u>	<u>64.5</u>
	<u><u>34,749</u></u>	<u><u>100.0</u></u>	<u><u>57,166</u></u>	<u><u>100.0</u></u>	<u><u>66,420</u></u>	<u><u>100.0</u></u>

Other income

Other income consists of rental income received from the leases of our investment properties to Independent Third Parties, interest income from unsecured loans and sundry income.

Interest income from unsecured loans represents the interest income earned from the loans granted separately to Independent Third Parties on several occasions, who are personal acquaintances of our Group with good business relationship and have a good credit record and are considered by our Group to have the ability to repay such loans on a short-term basis. All the loan receivables from unsecured loans were settled during the year ended 31 March 2012 and no further unsecured loans were granted subsequently. As at the Latest Practicable Date, our Group has no current intention to grant any unsecured loans after the Listing.

FINANCIAL INFORMATION

Other income accounted for HK\$2.6 million, HK\$2.4 million and HK\$2.0 million for the years ended 31 March 2011, 2012 and 2013 respectively, representing 7.0%, 4.0% and 3.0% of our operating income for the respective years.

Set out below is a breakdown of other income during the Track Record Period:

	Year ended 31 March		
	2011	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Rental income	2,254	2,147	2,017
Interest income from unsecured loans	340	210	–
Sundry income	14	29	15
	<u>2,608</u>	<u>2,386</u>	<u>2,032</u>

Fair value gains on revaluation of investment properties

Fair value gains on revaluation of investment properties refers to the revaluation gains recognised from the investment properties held by our Group during the Track Record Period. For the years ended 31 March 2011, 2012 and 2013, fair value gains on revaluation of investment properties of HK\$11.5 million, HK\$6.6 million and HK\$8.0 million respectively were recognised.

Administrative expenses

During the Track Record Period, our administrative expenses mainly comprised employee benefit expenses, advertising and marketing expenses, legal and professional fees, depreciation of property, plant and equipment, listing expenses and other administrative expenses. For the years ended 31 March 2011, 2012 and 2013, administrative expenses of HK\$8.3 million, HK\$15.3 million and HK\$24.6 million respectively were incurred.

FINANCIAL INFORMATION

Employee benefit expenses

Our employee benefit expenses comprise (i) salaries and bonus of our Group's employees under employment contracts from 1 October 2011 to 31 March 2013; (ii) salary re-charge to Tin Ching Industrial under the Management Arrangement from 1 April 2010 to 30 September 2011, details of which are set out in the section headed "Relationship with the Controlling Shareholders" in this prospectus; (iii) other benefits consisting of provision for long services payment and annual leaves; and (iv) pension cost. Our employee benefit expenses amounted to HK\$2.9 million, HK\$4.8 million and HK\$6.7 million for the years ended 31 March 2011, 2012 and 2013 respectively, representing 34.9%, 31.4% and 27.2% of our administrative expenses for the corresponding years.

Advertising and marketing expenses

Advertising and marketing expenses represent mainly our marketing and promotional expenses to promote customer awareness of our brand, product and services. Apart from advertising and promoting our products and services through television, newspapers, magazines, radio, programmes, online platforms and public transport, we have also appointed a television artiste and sponsored television programmes shown in Hong Kong during the Track Record Period. For the years ended 31 March 2011, 2012 and 2013, our advertising and marketing expenses were HK\$1.9 million, HK\$4.3 million and HK\$6.2 million respectively, representing 22.9%, 28.1% and 25.2% of our administrative expenses for the corresponding years.

Listing expenses

The listing expenditure primarily represents fees paid to professional parties for our Share Offer. The total listing expenditure is estimated to be HK\$18.0 million, of which HK\$7.3 million will be charged against the share premium account upon completion of the Listing. Approximately HK\$5.5 million of the listing expenditure was recognised as expense in the combined statements of comprehensive income for the year ended 31 March 2013. The remaining estimated listing expenditure of HK\$5.2 million will be recognised as expense in the combined statements of comprehensive income for the year ending 31 March 2014.

Finance costs

During the Track Record Period, our finance costs mainly consisted of interest expenses paid for secured bank loans and overdraft, loans from our Controlling Shareholders through a fellow subsidiary, Tin Ching Industrial, and an unsecured loan from a licensed money lender. For the years ended 31 March 2011, 2012 and 2013, our finance costs were HK\$5.6 million, HK\$11.0 million and HK\$9.5 million respectively.

FINANCIAL INFORMATION

Set out below is the breakdown of our finance costs by nature during the Track Record Period:

	Year ended 31 March		
	2011	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on secured bank borrowings			
wholly repayable within five years	2,559	4,323	5,074
Interest on bank overdrafts	829	1,231	1,187
Interest on amount due to a fellow subsidiary	2,198	4,888	2,837
Other loan interest	32	599	371
	<u>5,618</u>	<u>11,041</u>	<u>9,469</u>

Income tax expenses

The principal tax liability of our Group is Hong Kong profits tax as our operation is based in Hong Kong. Our Group is subject to a profits tax at a rate of 16.5% on our estimated assessable profits for each of the three years ended 31 March 2011, 2012 and 2013. The income tax expenses of our Group amounted to HK\$3.8 million, HK\$6.0 million and HK\$6.6 million respectively for the years ended 31 March 2011, 2012 and 2013. The effective tax rate was 10.9%, 15.1% and 15.6% for the years ended 31 March 2011, 2012 and 2013 respectively, which fluctuated significantly during the Track Record Period as a result of our fair value gains on revaluation of investment properties, which were not taxable, and listing expenses, which were non-deductible expenses pursuant to the Inland Revenue Ordinance. Over/under provision of Hong Kong Profits tax and tax loss not recognised also contributed to the fluctuation of effective tax rates during the Track Record Period.

Should our fair value gains on revaluation of investment properties and listing expenses be excluded, the effective tax rate would be 16.2%, 18.1% and 16.5% for the years ended 31 March 2011, 2012 and 2013 respectively. The higher effective tax rate for the year ended 31 March 2012 was due to the under provision of Hong Kong Profits Tax of HK Finance for the year ended 31 March 2011 and certain deferred tax asset related to unused tax loss of Charterfame for the year ended 31 March 2011 not being recognised as it was uncertain whether Charterfame has sufficient taxable profit to utilise the tax loss in the future.

FINANCIAL INFORMATION

Net interest margin

Our net interest margin refers to the ratio of interest income net of finance costs to the average balance of corresponding property mortgage loan receivables at month end.

Set forth below is the net interest margin of our property mortgage loans for each of the years ended 31 March 2011, 2012 and 2013:

	Year ended 31 March		
	2011	2012	2013
First property mortgage loans	12.5%	13.1%	14.3%
Subordinate property mortgage loans	22.1%	23.5%	24.2%
Overall	16.5%	18.8%	19.6%

In the event that the market interest rates had been 3% higher/lower with all other variables held constant, net profit of our Group would have been HK\$4.3 million, HK\$4.2 million and HK\$4.6 million lower/higher for the years ended 31 March 2011, 2012 and 2013 respectively.

YEAR TO YEAR COMPARISON OF OPERATING RESULTS

Year ended 31 March 2013 compared with year ended 31 March 2012

Revenue

Our interest income from property mortgage loans increased by HK\$9.2 million or 16.1% from HK\$57.2 million for the year ended 31 March 2012 to HK\$66.4 million for the year ended 31 March 2013. The increase was primarily attributable to the increase of average month-end balance of mortgage loans receivables, partially offset by the slight decrease of average effective interest rates for property mortgage loans.

Due to increasing demand for mortgage loan products in the market, our average month-end balance of aggregate mortgage loans receivables increased by HK\$44.5 million or 18.0% from HK\$247.8 million for the year ended 31 March 2012 to HK\$292.3 million for the year ended 31 March 2013. The average month-end balances of first and subordinate property mortgage loan receivables increased substantially by HK\$23.5 million or 20.9% and HK\$21.0 million or 15.5% respectively from HK\$112.2 million and HK\$135.6 million for the year ended 31 March 2012 to HK\$135.7 million and HK\$156.6 million for the year ended 31 March 2013.

For the years ended 31 March 2012 and 2013, the effective interest rate charged for first property mortgage loans remained the same at 17.4%. However, the effective interest rate of subordinate property mortgage loans slightly decreased from 27.8% for the year ended 31 March 2012 to 27.3% for the year ended 31 March 2013.

FINANCIAL INFORMATION

Other income

Other income for the year ended 31 March 2013 was HK\$2.0 million which slightly decreased by HK\$0.4 million or 16.7% from HK\$2.4 million for the year ended 31 March 2012. The decrease was mainly attributable to the aggregate effect of the slight decrease of rental income by HK\$0.1 million from HK\$2.1 million for the year ended 31 March 2012 to HK\$2.0 million for the year ended 31 March 2013 and the decrease of interest income from unsecured loan from HK\$0.2 million for the year ended 31 March 2012 to nil for the year ended 31 March 2013 as no unsecured loan was granted during the year ended 31 March 2013.

Fair value gains on revaluation of investment properties

Fair value gains on revaluation of investment properties for the year ended 31 March 2013 amounted to HK\$8.0 million, increased by HK\$1.4 million or 21.2% as compared to the fair value gains of HK\$6.6 million for the year ended 31 March 2012. The fair value gains on revaluation of investment properties reflected upward revaluation of the residential and commercial properties held by our Group.

Administrative expenses

We incurred administrative expenses of HK\$24.6 million for the year ended 31 March 2013, which was HK\$9.3 million or 60.8% higher than the administrative expenses of HK\$15.3 million for the year ended 31 March 2012.

Employee benefit expenses

For the years ended 31 March 2012 and 2013, our employee benefit expenses amounted to HK\$4.8 million and HK\$6.7 million respectively, representing an increase of HK\$1.9 million or 39.6% as compared to the year ended 31 March 2012.

The increase of our employee benefit expenses was mainly attributable to (i) salary increment of 5.5% for our staff (excluding the Directors); (ii) salary increment for two of our executive Directors effective on 1 April 2012; (iii) the employment of financial controller of our Group; and (iv) additional bonus of HK\$0.5 million was incurred for the year ended 31 March 2013 as a reward to our staff for their outstanding performance.

Advertising and marketing expenses

Our advertising and marketing expenses increased from HK\$4.3 million for the year ended 31 March 2012 to HK\$6.2 million for the year ended 31 March 2013, representing an increase of HK\$1.9 million or 44.2%. The increase was mainly attributable to the additional cost spent on the sponsorship of television programmes and appointment of artiste during the year ended 31 March 2013.

Listing expenses

Listing expenses amounting to HK\$5.5 million were recognised for the year ended 31 March 2013. No listing expenses were incurred during the year ended 31 March 2012.

FINANCIAL INFORMATION

Finance costs

Finance costs decreased by HK\$1.5 million or 13.6% from HK\$11.0 million for the year ended 31 March 2012 to HK\$9.5 million for the year ended 31 March 2013. The decrease was mainly attributable to the decrease of the interest expenses for amount due to a fellow subsidiary, Tin Ching Industrial, partially offset by the increase of interest expenses for secured bank loans and overdrafts.

The decrease of interest expenses for amount due to a fellow subsidiary was mainly attributable to the decrease of amount due to a fellow subsidiary as HK\$50.0 million of the balance was assigned to our Controlling Shareholders and was settled by issuance of shares of HK Finance to our Controlling Shareholders in March 2012, resulting in a decrease of the average month-end balance of amount due to a fellow subsidiary from HK\$105.6 million as at 31 March 2012 to HK\$58.3 million as at 31 March 2013, though the weighted average effective interest rate charged on the amount due to a fellow subsidiary of our Group, which was mutually agreed by both parties and determined with reference to our bank borrowing rate, increased from 4.6% for the year ended 31 March 2012 to 4.9% for the year ended 31 March 2013.

Interest expenses on secured bank loans and overdrafts increased from HK\$5.6 million for the year ended 31 March 2012 to HK\$6.3 million for the year ended 31 March 2013, representing an increase of HK\$0.7 million or 12.5%. The increase was primarily due to the increase of secured bank loans and overdrafts utilised by our Group during the year from HK\$166.9 million as at 31 March 2012 to HK\$183.8 million as at 31 March 2013. Such additional utilised amount was newly granted to our Group by an Independent Third Party lender during the year and was subject to a higher interest rate thus led to an increase of weighted average effective interest rate on secured bank loans and overdrafts from 3.3% for the year ended 31 March 2012 to 3.8% for the year ended 31 March 2013.

Income tax expenses

Income tax expenses of our Group increased by HK\$0.6 million or 10.0% from HK\$6.0 million for the year ended 31 March 2012 to HK\$6.6 million for the year ended 31 March 2013. The increase of income tax expense was in line with the increase of our taxable profit for the year ended 31 March 2013.

Net interest margin

The net interest margin of our property mortgage loans increased from 18.8% for the year ended 31 March 2012 to 19.6% for the year ended 31 March 2013. The decrease of our cost of finance led to a higher net interest margin accordingly.

Our net interest margin on first property mortgage loans increased from 13.1% for the year ended 31 March 2012 to 14.3% for the year ended 31 March 2013 while our net interest margin for our subordinate property mortgage loans increased from 23.5% for the year ended 31 March 2012 to 24.2% for the year ended 31 March 2013.

FINANCIAL INFORMATION

Profit and total comprehensive income

As a result of the foregoing, the profit and total comprehensive income for the year ended 31 March 2013 achieved HK\$35.8 million, representing a growth of 5.9% from HK\$33.8 million for the year ended 31 March 2012. Our net profit margin (excluding the fair value gains on revaluation of investment properties and listing expenses) increased from 47.6% for the year ended 31 March 2012 to 50.2% for the year ended 31 March 2013.

Year ended 31 March 2012 compared with year ended 31 March 2011

Revenue

Our interest income from property mortgage loans increased by HK\$22.5 million or 64.8% from HK\$34.7 million for the year ended 31 March 2011 to HK\$57.2 million for the year ended 31 March 2012. The increase was primarily attributable to the aggregate effect of the increase of average month-end balance of mortgage loans receivables and the increase of effective interest rates for property mortgage loans.

Due to increasing demand for mortgage loan products in the market, our average month-end balance of aggregate mortgage loans receivables increased by HK\$70.7 million or 39.9% from HK\$177.1 million for the year ended 31 March 2011 to HK\$247.8 million for the year ended 31 March 2012. Although the average monthly balance of loan receivables for first property mortgage loans only slightly increased by HK\$8.2 million or 7.9% from HK\$104.0 million for the year ended 31 March 2011 to HK\$112.2 million for the year ended 31 March 2012, the average month-end balance of loan receivables for subordinate property mortgage loans increased substantially by HK\$62.6 million or 85.6% from HK\$73.1 million for the year ended 31 March 2011 to HK\$135.7 million for the year ended 31 March 2012.

For the years ended 31 March 2011 and 2012, the effective interest rates of first property mortgage loans were 15.7% and 17.4% respectively while the effective interest rates of subordinate property mortgage loans were 25.2% and 27.8% respectively. The increase in effective interest rates on both first and subordinate mortgage was mainly due to increasing demand on mortgage loan products in the market therefore we were able to charge higher interest rates to our customers.

Other income

Other income for the year ended 31 March 2012 was HK\$2.4 million which slightly decreased by HK\$0.2 million or 7.7% from HK\$2.6 million for the year ended 31 March 2011. The decrease was attributable to the aggregate effect of the slight decrease of rental income by HK\$0.1 million or 4.5% from HK\$2.2 million for the year ended 31 March 2011 to HK\$2.1 million for the year ended 31 March 2012 and the decrease of interest income from unsecured loans by HK\$0.1 million or 33.3% from HK\$0.3 million for the year ended 31 March 2011 to HK\$0.2 million for the year ended 31 March 2012.

FINANCIAL INFORMATION

Fair value gains on revaluation of investment properties

Fair value gains on revaluation of investment properties for the year ended 31 March 2012 amounted to HK\$6.6 million, decreased by HK\$4.9 million or 42.6% as compared to the fair value gains of HK\$11.5 million for the year ended 31 March 2011. The fair value gains on revaluation of investment properties reflected upward revaluation of the residential and commercial properties held by our Group, though a residential property was disposed of to an Independent Third Party in February 2012.

Administrative expenses

We incurred administrative expenses of HK\$15.3 million for the year ended 31 March 2012, which was HK\$7.0 million or 84.3% higher than the administrative expenses of HK\$8.3 million for the year ended 31 March 2011.

Employee benefit expenses

For the years ended 31 March 2011 and 2012, our employee benefit expenses amounted to HK\$2.9 million and HK\$4.8 million respectively, representing an increase of HK\$1.9 million or 65.5% as compared to the year ended 31 March 2011.

The increase of our personnel costs was mainly attributable to (i) general salary increment of 12.3% for our staff (excluding the Directors); (ii) an increase of average headcount (including those personnel under management arrangement) from 11 for the year ended 31 March 2011 to 14 for the year ended 31 March 2012; and (iii) additional bonus of HK\$0.2 million was incurred for the year ended 31 March 2012 as a reward to our staff for their outstanding performance.

Advertising and marketing expenses

Our advertising expenses increased from HK\$1.9 million for the year ended 31 March 2011 to HK\$4.3 million for the year ended 31 March 2012, representing an increase of HK\$2.4 million or 126.3%. Due to the competitiveness of the money lending markets, we have spent much more efforts and financial resources on advertising and marketing, particularly on mass media (such as the advertisements on television) in order to efficiently promote our brand, loan products and services to the public and increase our market share. The effectiveness of our marketing campaign has been reflected on the growth on our money lending business.

Finance costs

Finance costs increased by HK\$5.4 million or 96.4% from HK\$5.6 million for the year ended 31 March 2011 to HK\$11.0 million for the year ended 31 March 2012. The increase was mainly attributable to the increase of interest expenses for secured bank loans and overdrafts and the increase of the interest expenses for amount due to a fellow subsidiary, Tin Ching Industrial.

FINANCIAL INFORMATION

Interest expenses on secured bank loans and overdrafts increased from HK\$3.4 million for the year ended 31 March 2011 to HK\$5.6 million for the year ended 31 March 2012, representing an increase of HK\$2.2 million or 64.7%. The increase was primarily due to the aggregate effect of the increase of weighted average effective interest rate on secured bank loans and overdrafts from 2.7% for the year ended 31 March 2011 to 3.3% for the year ended 31 March 2012 and the increase of average month-end secured bank loans and overdrafts utilised by our Group during the year from HK\$121.3 million for the year ended 31 March 2011 to HK\$156.7 million for the year ended 31 March 2012.

Interest expenses for amount due to a fellow subsidiary increased from HK\$2.2 million for the year ended 31 March 2011 to HK\$4.9 million for the year ended 31 March 2012. The increase was mainly attributable to the increase of the average month-end balance of the amount due to a fellow subsidiary from HK\$68.3 million for the year ended 31 March 2011 to HK\$105.6 million for the year ended 31 March 2012 as our Controlling Shareholders, through Tin Ching Industrial, advanced further cash funds to our Group during the year. Furthermore, the weighted average effective interest rate also increased from 3.2% for the year ended 31 March 2011 to 4.6% for the year ended 31 March 2012, which was mutually agreed by both parties and was determined with reference to our bank borrowing rate.

Income tax expenses

Income tax expenses of our Group increased by HK\$2.2 million or 57.9% from HK\$3.8 million for the year ended 31 March 2011 to HK\$6.0 million for the year ended 31 March 2012. The increase of income tax expense was in line with the increase of our taxable profit for the year ended 31 March 2012.

Net interest margin

The net interest margin of our property mortgage loans increased from 16.5% for the year ended 31 March 2011 to 18.8% for the year ended 31 March 2012. The increase was primarily due to a more-than-proportionate increase of our effective interest rates charged on our property mortgage loan products for the year as compared to the increase of effective interest rates charged on our banks borrowings and amount due to our fellow subsidiary. In addition, the growth of subordinate property mortgage loans which generates higher interest margin also pushed up our net interest margin for the year ended 31 March 2012.

The net interest margin for our first property mortgage loans increased slightly from 12.5% for the year ended 31 March 2011 to 13.1% for the year ended 31 March 2012 while our net interest margin for our subordinate property mortgage loans increased from 22.1% for the year ended 31 March 2011 to 23.5% for the year ended 31 March 2012.

Profit and total comprehensive income

As a result of the foregoing, the profit and total comprehensive income for the year ended 31 March 2012 achieved HK\$33.8 million, representing a growth of 8.7% from HK\$31.1 million for the year ended 31 March 2011. Our net profit margin (excluding the fair value gains on revaluation of investment properties) decreased from 56.5% for the year ended 31 March 2011 to 47.6% for the year ended 31 March 2012.

FINANCIAL INFORMATION

FINANCIAL CONDITIONS OF OUR GROUP

The table set forth below present the summary of combined statements of financial positions of our Group as at 31 March 2011, 2012 and 2013 extracted from the Accountant's Report as set out in Appendix I to this prospectus.

	As at 31 March		
	2011	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment	51,168	51,967	66,165
Investment properties	76,704	78,183	70,770
Loans receivable	20,361	16,051	16,653
	<u>148,233</u>	<u>146,201</u>	<u>153,588</u>
Total non-current assets			
Current assets			
Loans receivable	201,912	270,421	300,135
Interest receivables	2,977	6,799	6,315
Prepayments, deposits and other receivables	734	346	781
Amount due from a fellow subsidiary	70	–	–
Amounts due from related companies	8,882	–	–
Pledged bank deposit	5,205	5,208	–
Cash and cash equivalents	516	273	2,551
	<u>220,296</u>	<u>283,047</u>	<u>309,782</u>
Total current assets			
	<u>220,296</u>	<u>283,047</u>	<u>309,782</u>
Total assets	<u><u>368,529</u></u>	<u><u>429,248</u></u>	<u><u>463,370</u></u>

FINANCIAL INFORMATION

	As at 31 March		
	2011	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Combined capital	10,020	60,030	100,040
Retained earnings	84,697	118,519	145,333
	<u>94,717</u>	<u>178,549</u>	<u>245,373</u>
Total equity	<u>94,717</u>	<u>178,549</u>	<u>245,373</u>
LIABILITIES			
Current liabilities			
Trade and other payables	1,217	2,105	12,053
Amount due to a fellow subsidiary	75,679	70,037	15,699
Amounts due to related companies	4,742	–	–
Amounts due to directors	13,333	–	–
Tax payable	2,256	2,788	2,575
Bank and other borrowings	172,689	171,854	183,838
	<u>269,916</u>	<u>246,784</u>	<u>214,165</u>
Total current liabilities	<u>269,916</u>	<u>246,784</u>	<u>214,165</u>
Non-current liabilities			
Deferred income tax liabilities	3,896	3,915	3,832
	<u>3,896</u>	<u>3,915</u>	<u>3,832</u>
Total non-current liabilities	<u>3,896</u>	<u>3,915</u>	<u>3,832</u>
Total liabilities	<u><u>273,812</u></u>	<u><u>250,699</u></u>	<u><u>217,997</u></u>

FINANCIAL INFORMATION

ANALYSIS ON MAJOR COMPONENTS OF THE COMBINED STATEMENTS OF FINANCIAL POSITION

Property, plant and equipment

During the Track Record Period, our property, plant and equipment mainly represented our self-use properties. As at 31 March 2011, 2012 and 2013, our property, plant and equipment were HK\$51.2 million, HK\$52.0 million and HK\$66.2 million respectively.

There was no material change in value of property, plant and equipment between 31 March 2011 and 2012. The increase in property, plant and equipment of HK\$14.2 million or 27.3% from HK\$52.0 million as at 31 March 2012 to HK\$66.2 million as at 31 March 2013 was mainly due to the accounting reclassification of our office premise from investment property to property, plant and equipment amounted to HK\$15.4 million as a result of the change of its status from leased out to self-use.

Investment properties

Our investment properties represented our investment properties leased out to Independent Third Parties for rental income. The carrying values of our investment properties were revalued at each of the reporting dates by independent professionally qualified valuer. The fair value of our investment properties were HK\$76.7 million, HK\$78.2 million and HK\$70.8 million as at 31 March 2011, 2012 and 2013 respectively.

For the year ended 31 March 2012, our Group had disposed of an investment property in Hong Kong at the carrying value of the investment property of HK\$5.1 million. There were fair value gains on the investment properties of our Group of HK\$6.6 million during the year. As a result, our investment properties slightly increased from HK\$76.7 million as at 31 March 2011 to HK\$78.2 million as at 31 March 2012.

As stated above, for the year ended 31 March 2013, an office premise of HK\$15.4 million was no longer classified as an investment property due to its change of status from leased out to self-use. Partially offsetting by the effect of fair value gains on the investment properties amounted to HK\$8.0 million during the year, our investment properties decreased from HK\$78.2 million as at 31 March 2012 to HK\$70.8 million as at 31 March 2013.

As at the Latest Practicable Date, we had no intention to change the existing uses of our investment properties and we intended to continue to lease out our investment properties to Independent Third Parties for rental income as well as to serve as our asset collaterals for securing bank borrowings to finance our operations after the Listing.

FINANCIAL INFORMATION

Loan receivables

Our loan receivables are mainly arisen from the money lending business of our Group. They are secured by collaterals provided by customers, interest bearing and repayable with fixed terms agreed with the customers. As at 31 March 2011, our loan receivables of HK\$222.3 million comprised secured (property mortgage loans) and unsecured loan receivables of HK\$221.2 million and HK\$1.1 million respectively. As at 31 March 2012 and 2013, our loan receivables were all property mortgage loans only and amounted to HK\$286.5 million and HK\$316.8 million respectively. A breakdown of our loan receivables are as follows:

	2011		As at 31 March 2012		2013	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Property mortgage loans						
– First property mortgage loans						
Individual customers	102,615	46.2%	81,374	28.4%	81,114	25.6%
Corporate customers	18,174	8.1%	33,308	11.6%	38,358	12.1%
	<u>120,789</u>	<u>54.3%</u>	<u>114,682</u>	<u>40.0%</u>	<u>119,472</u>	<u>37.7%</u>
Property mortgage loans						
– Subordinate property mortgage loans						
Individual customers	42,840	19.3%	73,890	25.8%	79,233	25.0%
Corporate customers	57,600	25.9%	97,900	34.2%	118,083	37.3%
	<u>100,440</u>	<u>45.2%</u>	<u>171,790</u>	<u>60.0%</u>	<u>197,316</u>	<u>62.3%</u>
Subtotal	<u>221,229</u>	<u>99.5%</u>	<u>286,472</u>	<u>100.0%</u>	<u>316,788</u>	<u>100.0%</u>
Unsecured loans	1,044	0.5%	–	0.0%	–	0.0%
	<u>222,273</u>	<u>100.0%</u>	<u>286,472</u>	<u>100.0%</u>	<u>316,788</u>	<u>100.0%</u>

FINANCIAL INFORMATION

Our loan receivables from secured property mortgage loans increased substantially by HK\$65.3 million or 29.5% from HK\$221.2 million as at 31 March 2011 to HK\$286.5 million as at 31 March 2012 due to increasing demand for mortgage loan products in the market. Although our property mortgage loan receivables from first property mortgage loans slightly decreased by HK\$6.1 million or 5.0% from HK\$120.8 million as at 31 March 2011 to HK\$114.7 million as at 31 March 2012, our property mortgage loan receivables from subordinate property mortgage loans increased significantly by HK\$71.4 million or 71.1% from HK\$100.4 million as at 31 March 2011 to HK\$171.8 million as at 31 March 2012.

Our loan receivables from unsecured loan decreased from HK\$1.1 million as at 31 March 2011 to nil as at 31 March 2012. All the loan receivables from unsecured loans has been settled during the year ended 31 March 2012 and no further unsecured loans were granted subsequently during the Track Record Period.

As at 31 March 2013, our property mortgage loan receivables was HK\$316.8 million, representing an increase of HK\$30.3 million or 10.6% as compared to the balance of HK\$286.5 million as at 31 March 2012. The increase was mainly attributable to the continuous expansion of our money lending business and the increase of our loan receivables from subordinate property mortgage loans. Our property mortgage loan receivables from first property mortgage loans has slightly increased by HK\$4.8 million or 4.2% from HK\$114.7 million as at 31 March 2012 to HK\$119.5 million as at 31 March 2013 while our property mortgage loan receivables from subordinate property mortgage loans has significantly increased by HK\$25.5 million or 14.8% from HK\$171.8 million as at 31 March 2012 to HK\$197.3 million as at 31 March 2013. As at the Latest Practicable Date, property mortgage loan receivables of HK\$93.9 million has been subsequently settled.

The maturity profile of the loans receivable as at the end of the reporting periods, based on the maturity date is as follows:

	As at 31 March		
	2011	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	201,912	270,421	300,135
2 to 5 years	13,399	9,228	13,290
Over 5 years	6,962	6,823	3,363
	222,273	286,472	316,788
	222,273	286,472	316,788

As at 31 March 2011, 2012 and 2013, all of the loan receivables were neither past due nor impaired. We have assessed the credit quality of loans receivables that are neither past due nor impaired by reference to historical information about counterparty default rates. The existing customers as at the Latest Practicable Date do not have recent case of defaults.

FINANCIAL INFORMATION

Interest receivables

As at 31 March 2011, 2012 and 2013, our interest receivables were HK\$3.0 million, HK\$6.8 million and HK\$6.3 million respectively. Interest receivables of our Group are interest derived from loans granted to our customers.

Our interest receivables increased significant by HK\$3.8 million or 126.7% from HK\$3.0 million as at 31 March 2011 to HK\$6.8 million as at 31 March 2012. The increase was mainly attributable to the expansion of our money lending business during the year which gave rise to the increase in outstanding loan balances as at 31 March 2012 and the interest income from property mortgage loans for the year ended 31 March 2012. Subsequently, our interest receivable slightly decreased by HK\$0.5 million or 7.4% to HK\$6.3 million as at 31 March 2013. As at the Latest Practicable Date, interest receivable of HK\$6.2 million had been subsequently settled.

As at 31 March 2011, 2012 and 2013, interest receivables of HK\$1.5 million, HK\$4.2 million and HK\$3.1 million respectively were past due but not impaired. These related to a number of independent customers for whom there were no relevant history of default. No provision for impairment on these balances were made as there has not been a significant change in credit quality. Since these balances were fully secured by the fair value of collateral at their respective market price, these balances were considered fully recoverable. The total loan principal with interest overdue amounted to HK\$27.1 million, HK\$69.6 million and HK\$81.2 million as at 31 March 2011, 2012 and 2013 respectively. None of these loan receivables were overdue as at the relevant year end but the full amount shall be repaid in full at maturity pursuant to the terms of our facility letters as set out in the section headed “Business – Loan approval procedures – Typical terms of our facility letters” in this prospectus. The increase of loan principal amount with interest overdue was mainly attributable to the expansion of our mortgage loan portfolio and certain customers with larger loan receivable amount had interest overdue as at 31 March 2012 and 2013. We did not charge any additional default interest on loans receivable with interest overdue during the Track Record Period. The following table sets out the ageing analysis of interest receivables as at 31 March 2011, 2012 and 2013, by past due date:

	As at 31 March		
	2011	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest receivables			
0-30 days	488	1,537	1,937
31-60 days	524	1,730	262
Over 60 days	466	945	896
	1,478	4,212	3,095
	1,478	4,212	3,095

FINANCIAL INFORMATION

During the Track Record Period, we renewed a number of our loans to customers upon their maturity pursuant to our Approval Policy as set out in the section headed “Business - Loan approval procedures” in this prospectus after the repayment of all of the interest due and/or overdue by our customers. As at 31 March 2011, 2012 and 2013, the total outstanding renewed loan principals consisted of 20, 44 and 39 of active loan accounts (with year-end balance) respectively and amounted to HK\$17.4 million, HK\$104.8 million and HK\$80.6 million respectively.

As at 31 March 2011, 2012 and 2013, the outstanding renewed loan principals with interest overdue consisted of 9, 19 and 28 of active loan accounts (with year-end balance) respectively and amounted to HK\$6.8 million, HK\$40.9 million and HK\$41.8 million, respectively, representing 3.1%, 14.3% and 13.2% of the total loan receivables respectively. The corresponding interest receivables overdue as at 31 March 2011, 2012 and 2013 were HK\$0.6 million, HK\$2.9 million and HK\$2.0 million, respectively. Subsequent to 31 March 2013 and up to the Latest Practicable Date, the amount of HK\$10.2 million of loan principals with the amount of HK\$1.9 million of interest receivables overdue as at 31 March 2013 were settled. The settlement proposal of the remaining overdue interest receivable that amounted to HK\$0.1 million with corresponding principal amounting to HK\$0.9 million have been agreed between the customer and the Company. Our Directors have assessed its recoverability and consider no impairment should be made.

The following table set out the ageing analysis of these renewed loan principals which had previous interest overdue:

	As at 31 March		
	2011	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Ageing analysis from the date of the loans when first granted			
1 to 2 years	5,571	31,897	31,962
2 to 3 years	–	8,961	4,250
Over 3 years	1,254	–	5,613
	6,825	40,858	41,825
	6,825	40,858	41,825

Prepayments, deposits and other receivables

Our prepayment, deposits and other receivables amounted to HK\$0.7 million, HK\$0.3 million and HK\$0.8 million as at 31 March 2011, 2012 and 2013. Our prepayments, deposits and other receivables mainly represents deposit for fixed assets and utility deposit. The increase of prepayments, deposits and other receivables to HK\$0.8 million as at 31 March 2013 was primarily attributable to the increase in prepayments of administrative expenses.

FINANCIAL INFORMATION

Trade and other payables

Our trade and other payables as at 31 March 2011, 2012 and 2013 were HK\$1.2 million, HK\$2.1 million and HK\$12.1 million respectively. Our trade and other payables mainly consist of interest received in advance, rental deposits received, dividend payable and other payables and accrued charges.

The details of our trade and other payables during the Track Record Period are set out in the table below:

	As at 31 March		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Interest received in advance	305	127	–
Rental deposits received	439	345	390
Dividend payable	–	–	9,000
Other payables and accrued charges	473	1,633	2,663
	<u>1,217</u>	<u>2,105</u>	<u>12,053</u>

Our trade and other payables increased from HK\$1.2 million as at 31 March 2011 to HK\$2.1 million as at 31 March 2012 by HK\$0.9 million or 75.0%. The increase was primarily attributable to the change of other payables and accrued charges. Our other payables and accrued charges mainly comprised accrued salaries, accrued audit fees, provision for long service payment and annual leaves. Our other payables and accrued charges increased from HK\$0.5 million as at 31 March 2011 to HK\$1.6 million as at 31 March 2012 by HK\$1.1 million or 220.0% which was attributable to the provision and accrual for employee benefit expense as at 31 March 2012.

Our trade and other payables increased substantially from HK\$2.1 million as at 31 March 2012 to HK\$12.1 million as at 31 March 2013. The substantial increase was mainly due to the interim dividend of HK\$9.0 million declared by HK Finance payable to our Controlling Shareholders during the year ended 31 March 2013 and the accruals of listing expenses. The dividend payable of HK\$9.0 million as at 31 March 2013 had been fully paid before the Latest Practicable Date.

Amount due to a fellow subsidiary

Amounts due to our fellow subsidiary, Tin Ching Industrial, were HK\$75.7 million, HK\$70.0 million and HK\$15.7 million as at 31 March 2011, 2012 and 2013 respectively. These balances were unsecured, interest bearing as mutually agreed by both parties at weighted average interest rate of 3.2%, 4.6% and 4.9% per annum during the year ended 31 March 2011, 2012 and 2013, respectively, on the outstanding amount, and were repayable on demand. In March 2012 and 2013, HK\$50.0 million and HK\$40.0 million of the amounts due to our fellow

FINANCIAL INFORMATION

subsidiary were assigned to our Controlling Shareholders and were immediately settled by issuance of shares of HK Finance. The balance of amount due to a fellow subsidiary of HK\$15.7 million as at 31 March 2013 had been fully settled in cash before the Latest Practicable Date. The cash and cash equivalents of our Group amounted to HK\$3.0 million as at the Latest Practicable Date.

Amounts due to directors

Amounts due to directors accounted for HK\$13.3 million as at 31 March 2011 which have been settled before 31 March 2012. Amounts due to directors were unsecured, interest-free and were repayable on demand. The balance as at 31 March 2011 has been settled by cash. There were no amounts due to directors as at 31 March 2012 and 2013.

KEY FINANCIAL RATIOS

The following table set forth the key financial ratios of our Group during the Track Record Period:

	As at 31 March		
	2011	2012	2013
Current ratio ⁽¹⁾	0.82	1.15	1.45
Gearing ratio ⁽²⁾	2.56	1.32	0.80

	For the year ended 31 March		
	2011	2012	2013
Return on total asset ratio ⁽³⁾	8.4%	7.9%	7.7%
Return on equity ratio ⁽⁴⁾	32.9%	18.9%	14.6%
Interest coverage ratio ⁽⁵⁾	5.2 times	4.0 times	4.6 times

Notes:

1. Current ratio is calculated by dividing current assets by current liabilities as at the respective year-end date.
2. Gearing ratio is calculated by dividing net debts (being the total interest-bearing loans including banks and other borrowings and amount due to a fellow subsidiary less cash and cash equivalents and pledged bank deposits) by total equity as at the respective year-end date.
3. Return on total assets ratio is calculated by dividing profit for the year by the total assets as at the respective year-end date.
4. Return on equity ratio is calculated by dividing profit for the year by the total equity as at the respective year-end date.
5. Interest coverage ratio is calculated by dividing profit before interest and tax (excluding fair value gains on revaluation of investment properties) by the finance cost for the corresponding year.

FINANCIAL INFORMATION

Current ratio

Our Group's current ratios were 0.82, 1.15 and 1.45 as at 31 March 2011, 2012 and 2013 respectively. The increase of our current ratio from 0.82 as at 31 March 2011 to 1.15 as at 31 March 2012 and the further increase to 1.45 as at 31 March 2013 were mainly due to (i) the substantial increase of loans receivable and interest receivables; and (ii) the decrease of amount due to a fellow subsidiary.

Gearing ratio

Our Group's gearing ratios were 2.56, 1.32 and 0.80 as at 31 March 2011, 2012 and 2013, respectively. The decrease of our gearing ratio from 2.56 as at 31 March 2011 to 1.32 as at 31 March 2012 and the further decrease to 0.80 as at 31 March 2013 were mainly due to (i) the increase in our total equity by contribution from our Controlling Shareholders and retained earnings; and (ii) the decrease of our net debts attributable to the decrease of the amount due to a fellow subsidiary.

Return on total assets ratio

Our Group's return on total assets ratios were 8.4%, 7.9% and 7.7% for the years ended 31 March 2011, 2012 and 2013 respectively. The decrease of the return on total assets from 8.4% in the financial year of 2011 to 7.9% in the financial year of 2012 was mainly due to the increase in our total assets and the less-than-proportionate percentage increase in our profit for the year. The further slight decrease in our return on total assets from 7.9% in the financial year of 2012 to 7.7% for the year ended 31 March 2013 was mainly due to the less-than-proportionate percentage increase in our profit for the year compared to the increase in our total assets.

Return on equity ratio

Our Group's return on equity ratios were 32.9%, 18.9% and 14.6% for the years ended 31 March 2011, 2012 and 2013 respectively. The decreases of our return on equity were mainly due to the significant increases in our total equity and the less-than-proportionate increase of our profit during the Track Record Period.

Interest coverage ratio

Our Group's interest coverage ratios were 5.2 times, 4.0 times and 4.6 times for the years ended 31 March 2011, 2012 and 2013 respectively. The reduction of our interest coverage ratio from 5.2 times for the year ended 31 March 2011 to 4.0 times for the year ended 31 March 2012 was due to the substantial increase of our finance costs. The increase of our interest coverage ratio to 4.6 times for the year ended 31 March 2013 was mainly attributable to the decrease of our finance costs.

FINANCIAL INFORMATION

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, our Group's operations and capital requirements were financed principally through retained earnings, loans or advances from our Controlling Shareholders, mainly through a fellow subsidiary of our Group, Tin Ching Industrial, and loans from Independent Third Party lenders.

Based on our current and anticipated levels of operations, barring unforeseen market conditions, our future operations and capital requirements following the Listing will be financed through loans from banks or financial institutions that are Independent Third Parties, the net proceeds from the Share Offer, retained earnings and our share capital. We have no significant commitments for capital expenditure in the near future.

Cash flows of our Group

The following table sets forth a condensed summary of our Group's combined statements of cash flows for the Track Record Period. Such summary of the combined statements of cash flow is extracted from the Accountant's Report contained in Appendix I to this prospectus and should be read in conjunction with the entire financial information included therein, including the notes thereto, for more details.

	Year ended 31 March		
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000
Net cash used in operating activities	(30,524)	(2,181)	(13,772)
Net cash (used in)/generated from investing activities	(776)	2,776	(1,142)
Net cash generated/(used in) from financing activities	<u>31,501</u>	<u>(838)</u>	<u>17,192</u>
Net increase/(decrease) in cash and cash equivalents	201	(243)	2,278
Cash and cash equivalents at beginning of the year	<u>315</u>	<u>516</u>	<u>273</u>
Cash and cash equivalents at end of the year	<u><u>516</u></u>	<u><u>273</u></u>	<u><u>2,551</u></u>

FINANCIAL INFORMATION

Net cash used in operating activities

Our Group derives cash inflow from operations principally from the interest income from property mortgage loan. Our cash outflow used in operations is mainly used for expanding our loan portfolio on both first and subordinate property mortgage loans.

During the years ended 31 March 2011, 2012 and 2013, our Group recorded operating cash outflows because the bank loans and overdrafts which funded our money lending business were accounted for as cash inflow under the financing activities while granting of property mortgage loan to our customers was accounted for as cash outflow under the operating activities pursuant to relevant accounting standards. As such, whenever our Group expands our money lending business (operating cash outflows) by using the funds from bank loans and overdrafts (financing cash inflows), with other variables held constant, a net operating cash outflow would have been recorded.

For the year ended 31 March 2011, our net cash used in operating activities was HK\$30.5 million. Although we accounted profit before income tax of HK\$34.9 million, our loan portfolio as at 31 March 2011 increased by HK\$65.1 million as compared to the year ended 31 March 2010 due to the expansion of our money lending business.

For the year ended 31 March 2012, our net cash used in operating activities was HK\$2.2 million. The net cash used in operating activities was primarily due to our profit before income tax of HK\$39.8 million, which was negatively adjusted by (i) the fair value gain on investment properties of HK\$6.6 million which was non-cash in nature and not an operating activity; (ii) the increase of loan receivables by HK\$64.2 million due to further expansion of our money lending business and our loan portfolio accordingly; (iii) the decrease of the amount due to directors of HK\$13.3 million; and (iv) the increase of the amount due to a fellow subsidiary of HK\$44.4 million.

For the year ended 31 March 2013, our net cash used in operating activities was HK\$13.8 million. The net cash used in operating activities was primarily due to our profit before income tax of HK\$42.4 million, which was negatively adjusted by (i) the fair value gain on investment properties of HK\$8.0 million which was non-cash in nature and not an operating activity; (ii) the increase of loan receivables by HK\$30.3 million due to further expansion of our money lending business and our loan portfolio accordingly; and (iii) the decrease of the amount due to a fellow subsidiary of HK\$14.3 million.

Net cash (used in)/generated from investing activities

Our Group derives cash inflow from investing activities mainly from our proceeds received on disposal of investment properties and property, plant and equipment. Our cash outflow used in investing activities is primarily used for purchase of property, plant and equipment.

For the year ended 31 March 2011, our net cash used in investing activities was HK\$0.8 million. The net cash used in investing activities was mainly attributable to the purchase of a residential property of HK\$29.0 million, offset by the sale proceeds of HK\$28.0 million received from the disposal of an investment property.

FINANCIAL INFORMATION

For the year ended 31 March 2012, our net cash generated from investing activities was HK\$2.8 million and was mainly attributable to the sale proceeds of HK\$5.2 million received from the disposal of an investment property, partially offset by the effect of the addition of property, plant and equipment as a result of the purchase of furniture and fixtures and leasehold improvements of HK\$0.9 million and HK\$1.4 million respectively.

For the year ended 31 March 2013, our net cash used in investing activities was HK\$1.1 million. The net cash used in/generated from investing activities was primary due to the addition of property, plant and equipment as a result of the purchase of furniture and fixtures and leasehold improvements of HK\$0.3 million and HK\$0.8 million respectively.

Net cash (used in)/generated from financing activities

Our cash outflow used in financing activities was primarily due to the repayment of loans and the placing of pledged bank deposit with Independent Third Party lenders while our cash inflow generated from financing activities was mainly attributable to draw down of loans or release of pledged bank deposits from Independent Third Party lenders.

For the year ended 31 March 2011, 2012 and 2013, our net cash generated from/(used in) financing activities were HK\$31.5 million, HK\$(0.8 million) and HK\$17.2 million respectively.

For the year ended 31 March 2011 and 2013, our net cash generated from financing activities was mainly due to draw down of net loan from Independent Third Party lenders.

For the year ended 31 March 2012, our net cash used in financing activities was primarily attributable to the repayment of net loan to Independent Third Party lenders and the release of pledged bank deposits.

FINANCIAL INFORMATION

Net current assets and liabilities

The following table set forth our Group's current assets and liabilities as at 31 March 2011, 2012 and 2013 and as at 31 July 2013:

	As at 31 March 2011 HK\$'000	As at 31 March 2012 HK\$'000	As at 31 March 2013 HK\$'000	As at 31 July 2013 HK\$'000 (unaudited)
Current assets				
Loans receivable	201,912	270,421	300,135	299,618
Interest receivables	2,977	6,799	6,315	6,039
Prepayments, deposits and other receivables	734	346	781	712
Amount due from a fellow subsidiary	70	–	–	–
Amounts due from related companies	8,882	–	–	–
Pledged bank deposit	5,205	5,208	–	–
Cash and cash equivalents	516	273	2,551	2,952
	<u>220,296</u>	<u>283,047</u>	<u>309,782</u>	<u>309,321</u>
Current liabilities				
Trade and other payables	1,217	2,105	12,053	13,985
Amount due to a fellow subsidiary	75,679	70,037	15,699	–
Amount due to a related company	4,742	–	–	–
Amounts due to directors	13,333	–	–	–
Tax payable	2,256	2,788	2,575	3,299
Bank and other borrowings	172,689	171,854	183,838	205,111
	<u>269,916</u>	<u>246,784</u>	<u>214,165</u>	<u>222,395</u>
Net current (liabilities)/assets	<u>(49,620)</u>	<u>36,263</u>	<u>95,617</u>	<u>86,925</u>

Our net current liabilities amounted to HK\$49.6 million as at 31 March 2011 and turned over to a net current assets of HK\$36.3 million as at 31 March 2012 mainly attributable to the increase of loan receivables and the decrease of the amounts due to directors. Due to increasing demand for mortgage loan products in the market, our money lending business and our loan portfolio were expanded eventually. Our cash and cash equivalents remained stable at HK\$0.5 million and HK\$0.3 million as at 31 March 2011 and 2012 respectively.

FINANCIAL INFORMATION

Our net current assets increased from HK\$36.3 million as at 31 March 2012 to HK\$95.6 million as at 31 March 2013 mainly attributable to the increase of loan receivables and the decrease of the amount due to a fellow subsidiary. Our money lending business and our loan portfolio have further expanded. The decrease of the amount due to a fellow subsidiary was attributable to HK\$40.0 million of the balance which was assigned to our Controlling Shareholders and was settled by issuance of shares of HK Finance to our Controlling Shareholders in March 2013. Our cash and cash equivalents increased from HK\$0.3 million as at 31 March 2012 to HK\$2.5 million as at 31 March 2013 mainly due to the release of pledged bank deposit during the year.

INDEBTEDNESS

At the close of business on 31 July 2013, being the latest practicable date for the purpose of this indebtedness statement, all bank loans and bank overdrafts are repayable on demand being secured by our Group's investment properties and land and building, and/or by the personal guarantees, corporate guarantee and collaterals from our Controlling Shareholders and their respective associates, which will be fully released before the Listing. The amounts due to a fellow subsidiary are unsecured and had been settled by cash before the Latest Practicable Date.

The following table sets out the details of the abovementioned interest-bearing loans during the Track Record Period and as at 31 July 2013:

	As at 31 March			As at 31 July
	2011	2012	2013	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank and other borrowings				
Bank loans	133,381	136,116	147,559	146,558
Bank overdrafts	39,308	30,738	36,279	58,553
Other borrowing	–	5,000	–	–
	<u>172,689</u>	<u>171,854</u>	<u>183,838</u>	<u>205,111</u>
Amount due to a fellow subsidiary				
	<u>75,679</u>	<u>70,037</u>	<u>15,699</u>	<u>–</u>
	<u><u>248,368</u></u>	<u><u>241,891</u></u>	<u><u>199,537</u></u>	<u><u>205,111</u></u>

During the Track Record Period, our bank and other borrowings represent our borrowings from two Hong Kong licensed banks and one licensed money lender.

FINANCIAL INFORMATION

The bank loans and overdrafts utilised by our Group amounted to HK\$172.7 million, HK\$166.9 million, HK\$183.8 million and HK\$205.1 million as at 31 March 2011, 2012 and 2013 and 31 July 2013 respectively. During the Track Record Period and as at 31 July 2013, our bank loans and overdrafts were repayable on demand and were secured by (i) investment properties held by our Group amounted to HK\$76.7 million, HK\$78.2 million, HK\$70.8 million and HK\$70.8 million respectively as at 31 March 2011, 2012 and 2013 and 31 July 2013; (ii) land and buildings held by our Group with net book value of approximately HK\$51.1 million, HK\$49.9 million, HK\$63.8 million and HK\$63.3 million respectively as at 31 March 2011, 2012 and 2013 and 31 July 2013; (iii) short-term pledged bank deposit of HK\$5.2 million, HK\$5.2 million, HK\$ Nil, and HK\$ Nil respectively as at 31 March 2011, 2012 and 2013 and 31 July 2013; and (iv) corporate guarantee from a fellow subsidiary, personal guarantees from the directors of the subsidiaries of our Group and properties held by the fellow subsidiaries of our Group, a Director and relatives of a Director. All of these corporate guarantee, personal guarantees and collaterals given by our Controlling Shareholders and their associates will be released before the Listing, details of which are set out in the section headed “Relationship with Controlling Shareholders” in this prospectus. During the Track Record Period, none of our bank loans were requested by banks to repay on demand. Having considered our relationship with banks, their past lending practice and existing terms of our bank loans, the Directors are of the view that the risk of our bank loans being requested to repay on demand is remote.

None of our banking facilities are subject to the any covenants relating to financial ratio requirements or any material covenants that restrict our Group to undertake additional debt or equity financing. As at the Latest Practicable Date, our unutilised banking facilities available for drawdown amounted to HK\$16.9 million.

Our amount due to our fellow subsidiary were HK\$75.7 million, HK\$70.0 million, HK\$15.7 million and nil as at 31 March 2011, 2012 and 2013 and 31 July 2013 respectively. The balance of the amount due to our fellow subsidiary had been fully settled by cash before the Latest Practicable Date.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, at the close of business on 31 July 2013, our Group did not have any loan capital issued and outstanding or agreed to be issued, term loans, bank overdrafts, liabilities under acceptances or acceptable credits, loans and other similar indebtedness, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

DISCLOSURE REQUIREMENT UNDER THE LISTING RULES

Our Directors confirmed that, as at the Latest Practicable Date, they were not aware of any circumstances which would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FINANCIAL INFORMATION

PROPERTY INTERESTS

Our Group's head office is located at Unit 3410, 34th Floor, Tower II, Lippo Centre, 89 Queensway, Admiralty, Hong Kong as its principal place of business. Asset Appraisal Limited, an independent property valuation firm, valued our property interests in land or buildings in Hong Kong as at 30 June 2013 at HK\$162.3 million. The Group did not lease any properties. The details related to our properties owned, together with relevant valuations and valuation certificates are set out in the Property Valuation Report as set out in Appendix III to this prospectus.

Disclosure of the reconciliation of the valuation of our property interests and such property interests in our combined statement of financial position as at 31 March 2013 as required under Rule 5.07 of the Listing Rules is set forth below:

	<i>HK\$'000</i>
Net book amount as at 31 March 2013	
Property, plant and equipment – land and buildings (<i>Note</i>)	63,759
Investment properties	<u>70,770</u>
	<u>134,529</u>
Movement for the period from 1 April 2013 to 30 June 2013 (unaudited)	
Additions	–
Disposal	–
Depreciation	<u>(373)</u>
Net book amount as at 30 June 2013	<u>134,156</u>
Accumulated valuation surplus of property, plant and equipment	28,114
Fair value gains on revaluation of investment properties from 1 April 2013 to 30 June 2013	<u>–</u>
Valuation as at 30 June 2013 per Property Valuation Report	<u>162,270</u>

Note:

Property, plant and equipment – land and buildings as set out in the Accountant's Report of this prospectus represents the property interests of our Group pursuant to Chapter 5 of the Listing Rules.

FINANCIAL INFORMATION

FOREIGN EXCHANGE RISK

The functional currency of the Group's operations has historically included the Hong Kong dollar. The Group has not experienced any material operating trends or effects on liquidity as a result of fluctuations in currency exchange rates in the past.

RELATED PARTY TRANSACTIONS

With respect to the related party transactions set out in this prospectus, the Directors are of the opinion that these transactions were conducted on normal commercial terms. For analysis of related party transactions, please refer to the Accountant's Report as set out in Appendix I to this prospectus in addition to the transactions detailed elsewhere in this prospectus.

OFF BALANCE SHEET TRANSACTIONS

Our Group has not entered into any material off balance sheet transactions or arrangements during the Track Record Period.

DIVIDENDS AND DISTRIBUTABLE RESERVES

Dividends and dividend policy

For each of the two years ended 31 March 2011 and 2012, we did not declare any dividend. For the year ended 31 March 2013, HK Finance declared a dividend of HK\$9.0 million out of the distributable profits, and such dividend had been fully paid before the Latest Practicable Date. Dividend declared and paid in the past should not be regarded as an indication of the dividend policy to be adopted by our Company following the Listing.

After completion of the Share Offer, our Shareholders will be entitled to receive dividends only when declared by our Board. The payment and the amount of any dividends will be determined at the discretion of our Directors and will depend upon our then operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors deem relevant.

Subject to the factors described above, we currently intend to pay by way of interim dividends and recommend at the annual general meetings of our Company dividends in aggregate of no less than 30.0% of our net profit (excluding fair value gains or losses on revaluation of investment properties) for each year after the Listing (that is, for the avoidance of doubt, commencing from the year ending 31 March 2014) would be available for distribution to Shareholders after the Share Offer.

Cash dividends on our Shares, if any, will be paid in Hong Kong dollars. Other distributions, if any, will be paid to our Shareholders by any means which our Directors deem legal, fair and practicable. Investors should note that historical dividend distributions are not indicative of our future dividend distribution policy.

FINANCIAL INFORMATION

Distributable reserves

As at 31 March 2013, the Company did not have any distributable reserves available for distribution to its Shareholders.

SUFFICIENCY OF WORKING CAPITAL

Taking into account the financial resources available to our Group, including retained earnings, expected renewal of banking facilities of HK\$168 million and the estimated net proceeds of the Share Offer, the Directors are of the opinion that our Group has sufficient working capital for its present requirements, that is for at least the next twelve months from the date of this prospectus.

GUARANTEE PROVIDED TO OUR GROUP

Mr. K.N. Chan and Mr. W. Chan and our fellow subsidiary, Tin Ching Industrial, have provided personal and corporate guarantees for the bank loans and overdraft facilities obtained by our Group. The total bank loans were amounted to HK\$172.7 million, HK\$166.9 million and HK\$183.8 million as at 31 March 2011, 2012 and 2013 respectively which were used to finance the operation of our Group.

Our other borrowing of HK\$5.0 million as at 31 March 2012 was secured by the personal guarantees jointly provided by Mr. K.N. Chan and Mr. W. Chan.

All of the above guarantees will be released upon the Listing.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of our Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Share Offer on the net tangible assets of our Group attributable to the equity holders of the Company as of 31 March 2013 as if the Share Offer had taken place on 31 March 2013 assuming the Offer Size Adjustment Option is not exercised.

FINANCIAL INFORMATION

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of our Group as at 31 March 2013 or at any future dates following the Share Offer. It is prepared based on the audited combined net tangible assets of our Group as at 31 March 2013 as set out in the Accountant's Report, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the Accountant's Report.

	Audited combined net tangible assets of our Group attributable to the equity holders of the Company as at 31 March 2013 <i>(Note 1)</i> HK\$'000	Estimated net proceeds from the Share Offer <i>(Note 2)</i> HK\$'000	Unaudited pro forma adjusted net tangible assets of our Group attributable to the equity holders of the Company <i>(Note 3)</i> HK\$'000	Unaudited pro forma adjusted net tangible assets per Share <i>(Note 4)</i> HK\$
Based on an Offer Price of HK\$0.85 per Share	245,373	72,767	318,140	0.80
Based on an Offer Price of HK\$1.03 per Share	245,373	90,137	335,510	0.84

Notes:

- (1) The audited combined net tangible assets attributable to the equity holders of the Company as at 31 March 2013 is extracted from the Accountant's Report as set out in Appendix I to this prospectus, which is based on the audited combined net assets of the Group attributable to the equity holders of the Company as at 31 March 2013 of HK\$245,373,000.
- (2) The estimated net proceeds from the Share Offer are based on the indicative Offer Price of HK\$0.85 and HK\$1.03 per Share after deduction of the underwriting fees and other related expenses payable by our Company and takes no account of any Shares which may fall to be issued upon the exercise of the Offer Size Adjustment Option.
- (3) As at 30 June 2013, the Group's property interests were valued by Asset Appraisal Limited, an independent property valuer, and the full text of the letter, summary of valuation and valuation certificates with regard to such property interests are included in Appendix III to this prospectus. The valuation surplus as at 30 June 2013, representing the excess of market value of the property interests over their book value, was approximately HK\$28,114,000. Such valuation surplus has not been included in the Group's combined financial information as at 31 March 2013. The above adjustments do not take into account the above valuation surplus. Had the property interests been stated at such valuation, additional depreciation of HK\$476,000 per annum would be charged against the combined statement of comprehensive income.
- (4) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in Note 2 above and on the basis that 400,000,000 Shares were in issue assuming that the Share Offer had been completed on 31 March 2013 but takes no account of any Shares which may fall to be issued upon the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme or any Share which may be allotted and issued or repurchased by the Company pursuant to the Issuing Mandate or the Repurchase Mandate as described in the section headed "Share Capital" in this prospectus.
- (5) No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2013.

FINANCIAL INFORMATION

FINANCIAL RISK MANAGEMENT

Our Group exposes to various types of financial risks including market risk (including cash flow and fair value interest rate risk), credit risk and liquidity risk. Our Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on our Group's financial performance.

Market Risk

Our Group's interest rate risk arises from its bank and other borrowings and the amount due to a fellow subsidiary. Borrowings issued at variable rates expose our Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings issued at fixed rates expose our Group to fair value interest rate risk. Substantially all our Group's borrowings were raised at floating rates and our Group has not used any interest rate swaps to hedge its exposure to interest-rate risk. Our Group manages the cash flow and fair value interest rate risk mainly by adjusting the interest rates on loans granted to our customers.

Credit Risk

Our Group's credit risk arises from cash and cash equivalents, pledged bank deposit, loan receivables, deposits and other receivables, amount due from a fellow subsidiary, amounts due from related companies and financial guarantee contracts. Our Group has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Please refer to the Accountant's Report as set out in Appendix I to this prospectus for details.

Liquidity Risk

Our Group's primary cash requirements are for payment of bank and other borrowings and payment for operating expenses. We maintain sufficient cash and the availability of funding through an adequate amount of committed credit facility. We perform cash flow forecasting and monitor the rolling forecasts of our Group's liquidity requirements to ensure there is sufficient cash to meet operational needs while maintaining sufficient headroom on the undrawn committed borrowing facilities at all times so that our Group does not breach borrowing limits or covenants (where applicable) on any of the borrowing facilities. Please refer to the Accountant's Report as set out in Appendix I to this prospectus for details.

FINANCIAL INFORMATION

OUR LATEST DEVELOPMENT SUBSEQUENT TO THE TRACK RECORD PERIOD

We continue to carry on our money lending business and work to enlarge our market share and improve our position in the money lending industry in Hong Kong. During the four months ended 31 July 2013, we recorded total turnover of HK\$25.6 million, or a monthly average of HK\$6.4 million. The financial information disclosed above is derived from the unaudited financial statements for the four months ended 31 July 2013, which have been reviewed by our Company's Reporting Accountant in accordance with the Hong Kong Standard on Review Engagements 2410 "Review on Interim Financial Information Performed by Independent Auditor of the Entity" issued by the HKICPA. Comparatively, during the year ended 31 March 2013, our total turnover was HK\$66.4 million, representing monthly average of HK\$5.5 million. The increase in average monthly turnover was mainly due to the continuous expansion of our loan portfolio subsequent to the Track Record Period.

As at 31 July 2013, our loan portfolio consisted of 177 active loan accounts (with period-end balance) with a balance of approximately HK\$333.9 million. The average interest rate of our property mortgage loans remained stable at 22.8% per annum for the four months ended 31 July 2013 as compared to the average interest rate of 22.7% per annum for the year ended 31 March 2013.

NO MATERIAL ADVERSE CHANGE

The Directors confirm that since 31 March 2013 (being the date to which the latest audited combined financial information of our Group were made up) and up to the date of this prospectus, there has been no material adverse change in the financial or trading position or prospects of our Group.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS AND PROSPECTS

Please refer to the section headed “Business – Our business strategies” in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

The total net proceeds from the Share Offer (after deducting underwriting fees and estimated expenses in connection with the Share Offer and assuming an Offer Price of HK\$0.94 (being the mid-point of the indicative range of the Offer Price from HK\$0.85 to HK\$1.03 per Offer Share) and that the Offer Size Adjustment Option is not exercised) are estimated to be approximately HK\$76.0 million. The Directors presently intend that the net proceeds from the Share Offer will be applied as follows:

- approximately HK\$60.8 million, representing approximately 80.0% of the net proceeds, will be used for reinforcing and expanding our market share to increase our customer base by expanding our mortgage loan portfolio by providing more loans to existing customers and extending loans to new customers;
- approximately HK\$7.6 million, representing approximately 10.0% of the net proceeds, will be used for marketing activities to improve public awareness of our Company’s brand name and our image in Hong Kong, including the enhancing our website, placing advertisements on televisions, radio, newspapers, magazines, online platforms in various forms and public transport, sponsoring popular programmes and well-known events; and
- approximately HK\$7.6 million, representing approximately 10.0% of the net proceeds, will be used for general working capital and general corporate purposes.

If the Offer Price is fixed at the high-end of the indicative range of the Offer Price, being HK\$1.03 per Offer Share, and assuming that the Offer Size Adjustment Option is not exercised, the net proceeds we receive from the Share Offer will increase by approximately HK\$8.7 million. We intend to apply the additional net proceeds for the above purposes on a pro-rata basis. If the Offer Price is set at the low-end of the indicative range of the Offer Price, being HK\$0.85 per Offer Share, and assuming that the Offer Size Adjustment Option is not exercised, the net proceeds we receive from the Share Offer will decrease by approximately HK\$8.7 million. We intend to reduce the net proceeds for the above purposes on a pro-rata basis.

Based on the high-end of the indicative range of the Offer Price, being HK\$1.03 per Offer Share, and in the event that the Offer Size Adjustment Option is exercised in full, we will receive net proceeds of approximately HK\$99.5 million. Based on the mid-point of the indicative range of the Offer Price, being HK\$0.94 per Offer Share, and in the event that the Offer Size Adjustment Offer is exercised in full, we will receive net proceeds of approximately HK\$89.6 million. Based on the low-end of the indicative range of the Offer Price, being HK\$0.85 per Offer Share, and in the event that the Offer Size Adjustment Offer is exercised in full, we will receive net proceeds of approximately HK\$79.6 million. The additional net proceeds will be applied for the expansion of our loan portfolio.

FUTURE PLANS AND USE OF PROCEEDS

To the extent that the net proceeds from the Share Offer are not immediately required to be applied to the above purposes, and to the extent as permitted by applicable laws and regulations, the Directors presently intend that such net proceeds be placed on short-term interest bearing deposits with licensed banks in Hong Kong, or be used to settle the short-term interest-bearing borrowings.

UNDERWRITING

PUBLIC OFFER UNDERWRITERS

Sole Bookrunner

Asian Capital (Corporate Finance) Limited

Joint Lead Managers

Head & Shoulders Securities Limited
Convoy Investment Services Limited
Kingsway Financial Services Group Limited
Phillip Securities (Hong Kong) Limited
VC Brokerage Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

Pursuant to the Public Offer Underwriting Agreement, our Company is offering 10,000,000 Public Offer Shares for subscription by the public in Hong Kong under the Public Offer on and subject to the terms and conditions set out in this prospectus and the Application Forms at the Offer Price.

Subject to, among other conditions, (i) the Listing Committee granting the listing of, and permission to deal in our Shares in issue and the Shares to be issued as mentioned in this prospectus and such listing and permission not having been subsequently revoked prior to the commencement of dealings in the Shares on the Stock Exchange and (ii) certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have severally but not jointly agreed to procure subscribers for their respective applicable proportions (as set out in the Public Offer Underwriting Agreement) of the Public Offer Shares now being offered and, failing which, to subscribe for such Public Offer Shares themselves, on the terms and subject to the conditions set out in this prospectus, the Application Forms and the Public Offer Underwriting Agreement. If, for any reason, the Offer Price is not determined and agreed between the Company and the Sole Bookrunner (for itself and on behalf of the Underwriters), the Share Offer will not proceed and will lapse.

Grounds for Termination

The obligations of the Public Offer Underwriters to subscribe or procure subscribers for the Public Offer Shares are subject to termination by notice in writing from the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) to the Company with immediate effect at any time prior to 8:00 a.m. on the Listing Date (the “**Termination Time**”) if certain events, including any of the following events, should occur at any time prior to the Termination Time:

- (a) there has come to the notice of any of the Sole Sponsor, the Sole Bookrunner or the Underwriters:

UNDERWRITING

- (i) that any statement contained in this prospectus, the Application Forms, the formal notice, and/or any notices, announcements, advertisements, communications or any other documents (including any supplement or amendment thereto) issued or used by or on behalf of our Company in connection with the Share Offer considered by the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) in its sole and absolute opinion to be material in the context of the Share Offer was, when it was issued, or has become, untrue, inaccurate or incorrect in any material respect or misleading in any respect; or that any estimate, forecast, expression or opinion, intention or expectation stated and contained in any of the aforesaid documents (including any supplement or amendment thereto) is not, in the sole and absolute opinion of the Sole Bookrunner, in any material respect, fair and honest and based on reasonable assumptions, when taken as a whole; or
- (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission from this prospectus, the Application Forms, the formal notice and/or any notices, announcements, advertisements, communications or any other documents (including any supplement or amendment thereto) issued or used by or on behalf of our Company in connection with the Share Offer considered by the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) in its sole and absolute opinion to be material in the context of the Share Offer; or
- (iii) any breach, considered by the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) in its sole and absolute opinion to be material in the context of the Share Offer, of any of the obligations or undertakings imposed upon or undertaken by any party (other than the Sole Bookrunner or any of the Public Offer Underwriters) to the Public Offer Underwriting Agreement or the Placing Agreement (other than on the part of any of the Underwriters); or
- (iv) any breach of, or any event rendering untrue, inaccurate or incorrect in any material respect or misleading in any respect, any of the representations, warranties, agreements, undertakings and indemnities given by the Company or the Controlling Shareholders under the Public Offer Underwriting Agreement; or any of such representations, warranties, agreements, undertakings and indemnities being untrue, inaccurate or inaccurate in any material respect or misleading in any respect or considered, in the sole and absolute opinion of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) to have been breached; or
- (v) any matter, event, act or omission which gives or is likely to give rise to any liability of any of the Company and/or the Controlling Shareholders under the Public Offer Underwriting Agreement considered by the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) in its sole and absolute opinion to be material in the context of the Share Offer; or

UNDERWRITING

- (vi) that our Company withdraws any of this prospectus, the Application Forms, or any other documents (including any supplement or amendment thereto) issued or used in connection with the Share Offer; or
 - (vii) any potential litigation or disputes which would affect the operation, financial condition or reputation of our Group in any material adverse respect; or
 - (viii) that the approval by the Listing Committee of the listing of, and permission to deal in, our Shares in issue, and the Shares to be issued pursuant to (i) the Share Offer; (ii) the Capitalisation Issue; (iii) the exercise of the Offer Size Adjustment Option; and (iv) the exercise of any options that may be granted under our Share Option Scheme is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
 - (ix) that any of the experts as described under the paragraph headed “Other information – 9. Qualifications of experts” in Appendix V to this prospectus has withdrawn its consent to the issue of this prospectus with the inclusion of its report and/or letter/certificates and/or opinions and/or references to its name (as the case may be) included in the form and context in which they are respectively included; or
 - (x) any change or development involving a prospective change in the conditions, assets, liabilities, profits, losses, business affairs, operation, prospects or the financial or trading position or performance of our Company or any member of our Group considered by the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) in its sole and absolute opinion to be material in the context of the Share Offer; or
 - (xi) that, as a result of material adverse and abrupt change in market conditions, any material order placed by any investor immediately before the allotment and issue of any Shares to such investor, has been withdrawn or cancelled, and the Sole Bookrunner, in its sole and absolute opinion, conclude that it is therefore inadvisable or inexpedient or impracticable to proceed with the Share Offer; or
- (b) there shall develop, occur, exist, or come into force or effect, or continues to exist or be in force or effect:
- (i) any event, or series of events, in the nature of force majeure including, without limitation, any acts of government or orders of any courts, labour disputes, strikes, lock-outs, fire, explosion, flooding, earthquake, nuclear leakage, civil commotion or disturbances, riots, public disorder, declaration of any local, national, regional or international emergency, outbreak or declaration or escalation of hostilities (whether or not was, is or has been declared) or of any

UNDERWRITING

other state of emergency or calamity or crisis, acts of war, acts of terrorism (whether or not responsibility has been claimed), acts of God, epidemic, pandemic, outbreak or escalation of disease (including without limitation Severe Acute Respiratory Syndromes (SARS), avian influenza (H5N1), Swine flu (H1N1) or such related or variant types or mutated forms), interruption or delay in transportation, economic sanctions, in or affecting any of Hong Kong, the Cayman Islands, the BVI or any other jurisdiction relevant to any member of our Group (the “**Relevant Jurisdictions**”); or

- (ii) any change or development involving a prospective change or development in, or any event or series of events currently in existence or otherwise, resulting or likely to result in, or representing or involving any prospective change or development in, local, national, regional or international financial, economic, political, military, industrial, fiscal, legal, regulatory, currency, credit or market conditions, equities securities or other financial markets (including without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets), in or affecting any of the Relevant Jurisdictions; or
- (iii) any new law or regulation or policy or directive or change or development involving a prospective change in existing laws or regulations or policies or directives or any change or development involving a prospective change in the interpretation or application thereof by any court or governmental or competent authority in or affecting any of the Relevant Jurisdictions; or
- (iv) the imposition of economic sanctions or withdrawal of trading privileges or concessions, in whatever form, directly or indirectly, on or against or affecting any of the Relevant Jurisdictions; or
- (v) a change or development involving a prospective change or modification in taxation or exchange control, currency exchange rates or foreign investment laws or regulations (including, without limitation, a devaluation of the Hong Kong dollar or an appreciation or depreciation of the Renminbi against any foreign currencies, a change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar or the Renminbi is linked to any foreign currency or currencies, or a material fluctuation in the exchange rate of the Hong Kong dollar against any foreign currency, or any interruption in monetary or trading or securities settlement or clearance services or procedures), or the implementation of any exchange control, in any of the Relevant Jurisdictions or affecting an investment in the Shares; or

UNDERWRITING

- (vi) any adverse change or development involving a reasonably likely material adverse change, or any development involving a prospective material adverse change, in or affecting the assets, liabilities, profits, losses, condition, business, finance, earnings, trading position, prospects, properties, results of operations, general affairs, shareholders' equity, management, position or condition, financial or otherwise, whether or not arising in the ordinary course of business, or performance of our Group; or
- (vii) any litigation or claim of any third party being threatened or instigated against any member of our Group or any Controlling Shareholders; or
- (viii) a demand by any tax authority for payment for any tax liability of any member of our Group; or
- (ix) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or
- (x) any loss or damage sustained by any member of our Group as a result of a breach of its respective obligations or non-compliance with applicable laws and regulations (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (xi) an order or petition being presented for the winding-up or liquidation of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement being entered into by any member of our Group or any resolution being passed for the winding-up or liquidation of any member of our Group or a provisional liquidator, receiver or manager being appointed to take over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group; or
- (xii) any general moratorium on commercial banking activities in Hong Kong, the PRC, the Cayman Islands, the BVI, New York, London or any other jurisdiction relevant to any member of the Group, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, systems, procedures or matters in any of the Relevant Jurisdictions; or
- (xiii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or

UNDERWRITING

- (xiv) any judicial, regulatory or governmental authority or political body or organisation in any of the Relevant Jurisdictions commencing any investigation, action, claim or proceedings, or announcing an intention to investigate or take any such action, against any Director; or
- (xv) any Director being charged with an indictable offence or prohibited by the operation of law or otherwise disqualified from taking part in the management of a company; or
- (xvi) the chairman or chief executive or financial controller of our Company vacating his office or any Director resigning his directorship from our Company; or
- (xvii) any contravention by any member of the Group of the Companies Ordinance or the Listing Rules or other applicable laws or regulations in any of the Relevant Jurisdictions or any jurisdiction that is relevant to any member of the Group; or
- (xviii) any prohibition on the Company for whatever reason from allotting or issuing or selling the Offer Shares (including the Shares to be issued pursuant to the exercise of the Offer Size Adjustment Option) pursuant to the Share Offer and the terms set out in the Underwriting Agreements and this prospectus and the Application Forms; or
- (xix) any non-compliance on the part of our Group or Directors of this prospectus, the Application Forms (or any other documents used in connection with the subscription and purchase of the Offer Shares) or any aspect of the Share Offer with the Listing Rules or any other applicable laws or regulations; or
- (xx) other than with the prior consent of the Sole Bookrunner (for itself and on behalf of the Underwriters), the issue or the requirement to issue by our Company of any supplement or amendment to this prospectus (or any other documents used in connection with the subscription or sale of the Offer Shares) pursuant to the Companies Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or
- (xxi) any event which gives rise or would give rise to liability on the part of our Company or the Controlling Shareholders pursuant to the indemnity provisions in the Underwriting Agreements; or
- (xxii) any change or development involving a prospective change or development, or a materialisation of, any of the risks set forth in the section headed “Risk factors” in this prospectus,

UNDERWRITING

which, individually or in aggregate, in the sole and absolute opinion of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters),

- (A) has or may have or will have or is likely or expected to have a material adverse effect, whether directly or indirectly, on the assets, liabilities, business, general affairs, management, shareholders' equity, profits, losses, trading position, results of operation, prospects, positions or conditions, financial or otherwise, or the performance of our Company or any member of our Group taken as a whole; or
- (B) has or may have or will have or is likely or expected to have a material adverse effect on the level of applications or the level of interest with respect to the Share Offer and on the success of the Share Offer; or
- (C) makes, may make or will make or is likely or expected to make it impracticable or inadvisable or inexpedient for the Share Offer to proceed or to be performed or implemented as envisaged or to market the Share Offer; or
- (D) makes, may make or will make or is likely or expected to make any part of the Public Offer Underwriting Agreement, the Placing Underwriting Agreement and the agreement to be entered into for the determining of the Offer Price (including underwriting) incapable of performance with particular respect to the processing of applications for and payments for subscription of the Offer Shares and delivery of the Offer Shares on the terms and in the manner contemplated under the Public Offer Underwriting Agreement and the Placing Underwriting Agreement and in this prospectus and the Application Forms and any other documents in connection with the subscription and purchase of the Offer Shares.

Undertakings by our Controlling Shareholders

In accordance with Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange, our Company, the Sole Sponsor, the Sole Bookrunner and the Public Offer Underwriters that, save as disclosed in this prospectus and except pursuant to the Share Offer, without the prior written consent of the Sole Sponsor, the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) and the Stock Exchange or unless otherwise in compliance with the applicable requirements of the Listing Rules:

- (a) he/it shall not, and shall procure that his/its Associates or companies controlled by him/it or any relevant registered holder(s) (if any) or nominee(s) or trustee(s) holding in trust for him/it shall not, during the period from the date of this Agreement up to the expiry of the six months immediately following the Listing Date (the “**First Six-Month Period**”):
 - (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to

UNDERWRITING

purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create any encumbrance over, or agree to transfer or dispose of or create any encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of the Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or representing the right to receive, or any warrants or other rights to purchase, any Shares, as applicable) (the “**Relevant Securities**”); or

- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities; or
 - (iii) enter into any transaction with the same economic effect as any transaction specified in (i) and (ii) above; or
- (b) he/it shall not, and shall procure that his/its Associates or companies controlled by him/it or any relevant registered holder(s) (if any) or nominee(s) or trustee(s) holding in trust for him/it shall not, within the further period of six months immediately after the expiry of the First Six-Month Period (the “**Second Six-Month Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Relevant Securities held by him/it or any of his/its Associates or companies controlled by him/it or any nominee(s) or trustee(s) holding in trust for him/it, if immediately following such disposal or upon exercise or enforcement of such options, rights, interests or encumbrances, he/it would, directly or indirectly, cease to be the controlling shareholder of the Company or together with the other controlling shareholders of the Company cease to be a controlling shareholder (within the meaning of the Listing Rules) of the Company;

Further, pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange, our Company, the Sole Sponsor, the Sole Bookrunner and the Public Offer Underwriters that during the First Six-Month Period and the Second Six-Month Period, he or it will immediately inform us:

- (a) if he or it pledges or charges any of the Relevant Securities, such pledges or charges and the number of securities so pledged or charged; and
- (b) if he or it receives indications, either verbal or written, from the pledgee or chargee that any of such pledged or charged securities will be disposed of, such indications so received.

We will inform the Stock Exchange as soon as we have been informed of the above matters (if any) by any of our Controlling Shareholders and disclose such matters by way of an announcement in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed.

UNDERWRITING

Undertakings by our Company

Pursuant to the Public Offer Underwriting Agreement, we have undertaken to each of the Stock Exchange, the Sole Sponsor, the Sole Bookrunner and the Public Offer Underwriters that, without the prior written consent of the Sole Sponsor and the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters (such consent not to be unreasonably withheld or delayed)), and subject always to the requirements of the Stock Exchange and compliance with the Listing Rules, save pursuant to the Share Offer (including the Offer Size Adjustment Option), and the Capitalisation Issue, the grant of any options under the Share Option Scheme, or the issue of Shares upon exercise of such options granted under the Share Option Scheme, and any Shares which may fall to be issued pursuant to the exercise of the Offer Size Adjustment Option, or otherwise than by way of scrip dividend schemes or similar arrangements or any capitalization issue, consolidation, sub-division or capital reduction of Shares in accordance with the Articles of Association:

- (a) we shall not, and shall procure that each of other members of our Group will not, during the period from the date of the Public Offer Underwriting Agreement up to the expiry of First Six-Month Period:
 - (i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create any mortgage, charge, pledge, lien or other security interest or any option, interest or preference or any other encumbrance of any kind (“**Encumbrance**”) over, or agree to transfer or dispose of or create any Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of our Group, as applicable); or
 - (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or any other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of our Group, as applicable); or

UNDERWRITING

- (iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above; or
- (iv) offer to or agree to or announce any intention to effect any transaction specified in (i), (ii) or (iii) above

in each case, whether any of the transactions specified in (i), (ii) and (iii) above is to be settled by delivery of Shares or such other securities of our Company or shares or other securities of such other member(s) of our Group, as applicable, or in cash or otherwise (whether or not the issue of any such shares or securities will be completed within the aforesaid period); or

- (v) allot and issue or agree to allot and issue any of the Shares or other interests referred to in (i), (ii), (iii) or (iv) above during the Second Six-Month Period if, immediately following such allotment and issue, our Controlling Shareholders, either individually or taken together with the others of them, would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company or the single largest shareholder of our Company; and
- (b) our Company will ensure that if any of the transactions described in paragraph (a) above are carried out during the Second Six-Month Period, we will take all reasonable steps to ensure that any such act will not create a disorderly or false market for any Shares or other securities of our Company.

INDEMNITY

Each of our Company and Controlling Shareholders has agreed to indemnify the Public Offer Underwriters for certain losses which they may suffer, including, among other things, losses arising from the performance of their obligations under the Public Offer Underwriting Agreement and any breach by any of us or our Controlling Shareholders of the Public Offer Underwriting Agreement.

Commissions and Expenses

The Public Offer Underwriters will receive a commission of 3.5% of the aggregate Offer Price of all the Public Offer Shares, out of which they will pay any sub-underwriting commission. The Sole Sponsor will, in addition, receive a financial advisory and documentation fee in relation to the Share Offer. The aggregate fees and expenses for the listing of the Company including the listing fees, the Underwriters' commission, the Stock Exchange listing fees, the Stock Exchange trading fee and SFC transaction levy, legal and other professional fees, printing and other expenses relating to the Share Offer, are currently estimated to be approximately HK\$18.0 million (based on the Offer Price of HK\$0.94 per Share, being the mid-point of the stated range of the Offer Price and assuming that the Offer Size Adjustment Option is not exercised), which will be borne by our Company. In addition, we may, at our sole and absolute discretion, pay the Sole Bookrunner an additional incentive fee for all the Shares offered and sold in the Share Offer.

UNDERWRITING

Placing

In connection with the Placing, the Company expects to enter into the Placing Underwriting Agreement with, among others, the Placing Underwriters on the Price Determination Date (or such other date as agreed between the Company and the Sole Bookrunner (for itself and on behalf of the Placing Underwriters)). It is expected that under the Placing Underwriting Agreement, the Placing Underwriters would, subject to certain conditions, severally and not jointly, agree to subscribe for the Placing Shares or procure subscribers for the Placing Shares initially being offered pursuant to the Placing. For further details of the Placing, please see the section headed “Structure and conditions of the Share Offer – The Placing” in this prospectus.

INDEPENDENCE OF THE SOLE SPONSOR

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

UNDERWRITERS’ INTERESTS IN OUR COMPANY

Save for their obligations and interests under the Public Offer Underwriting Agreement and the Placing Underwriting Agreement and as disclosed in this prospectus, none of the Sole Bookrunner or the Underwriters has any shareholding interest in any member of the Group or any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group.

Following the completion of the Share Offer, the Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Public Offer Underwriting Agreement and the Placing Underwriting Agreement.

RESTRICTIONS ON THE OFFER SHARES

No action has been taken to permit the public offering of the Offer Shares other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

In particular, the Offer Shares have not been offered or sold, and will not be offered or sold, directly or indirectly, in the PRC.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE SHARE OFFER

The Share Offer comprises the Public Offer of 10,000,000 Public Offer Shares and the Placing of 90,000,000 Placing Shares as described below in each of the sub-sections headed “The Public Offer” and “The Placing” respectively. The 100,000,000 Offer Shares being offered in the Share Offer will represent 25% of the enlarged issued share capital of our Company immediately after completion of the Share Offer.

The Public Offer Shares will be offered under the Public Offer for subscription by the public as well as institutional, professional and/or other investors in Hong Kong. The Placing Shares will be offered under the Placing through selective marketing to institutional, professional and/or other investors in Hong Kong. Professional and/or institutional investors generally include brokers, dealers, high net worth individuals and companies (including fund managers) whose ordinary business involves dealing and investing in shares and other securities, and corporate entities which regularly invest in shares and other securities. The number of Shares to be offered under the Public Offer and the Placing are subject to re-allocation as described in the sub-section headed “Basis of allocation” in this section.

All Offer Shares are fully underwritten by the Underwriters under the terms and conditions of the Underwriting Agreements and subject to the agreement on the Offer Price between the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Group on or before the Price Determination Date.

Investors may apply for the Public Offer Shares under the Public Offer or indicate an interest for the Placing Shares under the Placing, but may not apply under both methods for the Offer Shares. In other words, investors may only receive, under either one of the methods, either Public Offer Shares or Placing Shares but not both.

PRICING

Offer Price range

The Offer Price will be not more than HK\$1.03 per Offer Share and is expected to be not less than HK\$0.85 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Public Offer, as will be further explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

PRICE PAYABLE ON APPLICATION

Applicants for Public Offer Shares under the Public Offer are required to pay, on application, the maximum Offer Price of HK\$1.03 (plus brokerage fee of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.003%) for each Public Offer Share. This means that, for every board lot of 4,000 Offer Shares, you should pay HK\$4,161.53 at the time of your application. We will not pay interest on any application monies.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

If the Offer Price, as finally determined in the manner described below, is less than HK\$1.03, refund payments of the appropriate difference (including the brokerage fee, the Stock Exchange trading fee and the SFC transaction levy attributable to the surplus application monies) will be made to the applicants whose applications are successful. We will not pay interest on any refunded amounts.

DETERMINATION OF THE OFFER PRICE

The Placing Underwriters will solicit from prospective investors indications of interest in acquiring the Placing Shares. Prospective investors will be required to specify the number of Placing Shares which they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around, 12:00 noon on Monday, 23 September 2013.

The Offer Price is expected to be fixed by agreement between the Sole Bookrunner (for itself and on behalf of the Underwriters) and the Company on the Price Determination Date, when market demand for the Public Offer Shares will be determined. The Price Determination Date is expected to be on or around Tuesday, 24 September 2013. If the Price Determination Date is changed, the Company will as soon as practicable publish on the Company’s website (www.hkfinance.hk) and the Stock Exchange’s website (www.hkexnews.hk) a notice of the change and if applicable, the revised date.

The net proceeds from the Share Offer, assuming the Offer Size Adjustment Option is not exercised, are estimated to be approximately HK\$76.0 million based on the Offer Price of HK\$0.94 per Offer Share, being the mid-point of the stated range of the Offer Price; or if the Offer Size Adjustment Option is exercised in full, approximately HK\$89.6 million based on the Offer Price of HK\$0.94 per Offer Share, being the mid-point of the stated range of the Offer Price.

If, for any reason, the Company and the Sole Bookrunner (for itself and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before Tuesday, 24 September 2013, the Share Offer will not proceed.

REDUCTION IN OFFER PRICE RANGE AND/OR NUMBER OF PUBLIC OFFER SHARES

The Sole Bookrunner (for itself and on behalf of the Underwriters) may, if it is considered appropriate on the basis of the level of interest expressed by prospective institutional, professional and/or other investors during the book-building process, and with our consent and after prior consultation with the Sole Sponsor, reduce the number of Offer Shares and/or the indicative Offer Price range below that described in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

In this case, we will, as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the last day for lodging applications under the Public Offer, publish in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) notice of the reduction of the number of Offer Shares and/or the reduction in the indicative Offer Price range. Such notice will also be made available on our Company's website (www.hkfinance.hk) and on the Stock Exchange's website (www.hkexnews.hk) no later than the morning of the last day for lodging applications under the Public Offer. Upon issue of such notice, the revised number of Offer Shares and/or Offer Price range will be final and conclusive and the Offer Price, if agreed upon among the Sole Bookrunner and our Company, after prior consultation with the Sole Sponsor, will be fixed within such revised Offer Price range. In such notice, we will also confirm or revise, as appropriate, the working capital statement as currently disclosed in the section headed "Financial Information – Sufficiency of Working Capital", the offering statistics as currently disclosed in the section headed "Summary" in this prospectus, the use of proceeds in the section headed "Future Plans and Use of Proceeds" in this prospectus and any other financial information which may change as a result of such reduction.

If you have already submitted an application for Public Offer Shares before the last day for lodging applications under the Public Offer, you will be allowed to subsequently withdraw your application, if the number of Offer Shares and/or the Offer Price range is reduced. If we do not publish a notice in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and make an announcement on our Company's website (www.hkfinance.hk) and on the Stock Exchange's website (www.hkexnews.hk) of a reduction in the number of Offer Shares and/or the indicative Offer Price range stated in this prospectus on or before the morning of the last day for lodging applications under the Public Offer, the Offer Price, if agreed upon by us, will be within the Offer Price range as stated in this prospectus.

We expect to publish an announcement of the Offer Price, together with the level of interest in the Placing and the application results and basis of allotment of the Public Offer Shares on or before Monday, 30 September 2013 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on our Company's website (www.hkfinance.hk) and on the Stock Exchange's website (www.hkexnews.hk).

BASIS OF ALLOCATION

The Offer Shares to be offered under the Public Offer may, in certain circumstances, be re-allocated as between the Public Offer and the Placing at the sole and absolute discretion of the Sole Bookrunner, details of which are set out in the sections headed "the Public Offer" and "the Placing" below.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares is conditional upon, among other things:

- (1) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued as described in this prospectus, and such listing and permission not having been subsequently revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (2) the Offer Price having been duly determined as confirmed by way of the execution of the Price Determination Agreement; and
- (3) the obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Sole Bookrunner (for itself and on behalf of the Underwriters)), and such obligations not having been terminated in accordance with the terms of the Underwriting Agreements, in each case, on or before the date and time specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than Thursday, 17 October 2013, being the date which is 30 days after the date of this prospectus.

All conditions are expected to be satisfied or waived on or before the 30th day after the date of this prospectus (or such later date as our Company and the Sole Bookrunner may agree).

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with their respective terms.

If the above-mentioned conditions have not been fulfilled or (where applicable) waived by the Sole Bookrunner (for itself and on behalf of the Underwriters) on or before the date and time set forth and specified in the Underwriting Agreements, the Share Offer will not proceed and will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Share Offer will be published by our Company in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and an announcement will also be made on our Company's website (www.hkfinance.hk) and the Stock Exchange's website (www.hkexnews.hk) on the next Business Day following such lapse.

In the above situation, we will return all application monies to the applicants, without interest and on the terms described in the section headed "How to apply for Public Offer Shares – Refund of application monies" in this prospectus. In the meantime, all application monies will be held in a separate bank account or separate bank accounts with the receiving banker(s) or other bank(s) licensed under the Banking Ordinance in Hong Kong.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

We expect to issue and despatch share certificates for the Offer Shares on or before Monday, 30 September 2013. However, these share certificates will only become valid certificates of title at 8:00 a.m. on the Listing Date provided that the Share Offer has become unconditional in all respects and that the right of termination as described in the section headed “Underwriting” in this prospectus has not been exercised at any time prior to 8:00 a.m. on the Listing Date.

THE PUBLIC OFFER

Number of Public Offer Shares initially offered

The Company is initially offering 10,000,000 Public Offer Shares, representing approximately 10% of the 100,000,000 Offer Shares initially made available under the Share Offer for subscription by the public in Hong Kong at the Offer Price. Subject to re-allocation as described in the sub-section headed “Allocation” below, the Public Offer Shares will represent approximately 2.5% of our enlarged issued capital immediately upon completion of the Share Offer. All Public Offer Shares are fully underwritten by the Public Offer Underwriters under the terms and conditions of the Underwriting Agreements, subject to the agreement on the Offer Price between the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company on or before the Price Determination Date, and as described in the paragraph headed “Conditions of the Share Offer” in this section.

Allocation

The total number of Public Offer Shares available under the Public Offer will initially be divided equally into two pools for allocation purposes as follows:

- (i) Pool A: the Public Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Public Offer Shares each with a total subscription amount (excluding brokerage fee, Stock Exchange trading fee and SFC transaction levy) of HK\$5 million or less; and
- (ii) Pool B: the Public Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Public Offer Shares each with a total subscription amount (excluding brokerage fee, Stock Exchange trading fee and SFC transaction levy) of more than HK\$5 million and up to the value of Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Public Offer Shares in one pool (but not both pools) are under-subscribed, the unsubscribed Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly.

Allocation of the Public Offer Shares to the investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by the applicants. The allocation of Public Offer Shares could, where appropriate, consist of balloting,

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Applicants can only receive an allocation of Public Offer Shares from either Pool A or Pool B but not from both pools. Multiple or suspected multiple applications within either pool or between pools and any application for more than 50% of the Public Offer Shares initially available for subscription under the Public Offer will be rejected.

The allocation of Offer Shares between the Public Offer and the Placing is subject to the following adjustments:

- (i) if the aggregate number of Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times of the number of Offer Shares initially available for subscription under the Public Offer, then Offer Shares will be re-allocated to the Public Offer from the Placing, so that the total number of Offer Shares available under the Public Offer will be 30,000,000 Offer Shares, representing approximately 30% of the Offer Shares initially available under the Share Offer;
- (ii) if the aggregate number of Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times of the number of Offer Shares initially available for subscription under the Public Offer, then the number of Offer Shares to be re-allocated to the Public Offer from the Placing will be increased so that the total number of Offer Shares available under the Public Offer will be 40,000,000 Offer Shares, representing approximately 40% of the Offer Shares initially available under the Share Offer; and
- (iii) if the aggregate number of Offer Shares validly applied for under the Public Offer represents 100 times or more of the number of Offer Shares initially available for subscription under the Public Offer, then the number of Offer Shares to be re-allocated to the Public Offer from the Placing will be increased, so that the total number of Offer Shares available under the Public Offer will be 50,000,000 Offer Shares, representing approximately 50% of the Offer Shares initially available under the Share Offer.

In such case, the number of Offer Shares allocated to the Placing will correspondingly be reduced, and such additional Public Offer Shares will be re-allocated to Pool A and Pool B in the Public Offer in such manner as the Sole Bookrunner deems appropriate.

Subject to the above, the Sole Bookrunner has the authority to re-allocate all or any of the unsubscribed Public Offer Shares to the Placing or all or any of the unsubscribed Placing Shares to the Public Offer.

The Offer Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be re-allocated as between these offerings at the sole and absolute discretion of the Sole Bookrunner.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Application

Each applicant under the Public Offer will be required to give an undertaking and confirmation in the application submitted by him or it that he or it and any person(s) for whose benefit he or it is making the application have not indicated any interest for or taken up and will not indicate an interest for or take up any Placing Shares, and such applicant's application under the Public Offer will be rejected if the said undertaking and/or confirmation is breached and/or untrue or he or it has been or will be placed or allocated Placing Shares under the Placing.

Our Company, the Directors and the Public Offer Underwriters will take reasonable steps to identify and reject applications under the Public Offer from the investors who have received Placing Shares under the Placing and to identify and reject indications of interest in the Placing from the investors who have received Public Offer Shares under the Public Offer.

The Sole Bookrunner (for itself and on behalf of the Underwriters) may require any investor who has been offered Placing Shares under the Placing, and who has made an application under the Public Offer to provide sufficient information to the Sole Bookrunner so as to allow it to identify the relevant application under the Public Offer and to ensure that it is excluded from any application for Public Offer Shares under the Public Offer.

The documents to be issued in connection with the Public Offer (comprising this prospectus and the Application Forms) will not be registered under any applicable securities legislation of any jurisdiction other than Hong Kong.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Public Offer.

THE PLACING

Our Company is initially offering 90,000,000 Placing Shares, representing approximately 90.0% of the total number of Offer Shares initially available under the Share Offer which will be offered by the Company to institutional, professional and/or other investors in Hong Kong. The Placing will involve selective marketing of Offer Shares to institutional, professional, corporate and/or other investors anticipated to have a sizable demand for such Offer Shares in Hong Kong and other jurisdictions in compliance with all relevant and applicable laws governing such share offerings. Allocation of Placing Shares pursuant to the Placing will be effected in accordance with the book-building process described in the sub-section headed "Determination of the Offer Price" in this section and will be solely determined by the Sole Bookrunner and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Shares after the Listing. Such allocation may be made to institutional, professional and corporate investors and is intended to result in a distribution of the Placing Shares on a basis which leads to the establishment of a stable shareholder base to the benefit of our Company and the Shareholders as a whole. If the Sole Bookrunner exercises the Offer Size Adjustment Option in full, the number of Shares being offered in the Placing will increase to 105,000,000 Shares, representing approximately 25.3% of our Company's enlarged issued share capital following the completion of the Share Offer and the exercise of the Offer Size Adjustment Option.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

The Placing is fully underwritten by the Placing Underwriters (subject to the terms and conditions of the Underwriting Agreements and the Offer Price having been fixed by our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters) entering into the Price Determination Agreement on the Price Determination Date or such later date as our Company and the Sole Bookrunner may agree).

OFFER SIZE ADJUSTMENT OPTION

In connection with the Share Offer, we have granted the Offer Size Adjustment Option to the Sole Bookrunner (for itself and on behalf of the Placing Underwriters). Under the Offer Size Adjustment Option, which will be exercisable at any time before 6:00 p.m. on the business day immediately before the date of allotment results announcement with respect to the level of indication of interest in the Placing and the application results and the basis of allotment of the Public Offer Shares, the Sole Bookrunner shall have the right to require the Company to allot and issue at the Offer Price up to an aggregate of 15,000,000 additional new Shares, representing approximately 15% of the Offer Shares initially made available for subscription under the Share Offer. Any such additional Shares may be issued to cover any excess demand in the Placing and in the event that the Offer Size Adjustment Option is exercised, the Sole Bookrunner (for itself and on behalf of the Placing Underwriters) in its sole and absolute discretion may decide to whom and the proportions in which the additional Shares will be allotted. If the Offer Size Adjustment Option is exercised in full, we will be required to issue 15,000,000 additional new Shares, representing approximately 3.6% of the Company's total enlarged number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue and the exercise of the Offer Size Adjustment Option but without taking into account any Shares which may fall to be issued upon the exercise of any option that may be granted under the Share Option Scheme. If the Sole Bookrunner (for itself and on behalf of the Placing Underwriters) decides to exercise the Offer Size Adjustment Option, it will be exercised to cover excess demand in the Placing. The Placing Shares (including any excess demand) will be allocated by the Placing Underwriters prior to the commencement of trading of the Shares on the Stock Exchange.

For the avoidance of doubt, the purpose of the Offer Size Adjustment Option is to provide flexibility for the Sole Bookrunner (for itself and on behalf of the Placing Underwriters) to meet any excess demand in the Placing. The Offer Size Adjustment Option will not be associated with any price stabilisation activities of the Shares in the secondary market after the Listing and will not be subject to the Securities and Futures (Price Stabilising) Rules of the SFO. No purchase of the Shares in the secondary market will be effected to cover any excess demand in the Share Offer which will only be satisfied by the exercise of the Offer Size Adjustment Option in full or in part.

The Company will disclose in its allotment results announcement whether and to what extent the Offer Size Adjustment Option has been exercised, and will confirm in the announcement that, if the Offer Size Adjustment Option is not exercised by that time, then the Offer Size Adjustment Option will have lapsed and cannot be exercised on any future date.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Division of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and the Shares to be issued pursuant to (i) the Share Offer; (ii) the Capitalisation Issue; (iii) the exercise of the Offer Size Adjustment Option; and (iv) the exercise of any options that may be granted under the Share Option Scheme.

No part of the Company's share or loan capital is listed or dealt in on any other stock exchange and no such listing or permission to deal in the Company's Shares as aforesaid is being or proposed to be sought in the near future.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

All necessary arrangements have been made for the Shares to be admitted into CCASS. Subject to the approval of the listing of, and permission to deal in, the Shares on the Stock Exchange and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or, under contingent situation, any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

COMMENCEMENT OF DEALINGS IN THE SHARES

Assuming that the Share Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, 2 October 2013, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, 2 October 2013.

The Shares will be traded in board lots of 4,000 Shares each.

HOW TO APPLY FOR PUBLIC OFFER SHARES

HOW TO APPLY

You may apply for the Public Offer Shares by using either a **WHITE** or **YELLOW** Application Form.

- You may use a **WHITE** Application Form if you want the Public Offer Shares to be registered in your own name.
- You may use a **YELLOW** Application Form if you want the Public Offer Shares to be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

Except where you are a nominee and provide the required information in your application, you or your joint applicant(s) may not make more than one application (whether individually or jointly).

WHO CAN APPLY FOR THE PUBLIC OFFER SHARES

You can apply for the Public Offer Shares on a **WHITE** Application Form or **YELLOW** Application Form if you, or any person(s) for whose benefit you are applying, are an individual, and:

- (a) are 18 years of age or older;
- (b) have a Hong Kong address;
- (c) are not within the United States or a United States person (within the meaning of Regulation S); and
- (d) are not a legal or natural person of the PRC.

If the applicant is a firm, the application must be in the names of the individual members, not the firm's name. If the applicant is a body corporate, the application must be stamped with the company chop (bearing the company name) and signed by a duly authorised officer, who must state his or her representative capacity.

If an application is made by a person duly authorised under a valid power of attorney, our Company and the Sole Sponsor and the Sole Bookrunner or their representative agents or our agent may accept it at our or their discretion, and subject to any conditions as we or they think fit, including production of evidence of the authority of the attorney. Our Company, the Sole Sponsor and the Sole Bookrunner have the sole and absolute discretion to reject or accept any application in full or in part, without assigning any reason.

HOW TO APPLY FOR PUBLIC OFFER SHARES

The number of joint applicants may not exceed four.

Save under the circumstances permitted by the Listing Rules, the Public Offer Shares are not available to any person(s) who:

- are/is an existing beneficial owner of our Shares and/or of our subsidiaries;
- are/is a director of our Company or any of our subsidiaries;
- are/is a Connected Person of our Company or a person who will become a Connected Person of our Company immediately upon completion of the Share Offer;
- are/is an associate of any of the above;
- are/is within the United States or a United States person (within the meaning of Regulation S);
- do/does not have a Hong Kong address;
- are/is a legal or natural person of the PRC; or
- have/has been allocated or will receive any Placing Shares or otherwise participate in the Placing or have/has indicated an interest for the Placing Shares.

WHERE TO COLLECT THE APPLICATION FORMS

- (a) You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 17 September 2013 until 12:00 noon on Monday, 23 September 2013 from:

the following address of the Public Offer Underwriters:

- | | |
|---|--|
| (1) Asian Capital (Corporate Finance) Limited | Suite 1006, Bank of America Tower
12 Harcourt Road, Central
Hong Kong |
| (2) Head & Shoulders Securities Limited | Room 2511, 25th Floor
COSCO Tower
183 Queen's Road Central
Hong Kong |
| (3) Convoy Investment Services Limited | Ground Floor & 1st Floor
Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong |
| (4) Kingsway Financial Services Group Limited | 7th Floor, Tower One, Lippo Centre
89 Queensway, Hong Kong |
| (5) Phillip Securities (Hong Kong) Limited | 11-12th Floor, United Centre
95 Queensway, Hong Kong |
| (6) VC Brokerage Limited | 28th Floor, The Centrium
60 Wyndham Street, Central
Hong Kong |

HOW TO APPLY FOR PUBLIC OFFER SHARES

or any of the following branches of Industrial and Commercial Bank of China (Asia) Limited, one of the receiving bankers for the Public Offer:

District	Branch Name	Branch Address
Hong Kong	Central Branch	1/F., 9 Queen's Road Central
	North Point Branch	G/F, 436-438 King's Road, North Point
Kowloon	Tsimshatsui East Branch	Shop B, G/F., Railway Plaza, 39 Chatham Road South, Tsimshatsui
	Hung Hom Branch	Shop 2A, G/F, Hung Hom Shopping Mall, 2-34E Tak Man Street, Hung Hom
	Kwun Tong Branch	Shop 5 & 6, 1/F, Crocodile Center, 79 Hoi Yuen Road, Kwun Tong
New Territories	Tseung Kwan O Branch	Shop Nos. 2011-2012, Level 2, Metro City, Plaza II, 8 Yan King Road, Tseung Kwan O
	Tai Po Branch	Shop F, G/F, Mee Fat Building, No 34-38 Tai Wing Lane, Tai Po

or any of the following branches of DBS Bank (Hong Kong) Limited, one of the receiving bankers for the Public Offer:

District	Branch Name	Branch Address
Hong Kong	Head Office	G/F, The Center, 99 Queen's Road Central
	Hennessy Road Branch	427-429 Hennessy Road, Causeway Bay
Kowloon	Nathan Road Branch	G/F, Wofoo Commercial Building, 574-576 Nathan Road, Mongkok
	Tsimshatsui Branch	G/F, 22-24 Cameron Road, Tsimshatsui
	Hoi Yuen Road Branch	Unit 2, G/F, Hewlett Centre, 54 Hoi Yuen Road, Kwun Tong

HOW TO APPLY FOR PUBLIC OFFER SHARES

District	Branch Name	Branch Address
New Territories	Yuen Long Branch	G/F, 1-5 Tai Tong Road, Yuen Long
	Shatin Plaza Branch	Shop 47 & 48, Level 1, Shatin Plaza, No. 21-27 Sha Tin Centre Street, Shatin
	Tsuen Wan Branch	G/F, 23 Chung On Street, Tsuen Wan

(b) You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 17 September 2013 to 12:00 noon on Monday, 23 September 2013 from:

- the depository counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong; or
- your stockbroker, who may have such Application Forms and this prospectus available.

During normal business hours from 9:00 a.m. on Tuesday, 17 September 2013 until noon on Monday, 23 September 2013, copies of this printed prospectus will be available for inspection at the respective locations where the **WHITE** Application Forms and **YELLOW** Application Forms are distributed as set out in this section.

HOW TO APPLY USING A WHITE APPLICATION FORM OR YELLOW APPLICATION FORM

(a) Obtain a **WHITE** Application Form or **YELLOW** Application Form.

You should read the instructions in this prospectus and the relevant Application Form carefully. If you do not follow the instructions, your application is liable to be rejected and returned by ordinary post together with the accompanying cheque(s) or banker's cashier order(s) to you (or the first-named applicant in the case of joint applicants) at your own risk to the address stated on your Application Form.

Decide how many Public Offer Shares you want to subscribe. Calculate the amount you must pay on the basis of the maximum Offer Price as stated in the Application Forms, plus brokerage fee of 1%, the Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.003%. The Application Forms have tables showing the exact amount payable for certain numbers of Shares up to 5,000,000 Public Offer Shares (as indicated on the **WHITE** Application Forms and **YELLOW** Application Forms). Your application must be for a minimum of 4,000 Public Offer Shares. Application for more than 4,000 Public Offer Shares must be in one of the numbers of Shares set out in the tables in the respective Application Forms. No application for any other number of Shares will be considered and any such application is liable to be rejected.

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (b) Complete the Application Form in English (save as otherwise indicated) and sign it (and not by way of personal chop).

Only written signatures will be accepted. Applications made by corporations, whether on their own behalf, or on behalf of other persons, must be stamped with the company chop (bearing the company name) and signed by a duly authorised officer, whose representative capacity must be stated. If you are applying for the benefit of someone else, you, rather than that person, must sign the Application Form. If it is a joint application, all applicants must sign it or if your application is made through a duly authorised attorney, our Company, the Sole Sponsor and the Sole Bookrunner, may accept or reject your application at their discretion, and subject to any conditions they think fit, including production of evidence of the authority of your attorney.

- (c) Each Application Form must be accompanied by either one cheque or one banker's cashier order.

If you pay by cheque, the cheque must:

- be in Hong Kong dollars;
- not be post-dated;
- be drawn on your Hong Kong dollar bank account in Hong Kong;
- show your account name, which must either be pre-printed on the cheque, or be endorsed on the back by a person authorised by the bank. This account name must be the same as the name on the Application Form. If it is a joint application, the account name must be the same as the name of the first-named applicant;
- be made payable to "ICBC (Asia) Nominee Limited – Hong Kong Finance Public Offer"; and
- be crossed "Account Payee Only".

Your application is liable to be rejected if your cheque does not meet all these requirements or is dishonored on its first presentation.

If you pay by banker's cashier order, the banker's cashier order must:

- be issued by a licensed bank in Hong Kong and have your name certified on the back by a person authorised by the bank. The name on the back of the banker's cashier order and the name on the Application Form must be the same. If it is a joint application, the name on the back of the banker's cashier order must be the same as the name of the first-named applicant;
- be in Hong Kong dollars;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- not be post-dated;
- be made payable to “ICBC (Asia) Nominee Limited – Hong Kong Finance Public Offer”; and
- be crossed “Account Payee Only”.

Your application is liable to be rejected if your banker’s cashier order does not meet all these requirements.

- (d) Lodge your Application Form in one of the collection boxes by the time and at one of the locations, as respectively referred to above. Multiple or suspected multiple applications are liable to be rejected. Please refer to “How many applications you can make” in this section below.

You should note that by signing the Application Form, among other things:

- (i) you confirm that you have only relied on the information and representations in this prospectus in making your application and not on any other information or representations concerning us except those in any supplement to this prospectus and you agree that neither we, the Sole Sponsor, the Sole Bookrunner, the Underwriters nor any of their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer will have any liability for any such other information or representations not in this prospectus (and any supplement to it);
- (ii) you agree that our Company, the Sole Sponsor, the Sole Bookrunner, the Underwriters, and any of their respective directors, officers, employers, partners, agents or advisers are liable only for the information and representations contained in this prospectus and any supplement thereto;
- (iii) you undertake and confirm that, you (if the application is made for your benefit) or the person(s) for whose benefit you have made this application have not applied for or taken up or indicated an interest in or received or been placed or allocated (including conditionally and/or provisionally) and will not participate in the Placing and will not apply for or take up or indicate any interest in any Placing Shares; and
- (iv) you agree to disclose to us, the Hong Kong Branch Share Registrar, the receiving banker, the Sole Sponsor, the Sole Bookrunner, the underwriters, and/or their respective advisers and agents the personal data and any information which they require about you or the person(s) for whose benefit you have made this application.

In order for the **YELLOW** Application Forms to be valid:

You, as the applicant(s), must complete the form in English as indicated below and sign on the first page of the application form. Only written signatures will be accepted (and not by way of personal chop).

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (i) If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant):
- the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its CCASS Participant I.D. in the appropriate box.
- (ii) If you are applying as an individual CCASS Investor Participant:
- you must fill in your name and your Hong Kong identity card number; and
 - you must insert your CCASS Participant I.D. in the appropriate box.
- (iii) If you are applying as a joint individual CCASS Investor Participant:
- you must insert all joint CCASS Investor Participants' names and the Hong Kong identity card numbers of all the joint CCASS Investor Participants; and
 - you must insert your CCASS Participant I.D. in the appropriate box.
- (iv) If you are applying as a corporate CCASS Investor Participant:
- you must insert your company name and your company's Hong Kong business registration number; and
 - you must fill in your CCASS Participant I.D. and stamp your company chop (bearing your company name) in the appropriate box.

Incorrect or omission of details of the CCASS Participant (including CCASS Participant I.D. and/or company chop bearing its company name) or other similar matters may render the application invalid.

If your application is made through a duly authorised attorney, we, the Sole Sponsor and the Sole Bookrunner, as our agent, may accept or reject your application at their discretion, and subject to any conditions we think fit, including evidence of the authority of your attorney. We, the Sole Sponsor and the Sole Bookrunner, in the capacity as our agent, will have full discretion to reject or accept any application, in full or in part, without assigning any reason.

Nominees who wish to submit separate applications in their names on behalf of different beneficial owners are requested to designate on each Application Form in the box marked "For nominees" an identification number for each beneficial owner.

WHEN TO APPLY FOR THE PUBLIC OFFER SHARES

WHITE Application Forms or YELLOW Application Forms

Completed **WHITE** Application Forms or **YELLOW** Application Forms, with payment attached, must be lodged by 12:00 noon on Monday, 23 September 2013, or, if the application lists are not open on that day, by the time and date stated in "Effect of bad weather conditions on the opening of the application lists" below.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Your completed **WHITE** Application Forms or **YELLOW** Application Form, with payment attached, should be deposited in the special collection boxes provided at any of the branches of the receiving bankers listed in “Where to collect the Application Forms” above, at the following times:

Tuesday, 17 September 2013	–	9:00 a.m. to 5:00 p.m.
Wednesday, 18 September 2013	–	9:00 a.m. to 5:00 p.m.
Thursday, 19 September 2013	–	9:00 a.m. to 5:00 p.m.
Saturday, 21 September 2013	–	9:00 a.m. to 1:00 p.m.
Monday, 23 September 2013	–	9:00 a.m. to 12:00 noon

Application lists

The application lists will be opened from 11:45 a.m. to 12:00 noon on Monday, 23 September 2013, except as provided in “Effect of bad weather conditions on the opening of the application lists” below. No proceedings will be taken on applications for the Public Offer Shares and no allocation of any such Shares will be made earlier than Monday, 23 September 2013.

Effect of bad weather conditions on the opening of the application lists

The application lists will be opened between 11:45 a.m. and 12:00 noon on Monday, 23 September 2013, subject only to weather conditions. If there is a “black” rainstorm warning signal or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 23 September 2013, the application lists will not open or close on that day. Instead, they will open between 11:45 a.m. and 12:00 noon on the next business day which does not fall within the above circumstances at any time between 9:00 a.m. and 12:00 noon in Hong Kong.

Personal Data

The section of the Application Forms headed “Personal data” applies to any personal data held by us, the Sole Sponsor, the Sole Bookrunner, the Hong Kong Branch Share Registrar, the receiving bankers, our advisers, and our agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

HOW MANY APPLICATIONS YOU CAN MAKE

- (i) You may make more than one application for the Public Offer Shares only if you are a nominee, in which case you may make an application as a nominee by lodging more than one Application Form in your own name on behalf of different beneficial owners. In the box on the Application Form marked “For nominees” you must include:
- an account number; or

HOW TO APPLY FOR PUBLIC OFFER SHARES

- another identification number;

for each beneficial owner. If you do not include this information, the application will be treated as being for your benefit.

Otherwise, multiple applications or suspected multiple applications are liable to be rejected. It will be a term and condition of all applications that by completing and delivering an Application Form, you:

- (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** Application Form or **YELLOW** Application Form by you or by any one as your agent or by any other person; and
 - (if you are making an application as an agent for the benefit of another person) warrant that no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** Application Form or **YELLOW** Application Form, and that you are duly authorised to sign the Application Form on behalf of that other person as their agent.
- (ii) All of your applications under the Share Offer are liable to be rejected as multiple applications if you, or you and your joint applicant(s) together:
- make more than one application (whether individually or jointly) on a **WHITE** Application Form or **YELLOW** Application Form;
 - apply both (whether individually or jointly) on one **WHITE** Application Form and one **YELLOW** Application Form;
 - apply on one **WHITE** Application Form or **YELLOW** Application Form (whether individually or jointly with others) to apply for more than 5,000,000 Public Offer Shares (being the total number of the Public Offer Shares initially being offered for subscription by the public); or
 - have applied for or taken up any Placing Shares under the Placing or otherwise participated in the Placing or indicated an interest for, or have been or will be placed (including conditionally and/or provisionally) any Placing Shares under the Placing.
- (iii) All of your applications are liable to be rejected as multiple applications if more than one application is made for your benefit. If an application is made by an unlisted company and: (i) the principal business of that company is dealing in securities; and (ii) you exercise statutory control over that company, then the application will be treated as being made for your benefit. Unlisted company means

HOW TO APPLY FOR PUBLIC OFFER SHARES

a company with no equity securities listed on the Stock Exchange. Statutory control in relation to a company means you: (i) control the composition of the board of directors of that company; or (ii) control more than half of the voting power of that company; or (iii) hold more than one-half of the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

HOW MUCH YOU HAVE TO PAY FOR THE PUBLIC OFFER SHARES

The maximum Offer Price is set out in the Application Forms. You must also pay a brokerage fee of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.003%. The Application Forms have tables showing the exact amount payable for certain numbers of Shares up to 5,000,000 Public Offer Shares. Your application must be for a minimum of 4,000 Public Offer Shares. Applications must be in one of the numbers set out in the tables. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

You must pay the maximum Offer Price, brokerage fee of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.003% in full when you apply for the Public Offer Shares. You must pay the amount payable upon application for the Public Offer Shares by a cheque or a banker's cashier order in accordance with the terms set out in the Application Form if you apply for the Public Offer Shares using the Application Forms.

If your application is successful, brokerage fee is paid to the participants of the Stock Exchange or the Stock Exchange (as the case may be), the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (which collect the SFC transaction levy on behalf of the SFC).

If the Offer Price, as finally determined, is lower than the maximum Offer Price, our Company will refund the specific difference, including the brokerage fee, Stock Exchange trading fee and SFC transaction levy attributable to the surplus application monies. Our Company will not pay interest on any refunded amounts. Further details for refund are set out in "Despatch/Collection of Share Certificates and Refund Monies" below.

RESULTS OF ALLOCATIONS

The results of allocations of the Public Offer Shares under the Public Offer, including applications made under **WHITE** Application Forms and **YELLOW** Application Forms, which will include the Hong Kong Identity Card numbers, passport numbers or Hong Kong business registration numbers of successful applicants and the number of the Public Offer Shares successfully applied for will be made available at the times and dates and in the manner specified below:

- results of allocations for the Public Offer will be available from our Company's website at www.hkfinance.hk and (you should note that our website and all information contained therein does not form part of this prospectus) the Stock Exchange's website at www.hkexnews.hk by no later than 9:00 a.m. on Monday, 30 September 2013;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- results of allocations for the Public Offer will also be available from the website at www.tricor.com.hk/ipo/result on a 24-hour basis from 8:00 a.m. on Monday, 30 September 2013 to 12:00 midnight on Thursday, 3 October 2013. The user will be required to key in the Hong Kong Identity Card/passport/Hong Kong business registration number provided in his/her/its application to search for his/her/its own allocation result;
- results of allocations will be available from our Public Offer allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of Public Offer Shares allocated to them, if any, by calling 3691-8488 between 9:00 a.m. and 6:00 p.m. from Monday, 30 September 2013 to Thursday, 3 October 2013 (excluding Saturday, Sunday and Public Holiday); and
- special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual branches and sub-branches on Monday, 30 September 2013, Wednesday, 2 October 2013 and Thursday, 3 October 2013 at all the receiving bankers' branches at the addresses set out in "Where to Collect the Application Forms" above.

DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application but, subject as mentioned below, in due course there will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- (i) for applicants on **WHITE** Application Forms:
 - (A) Share certificate(s) for all the Public Offer Shares applied for, if the application is wholly successful; or
 - (B) Share certificate(s) for the number of Public Offer Shares successfully applied for, if the application is partially successful (except for wholly successful and partially successful applicants on **YELLOW** Application Forms whose Share certificates will be deposited into CCASS as described below); and
- (ii) for applicants on **WHITE** Application Forms and **YELLOW** Application Forms, refund cheque(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for:
 - (A) the surplus application monies for the Public Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; or
 - (B) all the application monies, if the application is wholly unsuccessful; and/or

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (C) the difference between the Offer Price and the initial price per Offer Share paid on application in the event that the Offer Price is less than the initial price per Offer Share paid on application,

in each case including brokerage fee of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.003% but without interest.

Part of your Hong Kong Identity Card number/passport number, or, if you are joint applicants, part of the Hong Kong Identity Card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data could also be transferred to third parties for refund purpose. Your banker may require verification of your Hong Kong Identity Card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong Identity Card number/passport number may lead to delay in encashment of, or may invalidate, your refund cheque.

Share certificates will only become valid certificates of title at 8:00 a.m. on the Listing Date provided that the Share Offer has become unconditional in all respects and the right of termination described in paragraph headed "Grounds for termination" under the section headed "Underwriting" in this prospectus has not been exercised.

Investors who trade or deal in the Shares prior to the receipt of Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.

Subject to personal collection as mentioned below, refund cheques for surplus application monies (if any) in respect of wholly and partially unsuccessful applications under the **WHITE** Application Forms or **YELLOW** Application Forms and Share certificates for successful applicants under the **WHITE** Application Form are expected to be posted on or before Monday, 30 September 2013. The right is reserved to retain any Share certificates and any surplus application monies pending clearance of payments.

(i) **If you apply using a WHITE Application Form:**

If you apply for 1,000,000 Public Offer Shares or more and you have elected on your **WHITE** Application Form to collect your refund cheque(s) (where applicable) and/or Share certificate(s) (where applicable) in person, you may collect your refund cheque(s) (where applicable) and/or Share certificate(s) (where applicable) from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 30 September 2013. If you are an individual, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your company chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to Tricor Investor Services Limited. If you do not collect your refund cheque(s) and Share certificate(s) within the time period specified for collection, they will be despatched promptly thereafter to you by ordinary post to the address as specified in your Application Form at your own risk.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If you apply for less than 1,000,000 Public Offer Shares or, if you apply for 1,000,000 Public Offer Shares or more but have not indicated on your Application Form that you will collect your refund cheque(s) (where applicable) and your Share certificates (where applicable) in person, your Share certificate(s) (where applicable) and/or refund cheque(s) (where applicable) are expected to be posted on or before Monday, 30 September 2013 to the address on your Application Form by ordinary post at your own risk.

(ii) **If you apply using a YELLOW Application Form:**

If you apply for the Public Offer Shares using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you in your Application Form on Monday, 30 September 2013, or under a contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant), for the Public Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant, we expect to publish the results of CCASS Investor Participants' applications together with the results of the Public Offer on our own website and in special allocation results booklets which are available for inspection during opening hours of the branches or sub-branches of the receiving bankers on Monday, 30 September 2013, Wednesday, 2 October 2013 and Thursday, 3 October 2013. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 30 September 2013 or such other date as will be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your stock account.

If you apply for 1,000,000 Public Offer Shares or more and you have elected on your Application Form to collect your refund cheque (where applicable) in person, please follow the same instructions as those for **WHITE** Application Form applicants as described above.

If you have applied for 1,000,000 Public Offer Shares or above and have not indicated on your Application Form that you will collect your refund cheque(s) (if any) in person, or if you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) (if any) are expected to be posted on or before Monday, 30 September 2013 to the address on your Application Form by ordinary post and at your own risk.

HOW TO APPLY FOR PUBLIC OFFER SHARES

CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES

Full details of the circumstances in which you will not be allotted Shares are set out in the notes attached to the Application Forms, and you should read them carefully. You should note the following situations in which the Public Offer Shares will not be allocated to you or your application is liable to be rejected:

(i) If your application is revoked:

By completing and submitting an Application Form, you agree that your application is irrevocable until after the expiration of the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company, and will become binding when you lodge your Application Form. This collateral contract will be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person on or before the expiration of the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) except by means of one of the procedures referred to in this prospectus.

Your application may only be revoked if on or before the expiration of the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

If any supplement to this prospectus is issued, applicant(s) who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press and relevant websites of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the allotment of Public Offer Shares is void:

The allotment of the Public Offer Shares to you or to HKSCC Nominees (if you apply by a **YELLOW** Application Form) will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing of the applications lists; or

HOW TO APPLY FOR PUBLIC OFFER SHARES

- within a longer period of up to six weeks if the Listing Committee of the Stock Exchange notifies our Company of that longer period within three weeks of the closing of the application lists.

(iii) If you make applications under the Public Offer as well as the Placing:

You or the person whose benefits you apply for have taken up or indicated an interest or applied for or received or have been or will be placed or allocated (including conditionally and/or provisionally) Shares in the Placing. On the other hand, by filling in any of the Application Forms, you agree not to apply for Placing Shares under the Placing.

Reasonable steps will be taken to identify and reject applications under the Public Offer from investors who have received Placing Shares, and to identify and reject indications of interest in the Placing from investors who have received the Public Offer Shares in the Public Offer.

(iv) If our Company, the Sole Sponsor and the Sole Bookrunner or their respective agents exercise their discretion:

Our Company, the Sole Sponsor and the Sole Bookrunner have full discretion to reject or accept any application, or to accept only part of any application, without having to give any reasons for any rejection or acceptance.

(v) If your application is rejected or not be accepted under the circumstances:

- your application is a multiple or a suspected multiple application;
- your Application Form is not completed correctly in accordance with the instructions as stated in the Application Form;
- your payment is not made correctly or you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonored on its first presentation;
- you or the person for whose benefit you are applying have applied for and/or received or will receive Placing Shares under the Placing;
- we believe that accepting your application would violate the applicable securities or other laws, rules or regulations of the jurisdiction in which your application is received or your address is located; or
- the Underwriting Agreements do not become unconditional or is terminated in accordance with their terms.

REFUND OF APPLICATION MONIES

If you do not receive any Public Offer Shares for any of, but not limited to, the above reasons, our Company will refund your application monies, including brokerage fee, SFC transaction levy and Stock Exchange trading fee. No interest will be paid thereon.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If your application is accepted only in part, we will refund to you the appropriate portion of your application monies (including the related brokerage fee, SFC transaction levy and Stock Exchange trading fee) without interest.

If the Offer Price as finally determined is less than HK\$1.03 per Share (excluding brokerage fee, SFC transaction levy and Stock Exchange trading fee thereon) paid on application, our Company will refund to you the surplus application monies, together with the related brokerage fee of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% attributable to the surplus application monies, without interest.

All such interest accrued prior to the date of despatch of refund monies will be retained for the benefit of our Company.

In a contingency situation involving a substantial over-subscription, at the discretion of the Sole Sponsor and the Sole Bookrunner on behalf of the Public Offer Underwriters, after consultation with our Company, cheques for applications made on Application Forms for certain small denominations of the Public Offer Shares (apart from successful applications) may not be cleared.

Refund of your application monies (if any) is expected to be made on or before Monday, 30 September 2013 in accordance with the various arrangements as described above.

COMMENCEMENT OF DEALINGS IN THE SHARES

- Dealings in the Shares on the Stock Exchange are expected to commence on Wednesday, 2 October 2013.
- The Shares will be traded in board lots of 4,000 each. The stock code of the Shares is 1273.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

- If the Stock Exchange grants the listing of, and permission to deal in the Shares and our Company comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date HKSCC chooses.
- Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.
- All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.
- Investors should seek advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements will affect their rights and interests.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

17 September 2013

The Directors
Hong Kong Finance Group Limited

Asian Capital (Corporate Finance) Limited

Dear Sirs,

We report on the financial information of Hong Kong Finance Group Limited (the "Company") and its subsidiaries (together, the "Group"), which comprises the combined statements of financial position as at 31 March 2011, 2012 and 2013, the statement of financial position of the Company as at 31 March 2013, and the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the years ended 31 March 2011, 2012 and 2013 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of the Company and is set out in Sections I to III below for inclusion in Appendix I to the prospectus of the Company dated 17 September 2013 in connection with the initial listing of shares of the Company on the Main Board of the Stock Exchange of Hong Kong Limited.

The Company was incorporated in the Cayman Islands on 6 February 2013 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation as described in Note 2 of Section II headed "Group Reorganisation" below, which was completed on 9 September 2013, the Company became the holding company of the subsidiaries now comprising the Group (the "Reorganisation").

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in Note 2 of Section II below. All of these companies are private companies or, if incorporated outside Hong Kong, have substantially the same characteristics as a Hong Kong incorporated private company.

*PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

No audited financial statements have been prepared by the Company as it is newly incorporated and has not involved in any significant business transactions since its date of incorporation, other than the Reorganisation. The audited financial statements of the other companies now comprising the Group as at the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their place of incorporation. The details of the statutory auditors of these companies are set out in Note 2 of Section II.

The directors of the Company have prepared the combined financial statements of the Company and its subsidiaries now comprising the Group for the Relevant Periods, in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) (the “Underlying Financial Statements”). The directors of the Company are responsible for the preparation of the Underlying Financial Statements that gives a true and fair view in accordance with HKFRSs. We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing (the “HKSAAs”) issued by the HKICPA pursuant to separate terms of engagement with the Company.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustments made thereon, and on the basis set out in Note 3 of Section II below.

Directors’ Responsibility for the Financial Information

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with the basis of presentation set out in Note 3 of Section II below and in accordance with HKFRSs, and for such internal control as the directors determine is necessary to enable the preparation of 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 financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA.

Opinion

In our opinion, the financial information gives, for the purpose of this report and presented on the basis set out in Note 3 of Section II below, a true and fair view of the state of affairs of the Company as at 31 March 2013 and of the combined state of affairs of the Group as at 31 March 2011, 2012 and 2013 and of the Group’s combined results and cash flows for the Relevant Periods then ended.

(I) FINANCIAL INFORMATION OF THE GROUP

The following is the financial information of the Group prepared by the directors of the Company as at 31 March 2011, 2012 and 2013, and for each of the years ended 31 March 2011, 2012 and 2013 (the "Financial Information"), presented on the basis set out in Note 3 of Section II below.

(A) COMBINED STATEMENTS OF FINANCIAL POSITION

	<i>Note</i>	As at 31 March		
		2011 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
ASSETS				
Non-current assets				
Property, plant and equipment	8	51,168	51,967	66,165
Investment properties	9	76,704	78,183	70,770
Loans receivable	11	20,361	16,051	16,653
Total non-current assets		<u>148,233</u>	<u>146,201</u>	<u>153,588</u>
Current assets				
Loans receivable	11	201,912	270,421	300,135
Interest receivables	12	2,977	6,799	6,315
Prepayments, deposits and other receivables	13	734	346	781
Amount due from a fellow subsidiary	30(b)(i)	70	–	–
Amounts due from related companies	30(b)(ii)	8,882	–	–
Pledged bank deposit	14	5,205	5,208	–
Cash and cash equivalents	15	516	273	2,551
Total current assets		<u>220,296</u>	<u>283,047</u>	<u>309,782</u>
Total assets		<u><u>368,529</u></u>	<u><u>429,248</u></u>	<u><u>463,370</u></u>

		As at 31 March		
	<i>Note</i>	2011	2012	2013
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
EQUITY				
Capital and reserves				
attributable to the				
Company's equity holders				
Combined capital	16	10,020	60,030	100,040
Retained earnings		<u>84,697</u>	<u>118,519</u>	<u>145,333</u>
Total equity		<u>94,717</u>	<u>178,549</u>	<u>245,373</u>
LIABILITIES				
Current liabilities				
Trade and other payables	18	1,217	2,105	12,053
Amount due to a fellow subsidiary	30(b)(i)	75,679	70,037	15,699
Amounts due to related companies	30(b)(ii)	4,742	–	–
Amounts due to directors	30(b)(iii)	13,333	–	–
Tax payable		2,256	2,788	2,575
Bank and other borrowings	19	<u>172,689</u>	<u>171,854</u>	<u>183,838</u>
Total current liabilities		<u>269,916</u>	<u>246,784</u>	<u>214,165</u>
Non-current liabilities				
Deferred income tax liabilities	20	<u>3,896</u>	<u>3,915</u>	<u>3,832</u>
Total non-current liabilities		<u>3,896</u>	<u>3,915</u>	<u>3,832</u>
Total liabilities		<u>273,812</u>	<u>250,699</u>	<u>217,997</u>
Total equity and liabilities		<u>368,529</u>	<u>429,248</u>	<u>463,370</u>
Net current (liabilities)/assets		<u>(49,620)</u>	<u>36,263</u>	<u>95,617</u>
Total assets less current liabilities		<u>98,613</u>	<u>182,464</u>	<u>249,205</u>

(B) STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	<i>Note</i>	As at 31 March 2013 HK\$'000
EQUITY		
Equity attributable to the equity holders of the Company		
Share capital	<i>16</i>	–
Accumulated losses		<u>(6)</u>
Total equity		<u>(6)</u>
Current liability		
Amount due to a subsidiary	<i>17</i>	<u>6</u>
Total liability		<u><u>6</u></u>
Total equity and liabilities		<u><u>–</u></u>
Net current liabilities		<u><u>(6)</u></u>
Total assets less current liabilities		<u><u>(6)</u></u>

(C) COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	<i>Note</i>	Year ended 31 March		
		2011	2012	2013
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	21	34,749	57,166	66,420
Other income	21	2,608	2,386	2,032
Fair value gains on revaluation of investment properties	9	11,508	6,629	7,950
Administrative expenses	22	(8,315)	(15,349)	(24,567)
Finance costs	24	(5,618)	(11,041)	(9,469)
Profit before income tax		34,932	39,791	42,366
Income tax expense	25	(3,794)	(5,969)	(6,552)
Profit and total comprehensive income for the year attributable to equity holders of the Company		<u>31,138</u>	<u>33,822</u>	<u>35,814</u>
Earnings per share for profit attributable to equity holders of the Company – Basic and diluted	26	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Dividend	27	<u>–</u>	<u>–</u>	<u>9,000</u>

(D) COMBINED STATEMENTS OF CHANGES IN EQUITY

	<i>Note</i>	Combined capital HK\$'000	Retained earnings HK\$'000	Total HK\$'000
Balance at 1 April 2010		10,020	53,559	63,579
Comprehensive income				
Profit for the year		—	31,138	31,138
Balance at 31 March 2011		<u>10,020</u>	<u>84,697</u>	<u>94,717</u>
Balance at 1 April 2011		10,020	84,697	94,717
Comprehensive income				
Profit for the year		—	33,822	33,822
Transactions with owners				
Contributions from owner	<i>16</i>	<u>50,010</u>	—	<u>50,010</u>
Balance at 31 March 2012		<u>60,030</u>	<u>118,519</u>	<u>178,549</u>
Balance at 1 April 2012		60,030	118,519	178,549
Other comprehensive income				
Profit for the year		—	35,814	35,814
Transactions with owners				
Dividend declared	<i>27</i>	—	(9,000)	(9,000)
Contributions from owner	<i>16</i>	<u>40,010</u>	—	<u>40,010</u>
Balance at 31 March 2013		<u>100,040</u>	<u>145,333</u>	<u>245,373</u>

(E) COMBINED STATEMENTS OF CASH FLOWS

	<i>Note</i>	Year ended 31st March		
		2011 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Cash flows from operating activities				
Cash (used in)/generated from operations	28	(21,087)	14,278	2,545
Interest paid		(5,618)	(11,041)	(9,469)
Hong Kong profits tax paid		(3,819)	(5,418)	(6,848)
Net cash used in operating activities		<u>(30,524)</u>	<u>(2,181)</u>	<u>(13,772)</u>
Cash flows from investing activities				
Purchase of property, plant and equipment		(29,024)	(2,395)	(1,154)
Proceeds received on disposal of property, plant and equipment		243	–	–
Proceeds received on disposal of investment properties		28,000	5,150	–
Interest received		5	21	12
Net cash (used in)/generated from investing activities		<u>(776)</u>	<u>2,776</u>	<u>(1,142)</u>
Cash flows from financing activities				
Repayment of bank and other borrowings		(104,039)	(26,885)	(111,357)
Proceeds from new bank and other borrowings		135,545	26,050	123,341
(Increase)/decrease in pledged bank deposit		(5)	(3)	5,208
Net cash generated from/(used in) financing activities		<u>31,501</u>	<u>(838)</u>	<u>17,192</u>
Net increase/(decrease) in cash and cash equivalents				
Cash and cash equivalents at beginning of the year		315	516	273
Cash and cash equivalents at end of the year	15	<u>516</u>	<u>273</u>	<u>2,551</u>

(II) NOTES TO THE FINANCIAL INFORMATION**1 GENERAL INFORMATION**

The Company was incorporated in the Cayman Islands on 6 February 2013 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised), of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries now comprising the Group (the "Group") are principally engaged in money lending business of providing property mortgage loans in Hong Kong (the "Listing Business").

The ultimate holding company of the Company is Tin Ching Holdings Limited ("Tin Ching"), a company incorporated in the British Virgin Islands ("BVI") on 10 July 1996.

2 GROUP REORGANISATION

In preparation of the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited, Tin Ching underwent a group reorganisation (the "Reorganisation"), pursuant to which the companies engaged in the Listing Business were transferred to the Company. The Reorganisation involved the following:

- (a) On 6 February 2013, HKF Overseas Limited ("HKF Overseas") was incorporated in the BVI with limited liability with 50,000 authorised ordinary shares without par value. Upon incorporation, 10 shares, representing 100% of total issued shares of HKF Overseas, were allotted and issued to Tin Ching for cash at US\$1 per share.
- (b) On 6 February 2013, the Company was incorporated in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 per share. 1 new share was issued to initial subscriber who on 6 February 2013 transferred to Tin Ching. On 12 March 2013, 999,999 new shares were issued as nil paid to Tin Ching and subsequently credited as fully paid-up at par value as described under paragraph (f) below.
- (c) On 4 September 2013, the Company increased its authorised share capital to HK\$100,000,000 by the creation of additional 9,962,000,000 shares of HK\$0.01 each.
- (d) On 9 September 2013, Tin Ching transferred its 100% shareholding in Max Art Limited, Asia Ford Investment Limited and Oriental Credit (H.K.) Limited, as well as 99.9% and 99% shareholding in Hong Kong Finance Company Limited and Charterfame Investment Limited, respectively, to HKF Overseas (the "First Transfer") by means of share swap.
- (e) On 9 September 2013, Nitto International Development Limited transferred its 0.1% and 1% shareholding in Hong Kong Finance Company Limited and Charterfame Investment Limited, respectively, to HKF Overseas (the "Second Transfer") by means of share swap. The consideration for the First Transfer and Second Transfer was satisfied by the allotment and issue of an aggregate of 9,990 new shares in HKF Overseas to Tin Ching.
- (f) On 9 September 2013, the Company and Tin Ching entered into a share swap agreement, where the Company acquired the entire issued share capital in HKF Overseas from Tin Ching for consideration of (i) crediting the 1,000,000 shares as in (b) above as fully paid at par value; and (ii) the allotment and issue of 1,000,000 new shares in the Company, credited as fully paid at par value to Tin Ching on 9 September 2013.

Upon the completion of the Reorganisation and as at the date of this report, the Company had direct or indirect interests in the following subsidiaries:

Name of subsidiary	Date of incorporation	Place of incorporation	Issued and fully paid up share capital/ registered capital	Effective interest held by the Company	Principal activities	Name of statutory auditor		
						2011	2012	2013
Directly held:								
HKF Overseas Limited	6 February 2013	British Virgin Islands	10,000 shares of US\$1 each with no par value	100%	Investment holding	N/A	N/A	N/A
Indirectly held:								
Asia Ford Investment Limited	21 May 1999	Hong Kong	10,000 shares of HK\$1 each	100%	Property investment holding	(b)	(b)	(a)
Charterfame Investment Limited	5 March 1996	Hong Kong	10,000 shares of HK\$1 each	100%	Property investment holding	(c)	(c)	(a)
Hong Kong Finance Company Limited	9 December 1996	Hong Kong	100,000,000 shares of HK\$1 each	100%	Money lending	(a)	(a)	(a)
Max Art Limited	18 November 2011	Hong Kong	10,000 shares of HK\$1 each	100%	Advertising agency	N/A	N/A	(a)
Oriental Credit (Hong Kong) Limited	3 September 2012	Hong Kong	10,000 shares of HK\$1 each	100%	Inactive	N/A	N/A	N/A

All companies now comprising the Group have adopted 31 March as the financial year end date, except for Asia Ford Investment Limited, which presented audited financial statements for the year ended 28 February 2011, the thirteen months ended 31 March 2012 and year ended 31 March 2013 during the Relevant Periods.

Notes:

- (a) PricewaterhouseCoopers, Certified Public Accountants, Hong Kong.
- (b) East Asia Sentinel Limited, Certified Public Accountants, Hong Kong.
- (c) GDT CPA Limited, Certified Public Accountants, Hong Kong.

(N/A) No audited financial statements have been issued as these companies are newly incorporated and are not yet subject to statutory audit requirement, or there is no statutory audit requirement in the place of incorporation of the company.

3 BASIS OF PRESENTATION

Immediately prior to and after the Reorganisation, the Listing Business is held by Tin Ching. The Listing Business is mainly conducted through Hong Kong Finance Company Limited. Pursuant to the Reorganisation, the Listing Business are transferred to and held by the Company. The Company has not been involved in any business prior to the Reorganisation and does not meet the definition of a business. The Reorganisation is merely a reorganisation of the Listing Business with no change in management of such business and the ultimate holding company remain the same. Accordingly, the combined financial information of the companies now comprising the Group is presented using the carrying value of the Listing Business under the ultimate holding company for all the periods presented. For the purpose of this report, the Financial Information of the Group has been prepared on a basis in accordance with the principles of the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by HKICPA.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and under the historical cost convention, as modified by revaluation of investment properties, which are carried at fair value.

4.1 BASIS OF PREPARATION

The preparation of Financial Information 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 Financial Information are disclosed in note 6.

As of the date of this report, certain new standards and amendments to existing standards have been published by the HKICPA, but are not effective for the financial year beginning on or before 1 April 2013 and have not been early adopted. Those that are relevant to the Group are as follows:

- Amendment to HKAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. This amendment is not expected to have significant impact to the Group.
- HKFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs. This new standard is not expected to have significant impact to the Group.
- HKAS 19, 'Employee benefits', was amended in June 2011. The amendment is as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). This amendment is not expected to have significant impact to the Group.
- HKFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. HKFRS 9 was issued in November 2009 and October 2010. It replaces the parts of HKAS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. Management is currently assessing the impact of these new standards and amendments to existing standards but is not yet in a position to state whether they will have a significant impact to the Group's results of operations and financial position.
- HKFRS 10, 'Consolidated financial statements', builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. This new standard is not expected to have significant impact to the Group.

4.2 CONSOLIDATION

4.2.1 Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise from circumstances such as enhanced minority rights or contractual terms between shareholders, etc.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

4.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also 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 dividends 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 combined financial statements of the investee's net assets including goodwill.

4.3 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the entities now comprising the Group that makes strategic decisions.

4.4 FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

Items included in the Financial Information 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'). The Financial Information are presented in Hong Kong dollars ("HK\$"), which is the Company's functional and the Group's presentation currency.

4.5 PROPERTY, PLANT AND EQUIPMENT

Land and buildings comprise mainly offices and residential property for a director. Leasehold land classified as finance lease and all other 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 recognised 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 derecognised. All other repairs and maintenance are charged to the combined statements of comprehensive income during the financial 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:

– Land and buildings	40-50 years
– Office equipment	4 years
– Furniture and fixtures	4 years
– Leasehold improvement	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 4.7).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the combined statements of comprehensive income.

4.6 INVESTMENT PROPERTY

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the combined statements of comprehensive income as "fair value gains/(losses) on revaluation of investment properties".

4.7 IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised 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 to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

4.8 FINANCIAL ASSETS

The Group classifies its financial assets into loans and receivables. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise loans receivable, amount due from a fellow subsidiary, amounts due from related companies, interest receivables, deposits and other receivables and cash and cash equivalents in the combined statements of financial position (notes 4.11, 4.12, 4.13 and 4.14).

Regular way purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

4.9 OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount reported in the combined statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

4.10 IMPAIRMENT OF FINANCIAL ASSETS AT AMORTISED COST

For assets carried at amortised costs, the Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- (a) Significant financial difficulty of the borrower;
- (b) A breach of contract, such as a default or delinquency in interest or principal payments;
- (c) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- (d) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- (e) The disappearance of an active market for that financial asset because of financial difficulties; or
- (f) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - (i) adverse changes in the payment status of borrowers in the portfolio;
 - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the combined statements of comprehensive income.

4.11 LOANS RECEIVABLE

Loans receivable are mainly property mortgage loans granted to customers in the ordinary course of business. If collection of loans receivable is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Loans receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

4.12 INTEREST RECEIVABLES

Interest receivables are mainly interests derived from property mortgage loans granted to customers in the ordinary course of business. If collection of other receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Interest receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

4.13 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Prepayments, deposits and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

4.14 CASH AND CASH EQUIVALENTS

In the combined statements of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are included in cash and cash equivalents for the purpose of the combined statements of cash flows if the bank overdrafts form an integral part of the Group's cash management. In the combined statements of financial position, bank overdrafts are shown within "Bank and other borrowings" in current liabilities.

4.15 TRADE AND OTHER PAYABLES

Trade payables are obligations to pay for services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

4.16 BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the combined statements of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan 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 capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

4.17 BORROWING COSTS

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4.18 CURRENT AND DEFERRED INCOME TAX

The tax expense for the period comprises current tax and deferred tax. Tax is recognised in the combined statements of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

(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*Inside basis differences*

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the combined financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. 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 realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

4.19 EMPLOYEE BENEFITS**(a) Employee leave entitlements**

Employee entitlements to annual leave are recognised 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 end of reporting date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Pension obligations

For employees in Hong Kong, the Group has a defined contribution plan. The Group pays contributions to trustee-administered pension funds on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employment costs when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

4.20 PROVISIONS

Provisions are recognised 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 recognised 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 recognised 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 recognised as interest expense.

4.21 REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Group's activities.

The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the group's activities, as described below.

(a) Interest income

Interest income is recognised and accrued using the effective interest method. When a loan and receivable 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 loan and receivables are recognised using the original effective interest rate.

(b) Rental income

Rental income from investment properties is recognised in the combined statements of comprehensive income on a straight-line basis over the period of the lease.

4.22 LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the combined statements of comprehensive income on a straight-line basis over the period of the lease.

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

4.23 COMBINED 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.

4.24 DIVIDEND DISTRIBUTION

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's Financial Information in the period in which the dividends are approved by the Company's shareholders.

4.25 FINANCIAL GUARANTEE CONTRACTS

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of subsidiaries or associates to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms, and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the company's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance

with HKAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by management's judgement. The fee income earned is recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the combined statements of comprehensive income within other operating expenses.

5 FINANCIAL RISK MANAGEMENT

5.1 FINANCIAL RISK FACTORS

The Group's activities expose it to various types of financial risks: market risk (including cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk – Cash flow and fair value interest rate risk

The Group's interest rate risk arises from its bank and other borrowings (note 19) and an amount due to a fellow subsidiary (note 30(b)(i)). Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Substantially all the Group's borrowings were issued at floating rates and the Group has not used any interest rate swaps to hedge its exposure to interest-rate risk. The Group manages its cash flow and fair value interest rate risk mainly by adjusting the interest rates on loans granted to customers.

As at 31 March 2011, 2012 and 2013, if market interest rates had been 1% higher/lower with all other variables held constant, post-tax profit for the years ended 31 March 2011, 2012 and 2013 would have been HK\$1,442,000, HK\$1,393,000 and HK\$1,535,000 lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

The Group's credit risk arises from cash and cash equivalents, pledged bank deposit, loans receivable, interest receivables, deposits and other receivables, an amount due from a fellow subsidiary, amounts due from related companies and financial guarantee contracts. 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:

	31 March		
	2011	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loans receivable (<i>Note 11</i>)	222,273	286,472	316,788
Interest receivables (<i>Note 12</i>)	2,977	6,799	6,315
Deposits and other receivables (<i>Note 13</i>)	167	346	444
Amount due from a fellow subsidiary (<i>Note 30(b)(i)</i>)	70	–	–
Amounts due from related companies (<i>Note 30(b)(ii)</i>)	8,882	–	–
Pledged bank deposit (<i>Note 14</i>)	5,205	5,208	–
Cash and cash equivalents (<i>Note 15</i>)	516	273	2,551
	<u>240,090</u>	<u>299,098</u>	<u>326,098</u>
Financial guarantee contracts (<i>Note 31</i>)	<u>28,592</u>	<u>27,653</u>	<u>26,713</u>

As at 31 March 2011, 2012 and 2013, all of the Group's loans receivable were neither past due nor impaired.

As at 31 March 2011, 2012 and 2013, interest receivables of HK\$1,478,000, HK\$4,212,000 and HK\$3,095,000, respectively, were past due but not impaired. These related to a number of third party customers for whom there was no history of default. Based on past experience, the directors of the Company are of the opinion that no provision for impairment on individual loans is necessary in respect of these balances as there has not been a significant change in credit quality; and the respective principal that were not overdue and interest that had overdue were still fully secured by the fair value of collateral at its respective prevailing market price. Accordingly, the balances are still considered fully recoverable.

As at 31 March 2011, 2012 and 2013, most of the Group's cash at bank and term deposits are deposited in major financial institutions located in Hong Kong, which the Group's management believes are of high credit quality. Moreover, management makes periodic assessments on the collectability of the amounts due from related parties and financial guarantee contracts, and does not expect any losses from non-performance by these counterparties.

The Group manages and analyses the credit risk for each of their new and existing customers before standard payment terms and conditions are offered. If there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The Group holds collateral against loans receivable in the form of mortgages over property. Majority of the collateral are residential properties, commercial properties and industrial properties and all of the collaterals are located in Hong Kong. Individual risk limits are set based on the value of collaterals provided by customers and internal or external ratings in accordance with limits set by the directors. The utilisation of credit limits is regularly monitored. The credit quality classification of loans receivable and their respective interest receivables using the Group's credit rating system is set out in the table below:

	31 March		
	2011	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Performing	225,250	293,271	323,103
Doubtful	–	–	–
Loss	–	–	–
	<u>225,250</u>	<u>293,271</u>	<u>323,103</u>

The Group considers the loans receivable as doubtful if the repayment of principal and/or of interest has been overdue for more than 3 months and principal, accrued interest and/or future interest may not be fully secured by the fair value of collateral at its prevailing market price. The Group considers the loans receivable as loss if the repayment of principal and/or of interest has been overdue for more than 6 months and the collection of principal and/or of interest in full is improbable. The Group estimates and recognises impairment losses for the loans receivables considered as 'doubtful' and 'loss', taking account of the fair values of the collateral at prevailing market prices is inadequate to cover the loans receivable. Since all principal that were not overdue and interest which had been overdue for more than 3 months were fully secured by the fair value of collateral at their respective market price, there were no doubtful or loss of loans and interest receivables as at 31 March 2011, 2012 and 2013.

The Group also performs collective assessment of the loans receivable considered as 'performing' by grouping together all its receivables with similar credit risk characteristics. The impairment review is carried out on all those loans receivable based on the historical impairment rates. Since the historical impairment rate is zero during the Relevant Periods, the directors therefore consider that the collective impairment loss is nil as at 31 March 2011, 2012 and 2013.

In general, the loan officers propose to the management of the Company on a monthly basis the amount of provision to be made.

Sales to the top five customers constituted approximately 26%, 30% and 31% of the Group's revenue for the years ended 31 March 2011, 2012 and 2013, respectively. They accounted for approximately 16%, 33% and 25% of the gross mortgage loans receivable balances as at 31 March 2011, 2012 and 2013, respectively.

The Group grants loans with a loan-to-value ratio of no more than 70% of the value in the valuation report of the property, for all property mortgage, and where it is a subordinate property mortgage, the aggregate lending (Group's loan plus loans under first mortgage) should not exceed 70% of the value of the underlying property. The Directors meet regularly to review the loan to value ratio. The Directors consider that the credit risk arising from the loans receivable is significantly mitigated by the property held as collateral, with reference to the estimated market value of the property. The Group maintains at all time each individual loans and interest receivables amount be less than 70% of the total fair value of the respective collateral at prevailing market price.

(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 external regulatory or legal requirements.

The Group's primary cash requirements are for payment of bank and other borrowings and payment for operating expenses.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	31 March		
	2011	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year:			
Trade and other payables	1,217	2,105	12,053
Amounts due to directors	13,333	–	–
Amount due to a fellow subsidiary	77,949	74,239	16,248
Amounts due to related companies	4,742	–	–
Bank and other borrowings	178,062	176,226	188,200
	<u>275,303</u>	<u>252,570</u>	<u>216,501</u>
Financial guarantee contracts:			
Within one year	10,939	10,940	10,950
Between one year and two years	940	950	950
Between two years and five years	2,820	2,851	2,851
Over five years	13,893	12,912	11,962
	<u>28,592</u>	<u>27,653</u>	<u>26,713</u>

5.2 CAPITAL RISK 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 shareholders, return capital to shareholders, 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 capital. Net debt is calculated as total borrowings (including 'bank and other borrowings' and 'amount due to a fellow subsidiary' as shown in the combined statements of financial position) less pledged bank deposit and cash and cash equivalents. Total capital is calculated as 'equity' as shown in the combined statements of financial position. The Group's strategy remains unchanged and the gearing ratios and net cash position of the Group as at 31 March 2011, 2012 and 2013 are as follows:

	31 March		
	2011	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank and other borrowings (<i>Note 19</i>)	172,689	171,854	183,838
Amount due to a fellow subsidiary	75,679	70,037	15,699
Less: Pledged bank deposit (<i>Note 14</i>)	(5,205)	(5,208)	–
Less: cash and cash equivalents (<i>Note 15</i>)	(516)	(273)	(2,551)
	<u>242,647</u>	<u>236,410</u>	<u>196,986</u>
Net debt			
	<u>242,647</u>	<u>236,410</u>	<u>196,986</u>
Total equity	<u>94,717</u>	<u>178,549</u>	<u>245,373</u>
Gearing ratio	<u>2.56</u>	<u>1.32</u>	<u>0.80</u>

5.3 FAIR VALUE ESTIMATION

The fair values of current financial assets and liabilities carried at amortised cost approximate to their carrying amounts.

6 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.

6.1 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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.

(a) Loans and other receivables

The Group assesses provision for impairment of loans and other receivables based on an estimate of the recoverability of these receivables. Provisions are applied to loans and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of loans and other receivables requires the use of estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of receivables and provision for impairment losses in the period in which such estimate has been changed.

(b) Income taxes

The Group is subject to income taxes in Hong Kong and significant judgement is required in determining the provision of income taxes. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provision in the period in which such determination is made.

6.2 CRITICAL JUDGEMENTS IN APPLYING THE ACCOUNTING POLICIES**(a) Investment property**

The fair value of investment property is determined annually by similar transaction on an open market in existing use basis. In making the judgement, consideration has been given to assumptions that are mainly on market conditions existing at the end of the reporting period and appropriate capitalisation rates of rental income.

7 SEGMENT INFORMATION

During the Relevant Periods, all of the Group's revenue are generated from the Listing Business. Revenue represents interest income earned from loans offered to the Group's customers. Information reported to the Group's chief operating decision maker, for the purpose of resource allocation and assessment of the Group's performance, is focused on the operating results of the Group as a whole as the Group's resources are integrated and no discrete financial information is available. Accordingly, no segment analysis or information about the Group's products and services are presented.

All of the Group's revenue from external customers and assets were generated from and located in Hong Kong during the Relevant Periods.

8 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK\$'000	Office equipment HK\$'000	Furniture and fixtures HK\$'000	Leasehold improvements HK\$'000	Total HK\$'000
At 1 April 2010					
Cost	23,738	218	890	1,297	26,143
Accumulated depreciation and impairment	(1,148)	(140)	(651)	(1,057)	(2,996)
Net book amount	<u>22,590</u>	<u>78</u>	<u>239</u>	<u>240</u>	<u>23,147</u>
Year ended 31 March 2011					
Opening net book amount	22,590	78	239	240	23,147
Additions	28,935	78	11	–	29,024
Depreciation	(475)	(56)	(4)	(220)	(755)
Disposal	–	(10)	(238)	–	(248)
Closing net book amount	<u>51,050</u>	<u>90</u>	<u>8</u>	<u>20</u>	<u>51,168</u>
At 31 March 2011					
Cost	52,673	270	133	1,297	54,373
Accumulated depreciation and impairment	(1,623)	(180)	(125)	(1,277)	(3,205)
Net book amount	<u>51,050</u>	<u>90</u>	<u>8</u>	<u>20</u>	<u>51,168</u>
Year ended 31 March 2012					
Opening net book amount	51,050	90	8	20	51,168
Additions	–	27	943	1,425	2,395
Depreciation	(1,163)	(38)	(149)	(238)	(1,588)
Disposal	–	–	(8)	–	(8)
Closing net book amount	<u>49,887</u>	<u>79</u>	<u>794</u>	<u>1,207</u>	<u>51,967</u>
At 31 March 2012					
Cost	52,673	286	1,065	2,722	56,746
Accumulated depreciation and impairment	(2,786)	(207)	(271)	(1,515)	(4,779)
Net book amount	<u>49,887</u>	<u>79</u>	<u>794</u>	<u>1,207</u>	<u>51,967</u>
Year ended 31 March 2013					
Opening net book amount	49,887	79	794	1,207	51,967
Additions	–	61	310	783	1,154
Transfer from investment properties (Note 9)	15,363	–	–	–	15,363
Depreciation	(1,491)	(45)	(279)	(504)	(2,319)
Closing net book amount	<u>63,759</u>	<u>95</u>	<u>825</u>	<u>1,486</u>	<u>66,165</u>
At 31 March 2013					
Cost	68,036	347	1,375	3,505	73,263
Accumulated depreciation and impairment	(4,277)	(252)	(550)	(2,019)	(7,098)
Net book amount	<u>63,759</u>	<u>95</u>	<u>825</u>	<u>1,486</u>	<u>66,165</u>

At 31 March 2011, 2012 and 2013, the Group's buildings with net book value of approximately HK\$51,050,000, HK\$49,887,000 and HK\$63,759,000 were pledged to a bank to secure bank borrowings and a mortgage borrowing granted to two subsidiaries of the Company (note 19).

At 31 March 2011, 2012 and 2013, the Group's land and buildings of HK\$51,050,000, HK\$49,887,000 and HK\$48,724,000, respectively were also pledged to a bank as security for loans granted to certain fellow subsidiaries and a related company (note 31).

9 INVESTMENT PROPERTIES

	As at 31 March		
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000
At beginning of year	93,196	76,704	78,183
Fair value gains	11,508	6,629	7,950
Disposal (note (a))	(28,000)	(5,150)	–
Transfer to property, plant and equipment (Note 8)	–	–	(15,363)
At end of the year	<u>76,704</u>	<u>78,183</u>	<u>70,770</u>

The investment properties were revalued at 31 March 2011, 2012 and 2013 on an open market, existing use basis by Asset Appraisal Limited, independent professionally qualified valuers. The Group's investment properties are held under a lease of between 50 to 99 years in Hong Kong.

At 31 March 2011, 2012 and 2013, the investment properties of the Group were pledged to banks to secure bank borrowings granted to a subsidiary of the Company (note 19).

At 31 March 2011, 2012 and 2013, a Group's investment property of HK\$2,000,000, HK\$2,000,000 and HK\$2,720,000, respectively were also pledged to a bank as security for loans granted to certain fellow subsidiaries and a related company (note 31).

Note (a):

On 7 September 2010, a wholly-owned subsidiary of the Group entered into a sale and purchase agreement with High Step Investment Limited ("High Step"), a related company, of which a director of High Step was also a director of a subsidiary, to dispose of an investment property in Hong Kong with a carrying amount of HK\$28,000,000 at a consideration of HK\$28,000,000 (note 30(a)(iii)).

On 14 December 2011, a wholly-owned subsidiary of the Group entered into a sale and purchase agreement with an independent third party to dispose of an investment property in Hong Kong with a carrying amount of HK\$5,150,000 at a consideration of HK\$5,150,000.

10 FINANCIAL INSTRUMENTS BY CATEGORY

Group

	Loans and receivables		
	As at 31 March		
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000
Assets			
Loans receivable	222,273	286,472	316,788
Interest receivables	2,977	6,799	6,315
Deposits and other receivables	167	346	444
Amount due from a fellow subsidiary	70	–	–
Amounts due from related companies	8,882	–	–
Pledged bank deposit	5,205	5,208	–
Cash and cash equivalents	516	273	2,551
Total	<u>240,090</u>	<u>299,098</u>	<u>326,098</u>

Group

	Other financial liabilities at amortised cost		
	As at 31 March		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Liabilities			
Accruals and other payables	1,217	1,537	11,405
Amount due to a fellow subsidiary	75,679	70,037	15,699
Amounts due to related companies	4,742	–	–
Amounts due to directors	13,333	–	–
Bank and other borrowings	172,689	171,854	183,838
Total	<u>267,660</u>	<u>243,428</u>	<u>210,942</u>

11 LOANS RECEIVABLE

	As at 31 March		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Loans receivable – secured	221,229	286,472	316,788
Loans receivable – unsecured	<u>1,044</u>	<u>–</u>	<u>–</u>
Total loans receivable	222,273	286,472	316,788
Less: non-current portion	<u>(20,361)</u>	<u>(16,051)</u>	<u>(16,653)</u>
Current portion	<u>201,912</u>	<u>270,421</u>	<u>300,135</u>

The Group's loans receivable, which arise from the Listing Business, are denominated in Hong Kong dollars as at 31 March 2011, 2012 and 2013.

Loans receivable are secured by collaterals provided by customers, bear interest and are repayable with fixed terms agreed with the customers, except for one-off loans receivables of HK\$1,044,000 as at 31 March 2011 which were unsecured. The maximum exposure to credit risk at each of the reporting dates is the carrying value of the receivables mentioned above.

As at 31 March 2011, 2012 and 2013, all of the loans receivable were neither past due nor impaired.

A maturity profile of the loans receivable as at the end of the reporting periods, based on the maturity date is as follows:

	As at 31 March		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Current	201,912	270,421	300,135
2 to 5 years	13,399	9,228	13,290
Over 5 years	<u>6,962</u>	<u>6,823</u>	<u>3,363</u>
	<u>222,273</u>	<u>286,472</u>	<u>316,788</u>

The credit quality of loans receivable that are neither past due nor impaired has been assessed by reference to historical information about counterparty default rates. The existing counterparties do not have defaults in the past.

12 INTEREST RECEIVABLES

	As at 31 March		
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000
Interest receivables	2,977	6,799	6,315

The Group's interest receivables are denominated in Hong Kong dollars as at 31 March 2011, 2012 and 2013.

Interest receivables are arising from the Listing Business. They are secured by collaterals provided by customers and repayable with fixed terms agreed with the customers. The maximum exposure to credit risk at each of the reporting dates is the carrying value of the receivables.

As at 31 March 2011, 2012 and 2013, interest receivables of HK\$1,478,000, HK\$4,212,000 and HK\$3,095,000, respectively, were past due but not impaired. These related to a number of third party customers for whom there was no recent history of default. Based on past experience, the directors of the Company are of the opinion that no provision for impairment on individual loans is necessary in respect of these balances as there has not been a significant change in credit quality and the respective principal and/or interest that had been overdue were still fully secured by the fair value of collateral at their respective prevailing market price. Accordingly, the balances are still considered fully recoverable. The ageing analysis of interest receivables by past due date is as follows:

	As at 31 March		
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000
0 – 30 days	488	1,537	1,937
31 – 60 days	524	1,730	262
Over 60 days	466	945	896
	<u>1,478</u>	<u>4,212</u>	<u>3,095</u>

13 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 March		
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000
Deposits	167	346	398
Prepayments	567	–	337
Others	–	–	46
	<u>734</u>	<u>346</u>	<u>781</u>

The Group's other receivables and deposits are denominated in Hong Kong dollars as at 31 March 2011, 2012 and 2013.

All deposits are neither past due nor impaired.

14 PLEDGED BANK DEPOSIT

	As at 31 March		
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000
Short-term bank deposit pledged for bank borrowings (<i>Note 19</i>)	5,205	5,208	–

The pledged bank deposit is denominated in Hong Kong dollar as at 31 March 2011 and 2012.

15 CASH AND CASH EQUIVALENTS

	As at 31 March		
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000
Cash at bank	516	273	2,551

The cash and cash equivalents are denominated in Hong Kong dollar as at 31 March 2011, 2012 and 2013.

16 COMBINED CAPITAL – GROUP AND COMPANY

Group:

The Group's combined capital represents the aggregate of the share capital of all the underlying companies comprising the Group during the Relevant Periods.

Contribution from owners represents the increase in share capital of a subsidiary of the Company.

Company:

	As at 31 March 2013		
	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares HK\$
Authorised:			
Ordinary shares of HK\$0.01 each (<i>note (a)</i>)	38,000,000	–	–
Issued:			
Ordinary shares of HK\$0.01 each (<i>note (a)</i>)	1,000,000	–	–

Notes:

- (a) On 6 February 2013, the Company was incorporated in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 per share. 1 new share was issued to initial subscriber who on 6 February 2013 transferred to Tin Ching. On 12 March 2013, 999,999 new shares were issued as nil paid to Tin Ching and subsequently credited as fully paid-up at par value (note 2(f)).

17 AMOUNT DUE TO A SUBSIDIARY – COMPANY

As at 31 March
2013
HK\$'000

Amount due to a subsidiary		6
----------------------------	--	---

As at 31 March 2013, the amount due to a subsidiary was unsecured, interest-free and was repayable on demand. The carrying amount due to a subsidiary approximates to its fair value and was denominated in Hong Kong dollar.

18 TRADE AND OTHER PAYABLES

	As at 31 March		
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000
Interest received in advance	305	127	–
Rental deposits received	439	345	390
Dividend payable (<i>Note 27</i>)	–	–	9,000
Other payables and accrued charges	473	1,633	2,663
	1,217	2,105	12,053
	1,217	2,105	12,053

The trade and other payables are denominated in Hong Kong dollar as at 31 March 2011, 2012 and 2013.

19 BANK AND OTHER BORROWINGS

Borrowings are analysed as follows:

	31 March		
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000
Bank loans	133,381	136,116	147,559
Bank overdrafts	39,308	30,738	36,279
Other borrowing	–	5,000	–
	172,689	171,854	183,838
	172,689	171,854	183,838

The weighted average effective interest rate on bank loans and bank overdrafts during the year ended 31 March 2011, 2012 and 2013 were 2.7%, 3.3% and 3.8% per annum, respectively. All bank loans and overdrafts bear interest at floating rates.

At 31 March 2011, 2012 and 2013, all bank and other borrowings are denominated in Hong Kong dollar and their carrying amounts approximate to their fair values.

As at 31 March 2011, 2012 and 2013, the bank loans and overdrafts utilised by the Group amounted to HK\$172,689,000, HK\$166,854,000 and HK\$183,838,000, respectively, were secured by the following:

- (i) investment properties held by the Group amounted to HK\$76,704,000, HK\$78,183,000 and HK\$70,770,000, respectively (note 9);
- (ii) land and buildings held by the Group with net book value of approximately HK\$51,050,000, HK\$49,887,000 and HK\$63,759,000, respectively (note 8);
- (iii) properties held by the fellow subsidiaries of the Group;
- (iv) properties held by a director of the Company;
- (v) property held by relatives of a director of the Company;
- (vi) short-term pledged bank deposit of HK\$5,205,000, HK\$5,208,000 and HK\$ Nil, respectively (note 14);
- (vii) personal guarantees from the directors of the subsidiaries of the Group (note 30(c)); and
- (viii) corporate guarantee from a fellow subsidiary (note 30(c)).

As at 31 March 2012, the other borrowing bears interest at 7% per annum and is guaranteed by the directors of the subsidiaries of the Group.

20 DEFERRED INCOME TAX LIABILITIES

The analysis of deferred tax liabilities is as follows:

	As at 31 March		
	2011 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
To be recovered after more than 12 months	3,877	3,890	3,806
To be recovered within 12 months	19	25	26
	<u>3,896</u>	<u>3,915</u>	<u>3,832</u>
Total deferred tax liabilities	<u><u>3,896</u></u>	<u><u>3,915</u></u>	<u><u>3,832</u></u>

The gross movement on the deferred income tax account is as follows:

	As at 31 March		
	2011 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
At beginning of the year	4,040	3,896	3,915
Recognised/(derecognised) in the combined statements of comprehensive income	(144)	19	(83)
	<u>3,896</u>	<u>3,915</u>	<u>3,832</u>
At end of the year	<u><u>3,896</u></u>	<u><u>3,915</u></u>	<u><u>3,832</u></u>

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Accelerated tax depreciation <i>HK\$'000</i>
At 1 April 2010	4,040
(Credited) to the combined statements of comprehensive income	<u>(144)</u>
At 31 March 2011	<u>3,896</u>
At 1 April 2011	3,896
Charged to the combined statements of comprehensive income	<u>19</u>
At 31 March 2012	<u>3,915</u>
At 1 April 2012	3,915
(Credited) to the combined statements of comprehensive income	<u>(83)</u>
At 31 March 2013	<u>3,832</u>

No deferred tax assets had been recognised in respect of the unused tax losses of a subsidiary, as it was uncertain whether sufficient taxable profit would be available to allow utilisation of the carried forward tax losses.

As at 31 March 2011, 2012 and 2013, the Group did not recognise deferred tax benefits of HK\$192,000, HK\$419,000 and HK\$467,000, respectively, in respect of tax losses amounting to HK\$1,164,000, HK\$2,537,000 and HK\$2,830,000, respectively, that can be carried forward indefinitely against future taxable income.

21 REVENUE

Revenue represents the interest income earned from the Listing Business. Revenue and other income and gains recognised during the Relevant Periods are as follows:

	Year ended 31 March		
	2011 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Revenue			
Interest income – secured loans	<u>34,749</u>	<u>57,166</u>	<u>66,420</u>
Other income			
Rental income	2,254	2,147	2,017
Interest income – unsecured loans	340	210	–
Sundry income	<u>14</u>	<u>29</u>	<u>15</u>
	<u>2,608</u>	<u>2,386</u>	<u>2,032</u>

22 EXPENSES BY NATURE

	Year ended 31 March		
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000
Employee benefit expenses (<i>Note 23</i>)	2,945	4,780	6,727
Advertising and marketing expenses	1,875	4,333	6,206
Legal and professional fees	593	1,996	944
Rent and rates	52	92	114
Auditor's remuneration	328	420	452
Bank charges	237	195	354
Referral fee	376	126	571
Valuation and search fee	49	42	76
Depreciation of property, plant and equipment	755	1,588	2,319
Listing expenses	–	–	5,500
Other expenses	1,105	1,777	1,304
	<u>8,315</u>	<u>15,349</u>	<u>24,567</u>

23 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 March		
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000
Salaries and bonus (<i>Note (ii)</i>)	2,836	4,079	6,468
Other benefits	–	568	80
Pension costs – defined contribution plans (<i>Note (i)</i>)	109	133	179
	<u>2,945</u>	<u>4,780</u>	<u>6,727</u>

Notes:

- (i) The Group participates in a Mandatory Provident Fund scheme (the "MPF scheme") in accordance with the Mandatory Provident Fund Scheme Ordinance of Hong Kong. Under the rules of the MPF scheme, the employer and its employees in Hong Kong are each required to contribute 5% of their gross earnings with a ceiling of HK\$1,250 per month to the MPF scheme. The only obligation of the Group with respect to the MPF scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in future year.
- (ii) For the year ended 31 March 2011 and 6 months ended 30 September 2011, employee benefit expenses of HK\$2,945,000 and HK\$1,485,000, respectively, were charged by a fellow subsidiary on an actual cost basis (note 30(a)(i)).

(a) Directors' emoluments

The remuneration of every director of the Company for the year ended 31 March 2011 is set out below (note):

	Fees <i>HK\$'000</i>	Salaries and bonus <i>HK\$'000</i>	Pension costs <i>HK\$'000</i>	Other benefits <i>HK\$'000</i>	Total <i>HK\$'000</i>
Executive directors					
Mr. Chan Koung Nam	–	315	12	–	327
Mr. Chan Kwong Yin, William	–	315	12	–	327
Mr. Tse Pui To (<i>b</i>)	–	–	–	–	–
Independent non-executive directors					
Mr. Chan Siu Wing, Raymond	–	–	–	–	–
Mr. Chu Yat Pang, Terry	–	–	–	–	–
Mr. Cheung Kok Cheong	–	–	–	–	–
	–	630	24	–	654

Note:

For the year ended 31 March 2011, directors' emoluments of HK\$654,000 was charged by a fellow subsidiary on an actual cost basis.

The remuneration of every director of the Company for the year ended 31 March 2012 is set out below (note):

	Fees <i>HK\$'000</i>	Salaries and bonus <i>HK\$'000</i>	Pension costs <i>HK\$'000</i>	Other benefits (<i>a</i>) <i>HK\$'000</i>	Total <i>HK\$'000</i>
Executive directors					
Mr. Chan Koung Nam	–	315	12	–	327
Mr. Chan Kwong Yin, William	–	315	12	840	1,167
Mr. Tse Pui To (<i>b</i>)	–	–	–	–	–
Independent non-executive directors					
Mr. Chan Siu Wing, Raymond	–	–	–	–	–
Mr. Chu Yat Pang, Terry	–	–	–	–	–
Mr. Cheung Kok Cheong	–	–	–	–	–
	–	630	24	840	1,494

Note:

For the year ended 31 March 2012, directors' emoluments of HK\$264,000 was charged by a fellow subsidiary on an actual cost basis.

The remuneration of every director of the Company for the year ended 31 March 2013 is set out below:

	Fees <i>HK\$'000</i>	Salaries and bonus <i>HK\$'000</i>	Pension costs <i>HK\$'000</i>	Other benefits (a) <i>HK\$'000</i>	Total <i>HK\$'000</i>
Executive directors					
Mr. Chan Koung Nam	–	750	15	–	765
Mr. Chan Kwong Yin, William	–	750	14	840	1,604
Mr. Tse Pui To (b)	–	–	–	–	–
Independent non-executive directors					
Mr. Chan Siu Wing, Raymond	–	–	–	–	–
Mr. Chu Yat Pang, Terry	–	–	–	–	–
Mr. Cheung Kok Cheong	–	–	–	–	–
	–	1,500	29	840	2,369

Note:

- (a) Other benefits are benefits in kind representing estimated money value for the rental of the residential property owned by the Group and used by a director.
- (b) Mr. Tse Pui To (“Mr. Tse”) was appointed as an executive director of the Company on 4 September 2013. Prior to his appointment, Mr Tse was an employee of the Group throughout the Relevant Period. The remuneration received from Mr. Tse from the Group during the Relevant Periods was not included as directors’ remuneration since the services provided by Mr. Tse to the Group was not in the capacity of a director of the Company and the subsidiaries of the Group during the Relevant Periods.

During the Relevant Periods, no directors waived or agreed to waive any emoluments.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include 2, 2 and 2 directors, for the years ended 31 March 2011, 2012 and 2013, respectively, whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 3, 3 and 3 individuals for the years ended 31 March 2011, 2012 and 2013, respectively, are as follows:

	Year ended 31 March		
	2011 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Salaries and bonus	1,027	1,607	2,302
Pension costs – defined contribution plans	35	36	44
	1,062	1,643	2,346

The above individuals with the highest emoluments are within the following bands:

	Year ended 31 March		
	2011 <i>Number of individuals</i>	2012 <i>Number of individuals</i>	2013 <i>Number of individuals</i>
HK\$Nil – HK\$1,000,000	<u>3</u>	<u>3</u>	<u>3</u>

Note:

During the Relevant Periods, neither directors nor the five highest paid individuals leave the Group or as compensation for loss of office.

24 FINANCE COSTS

	Year ended 31 March		
	2011 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Secured bank borrowings wholly repayable within 5 years	2,559	4,323	5,074
Interest on bank overdrafts	829	1,231	1,187
Interest on amount due to a fellow subsidiary	2,198	4,888	2,837
Other loan interest	<u>32</u>	<u>599</u>	<u>371</u>
	<u>5,618</u>	<u>11,041</u>	<u>9,469</u>

25 INCOME TAX EXPENSE

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profit during the Relevant Periods.

	Year ended 31 March		
	2011 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Hong Kong profits tax			
– Current year	4,159	5,673	6,723
– (Over)/under provision in prior years	(221)	277	(88)
Deferred income tax	<u>(144)</u>	<u>19</u>	<u>(83)</u>
	<u>3,794</u>	<u>5,969</u>	<u>6,552</u>

The tax on the Group's profit before income tax differs from the theoretical amount that would arise as follows:

	Year ended 31 March		
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000
Profit before income tax	34,932	39,791	42,366
Calculated at Hong Kong profits tax rate of 16.5%	5,764	6,565	6,990
(Over)/under provision in prior year	(221)	277	(88)
Income not subject to taxation	(1,913)	(1,105)	(1,335)
Expenses not deductible for tax purposes	50	6	937
Tax losses not recognised	114	226	48
Income tax expense	3,794	5,969	6,552

26 EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the presentation of the results for each of the years ended 31 March 2011, 2012 and 2013 on a combined basis as disclosed in note 3 above.

27 DIVIDENDS

During the years ended 31 March 2011 and 2012, no dividend has been paid or declared by the company or the companies now comprising the Group.

During the year ended 31 March 2013, Hong Kong Finance Company Limited declared an interim dividend of HK\$0.09 per share (totalling HK\$9,000,000) to its equity holders.

28 CASH GENERATED FROM OPERATIONS

	Year ended 31 March		
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000
Profit before income tax	34,932	39,791	42,366
Adjustments for:			
Depreciation (<i>Note 8</i>)	755	1,588	2,319
Interest expenses (<i>Note 24</i>)	5,618	11,041	9,469
Loss on disposal of property, plant and equipment	5	8	–
Fair value gain on investment properties (<i>Note 9</i>)	(11,508)	(6,629)	(7,950)
Bank interest income	(5)	(21)	(12)
Changes in working capital:			
Loans receivable	(65,051)	(64,199)	(30,316)
Interest receivables	(953)	(3,822)	484
Prepayments, deposits and other receivables	(319)	388	(435)
Trade and other payables	(1,615)	888	948
Amount due to a fellow subsidiary	25,516	44,438	(14,328)
Balances with related parties	(4,055)	4,140	–
Amounts due to directors	(4,407)	(13,333)	–
Cash (used in)/generated from operations	(21,087)	14,278	2,545

Major non cash transaction

An amount due to a fellow subsidiary of HK\$50,010,000 and HK\$40,010,000 as at 31 March 2012 and 2013, respectively, were settled through the allotment and issue of ordinary shares of HK\$1 each in the capital of Hong Kong Finance Company Limited, Max Art Limited and Oriental Credit (Hong Kong) Limited.

29 COMMITMENTS**Operating lease commitments – Group as lessor**

The Group leases out its investment properties to independent third parties under non-cancellable operating lease agreements. The lease term ranges from 1 to 3 years, and the lease agreements are renewable at the end of the lease period at market rate.

The future aggregate minimum lease receipts under non-cancellable operating leases in respect of the investment properties are as follows:

	31 March		
	2011 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Not later than one year	1,604	1,214	1,359
One to five years	233	–	–
	<u>1,837</u>	<u>1,214</u>	<u>1,359</u>

30 RELATED PARTY TRANSACTIONS – DISCONTINUING

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during Relevant Periods, and balances arising from related party transactions as at 31 March 2011, 2012 and 2013.

(a) Significant related party transactions

Saved as disclosed elsewhere in this report, the following significant transactions were undertaken by the Group with related parties during the Relevant Periods.

	Year ended 31 March		
	2011 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Payment to a fellow subsidiary – Tin Ching Industrial Company Limited			
– Employee benefit expenses (<i>Note 23</i>) (<i>Note i</i>)	2,945	1,485	–
– Interest expenses (<i>Note 24</i>) (<i>Note ii</i>)	2,198	4,888	2,837
	<u>5,143</u>	<u>6,373</u>	<u>2,837</u>
Proceed from a sale of an investment property to a related company – High Step (<i>note (iii)</i>) (<i>note 9</i>)	28,000	–	–
	<u>28,000</u>	<u>–</u>	<u>–</u>

Notes:

- (i) Employee benefit expenses in relation to the provision of human resources to the Group by a fellow subsidiary were charged with reference to actual costs incurred for human resources work.
- (ii) Interest expenses on amounts advanced to the Group were charged at weighted average effective interest rate of 3.2%, 4.6% and 4.9% per annum during the year ended 31 March 2011, 2012 and 2013, respectively.
- (iii) Sale of an investment property to High Step, a related company, of which a director of High Step was also a director of a subsidiary, was made with reference to relevant property market transactions.

(b) Outstanding balances with related parties*(i) Balances with a fellow subsidiary*

The balances with a fellow subsidiary is unsecured, bears interest rate as mutually agreed by both parties at weighted average effective interest rate of 3.2%, 4.6% and 4.9% per annum during the year ended 31 March 2011, 2012 and 2013, respectively, on the outstanding amount, and is repayable on demand. The carrying amount of the amount due to a fellow subsidiary is denominated in Hong Kong dollar. On 30 August 2013, the amount due to a fellow subsidiary has been fully settled.

(ii) Balances with related parties

As at 31 March 2011, the balances with related companies with common directors of the Company were unsecured, interest-free and were repayable on demand. The carrying amounts of amounts due from/(to) related companies approximate to their fair values and were denominated in Hong Kong dollar.

(iii) Amounts due to directors

As at 31 March 2011, the amounts due to directors were unsecured, interest-free and were repayable on demand. The carrying amounts of amounts due to directors were denominated in Hong Kong dollar.

(c) (i) Guarantees from related parties

As at 31 March 2011, 2012 and 2013, the bank loans, bank overdrafts and other borrowings amounted to HK\$172,689,000, HK\$171,854,000 and HK\$183,838,000, respectively, were guaranteed by the directors of subsidiaries of the Company, as well as a corporate guarantee from a fellow subsidiary (note 19).

(ii) Guarantees to related parties

As at 31 March 2011, 2012 and 2013, the Group has contingent liabilities in respect of the corporate guarantee and the pledge of the Group's investment property and land and buildings as security for loans granted to certain fellow subsidiaries and a related company, of which the daughter of a director of the Company is the director (note 31).

(d) Key management compensation

Key management include directors, and their compensations are included in the directors' emoluments, as disclosed in note 23(a) above.

31 CONTINGENCIES

During the Relevant Periods, the Group has contingent liabilities in respect of the corporate guarantee and the pledge of the Group's investment property and land and buildings as security for loans granted to certain fellow subsidiaries and a related company (note 30(c)(ii)). The aggregate amounts of loans utilised as at 31 March 2011, 2012 and 2013 are HK\$28,592,000, HK\$27,653,000 and HK\$26,713,000, respectively.

32 EVENTS AFTER THE BALANCE SHEET DATE

Save as disclosed elsewhere in this report, by a shareholders' resolution dated 4 September 2013, the Company conditionally adopted a share option scheme under which the Board of Directors may grant options to the employees, directors or other selected participants of the Group to acquire shares of the Company. No options have been granted up to the date of this report.

(III) SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 March 2013 and up to the date of this report. Save as disclosed in this report, no dividend or distribution have been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 March 2013.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

The information set forth in this appendix does not form part of the Accountant's Report from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of our Company, as set forth in Appendix I to this prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountant's Report in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Share Offer on the net tangible assets of the Group attributable to the equity holders of the Company as of 31 March 2013 as if the Share Offer had taken place on 31 March 2013 assuming the Offer Size Adjustment Option is not exercised.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group as at 31 March 2013 or at any future dates following the Share Offer. It is prepared based on the audited combined net tangible assets of the Group as at 31 March 2013 as set out in the Accountant's Report of the Group, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the Accountant's Report.

	Audited combined net tangible assets of the Group attributable to the equity holders of the Company as at 31 March 2013 (Note 1) HK\$'000	Estimated net proceeds from the Share Offer (Note 2) HK\$'000	Unaudited pro forma adjusted net tangible assets of the Group attributable to the equity holders of the Company (Note 3) HK\$'000	Unaudited pro forma adjusted net tangible assets per Share (Note 4) HK\$
Based on an Offer Price of HK\$0.85 per Share	<u>245,373</u>	<u>72,767</u>	<u>318,140</u>	<u>0.80</u>
Based on an Offer Price of HK\$1.03 per Share	<u>245,373</u>	<u>90,137</u>	<u>335,510</u>	<u>0.84</u>

Notes:

- (1) The audited combined net tangible assets attributable to the equity holders of the Company as at 31 March 2013 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited combined net assets of the Group attributable to the equity holders of the Company as at 31 March 2013 of HK\$245,373,000.
- (2) The estimated net proceeds from the Share Offer are based on the indicative Offer Price of HK\$0.85 and HK\$1.03 per Share after deduction of the underwriting fees and other related expenses payable by the Company and takes no account of any Shares which may fall to be issued upon the exercise of the Offer Size Adjustment Option.
- (3) As at 30 June 2013, the Group's property interests were valued by Asset Appraisal Limited, an independent property valuer, and the full text of the letter, summary of valuation and valuation certificates with regard to such property interests are included in Appendix III to this prospectus. The valuation surplus as at 30 June 2013, representing the excess of market value of the property interests over their book value, was approximately HK\$28,114,000. Such valuation surplus has not been included in the Group's combined financial information as at 31 March 2013. The above adjustments do not take into account the above valuation surplus. Had the property interests been stated at such valuation, additional depreciation of HK\$476,000 per annum would be charged against the combined statement of comprehensive income for the year ended 31 March 2013.
- (4) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in Note 2 above and on the basis that 400,000,000 Shares were in issue assuming that the Share Offer had been completed on 31 March 2013 but takes no account of any Shares which may fall to be issued upon the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme or any Share which may be allotted and issued or repurchased by the Company pursuant to the Issuing Mandate or the Repurchase Mandate as described in the section headed "Share Capital" in this prospectus.
- (5) No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2013.

B. REPORT FROM THE REPORTING ACCOUNTANT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION INCLUDED IN A PROSPECTUS**TO THE DIRECTORS OF HONG KONG FINANCE GROUP LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Hong Kong Finance Group Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at 31 March 2013, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 in Appendix II of the Company's prospectus dated 17 September 2013, in connection with the proposed initial public offering of the shares of the Company. 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.

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 31 March 2013 as if the proposed initial public offering had taken place at 31 March 2013. 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 year ended 31 March 2013, 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").

*PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

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 comply with ethical requirements and 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 31 March 2013 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.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company 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, 17 September 2013

The following is the text of a letter, summary of valuation and valuation certificate, prepared for the purpose of incorporation in this prospectus received from Asset Appraisal Limited, an independent property valuer, in connection with its valuation as at 30 June 2013 of the property interests held by the Group.

**Asset Appraisal Limited****中誠達資產評估顧問有限公司**

Rm 901 9/F On Hong Commercial Building
No.145 Hennessy Road Wanchai HK
香港灣仔軒尼詩道145號安康商業大廈9樓901室
Tel: (852) 2529 9448 Fax: (852) 3521 9591

17 September 2013

**The Board of Directors
Hong Kong Finance Group Limited**

Unit No. 3410 on 34th Floor,
Tower Two,
Lippo Centre,
No. 89 Queensway,
Hong Kong

Dear Sirs,

Re: Valuation of property interests situated in the Hong Kong Special Administrative Region (“Hong Kong”)

In accordance with the instructions of **Hong Kong Finance Group Limited** (the “Company”) to value the property interests (the “Properties”) held by the Company and its subsidiaries (altogether referred to as the “Group”) situated in Hong Kong, we confirm that we have carried out inspections of the Properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Properties as at **30 June 2013** (the “date of valuation”).

BASIS OF VALUATION

Our valuation of the Properties represents the market value which we would define as intended to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

TITLESHIP

We have caused searches to be made at the appropriate Land Registry for the Properties. However, we have not verified ownerships of the Properties or to verify the existence of any amendments which do not appear on the copies handed to us. All documents have been used for reference only.

VALUATION METHODOLOGY

The Properties are valued by the comparison method where comparison based on prices realised or market prices of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values.

LIMITING CONDITIONS

No allowance has been made in our report for any charges, mortgages or amounts owing on the Properties valued nor for any expenses or taxation. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have not carried out detailed site measurements to verify the correctness of the floor areas in respect of the Properties but have assumed that the floor areas shown on the legal documents handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

The Properties were inspected on 3 February 2013 by Mr. Liu Ho Chi, who is a member of the Royal Institution of Chartered Surveyors and a member of The Hong Kong Institute of Surveyors. However, no structural survey has been made for them. In the course of our inspection, we did not note any apparent defects. We are not, however, able to report whether the buildings and structures inspected by us are free of rot, infestation or any structural defect. No test was carried out on any of the building services and equipment.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

In valuing the Properties, we have complied with all the requirements contained in Chapter 5 issued by The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

All monetary sums stated in this report are in Hong Kong dollars (HK\$).

Our summary of valuation and valuation certificate are attached herewith.

Yours faithfully,
for and on behalf of
Asset Appraisal Limited
Tse Wai Leung
MFin BSc MRICS MHKIS RPS(GP)
Director

Tse Wai Leung is a member of the Royal Institution of Chartered Surveyors, a member of The Hong Kong Institute of Surveyors, a Registered Professional Surveyor in General Practice and a qualified real estate appraiser in the PRC. He is on the list of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers of the Hong Kong Institute of Surveyors, Registered Business Valuer under the Hong Kong Business Valuation Forum and has over 10 years' experience in valuation of properties in Hong Kong, in Macau and in the People's Republic of China.

SUMMARY OF VALUATION

Property	Market Value in existing state as at 30 June 2013
Group I – Properties held by the Group for self occupation	
1. Office 10, 11 and 12 on 34th Floor, Tower Two, Lippo Centre, No. 89 Queensway, Hong Kong	HK\$61,500,000
2. Flat A (with A/C room(s) pertaining thereto which is/are accessible from the flat itself) on 30th Floor of Tower 9, The Palazzo, No. 28 Lok King Street, Shatin, New Territories	HK\$30,000,000
Sub-total:	HK\$91,500,000
Group II – Properties held by the Group for investment	
3. Office 5 on 34th Floor, Tower Two, Lippo Centre, No. 89 Queensway, Hong Kong	HK\$20,000,000
4. Unit No. 6A on 25th Floor, Tower Two, Lippo Centre, No. 89 Queensway, Hong Kong	HK\$41,000,000
5. Flat E on 10/F of Block 3 (Orchid Court), New Town Plaza (Phase III), Nos. 2-8 Shatin Centre Street, Shatin, New Territories	HK\$7,050,000
6. Unit No. 2 on 7th Floor, Sunray Industrial Centre, No. 610 Cha Kwo Ling Road, Kowloon	HK\$2,720,000
Sub-total:	HK\$70,770,000
Grand Total:	HK\$162,270,000

VALUATION CERTIFICATE

Group I – Properties held by the Group in Hong Kong for self occupation

Property	Description	Particulars of occupancy	Market Value in existing state as at 30 June 2013
1. Office 10, 11 and 12 on 34th Floor, Tower Two, Lippo Centre, No. 89 Queensway, Hong Kong 184/1,000 of 1,290/102,750th shares of and in Inland Lot No. 8615.	The property comprises three office units on 34th Floor of a 36-storey office building over a commercial podium completed in about 1987. The property has a total gross floor area and saleable area of approximately 2,984 square feet and 2,089 square feet respectively. The property is held under Conditions of Sale No. UB11720 for a term of 75 years renewable for 75 years commencing on 15 February 1984. The annual government rent payable for the whole lot is HK\$1,000.	The property is currently occupied by the Group as offices.	HK\$61,500,000

Notes:

- The registered owner of the property is Charterfame Investment Limited, an indirect wholly-owned subsidiary of the Company, registered vide memorial no. UB8124744 dated 19 June 2000.
- Deed of Mutual Covenant of the development is registered vide memorial no. UB3824584 dated 31 August 1988.
- Certificate of Compliance of the development is registered vide memorial no. UB3824585 dated 31 August 1988 and no. UB3832333 dated 8 September 1988.
- Supplemental Deed of Mutual Covenant of the development is registered vide memorial no. UB4877936 dated 27 June 1991.
- Sub-Deed of Mutual Covenant of the development is registered vide memorial no. UB5856470 dated 1 November 1993.
- The property is subject to Mortgage in favour of DBS Bank (Hong Kong) Limited vide memorial no. 06041301670348 dated 15 March 2006.
- The property is subject to Assignment of Rentals in favour of DBS Bank (Hong Kong) Limited vide memorial no. 06041301670354 dated 15 March 2006.
- The property falls within an area currently zoned “Commercial” use under the Draft Central District Outline Zoning Plan No. S/H4/13 dated 16 July 2010.
- In the course of our valuation, we have identified and considered transactions of office units within the subject development taken place in between 22 February 2013 and 5 March 2013. Those transacted units include Unit 8 on 38th Floor of Block 2, Unit 8 on 12th Floor of Block 2 and Unit 12 on 16th Floor of Block 2 with size (in term of gross floor area) ranging from 1,153 square feet to 1,653 feet with unit transacted price (in term gross floor area) ranging from HK\$20,000 per square foot to HK\$21,000 per square foot. The assessed value of the property is in line with the unit prices (in term of HK\$/sq.ft.) of the comparable properties.

VALUATION CERTIFICATE

Property	Description	Particulars of occupancy	Market Value in existing state as at 30 June 2013
2. Flat A (with A/C room(s) pertaining thereto which is/are accessible from the flat itself) on 30th Floor of Tower 9, The Palazzo, No. 28 Lok King Street, Shatin, New Territories	<p>The property comprises one residential unit on 30th Floor of a 36-storey residential building over a podium completed in 2009.</p> <p>The property has a gross floor area and saleable area of approximately 2,379 square feet and 1,894 square feet respectively.</p>	The property is occupied by the Group as staff quarters.	HK\$30,000,000
18/25,263th shares of and in Shatin Town Lot No. 470.	<p>The property is held under New Grant No. ST13170 for a term of 50 years commencing on 3 March 2003.</p> <p>The government rent payable for the property is an amount equal to 3% of rateable value for the time being of the property per annum.</p>		

Notes:

- The registered owner of the property is Charterfame Investment Limited, an indirect wholly-owned subsidiary of the Company, registered vide memorial no. 11032102600078 dated 24 February 2011.
- Occupation Permit No. PR 7/2008(OP) of the development is registered vide memorial no. 08121902440019 dated 12 December 2008.
- Occupation Permit No. PR 1/2009(OP) of the development is registered vide memorial no. 09020502080017 dated 23 January 2009.
- Certificate of Compliance of the development is registered vide memorial no. 09042902560310 dated 24 April 2009.
- Deed of Mutual Covenant and Management Agreement of the development is registered vide memorial no. 09051802240182 dated 4 May 2009.
- The property is subject to Mortgage in favour of DBS Bank (Hong Kong) Limited for the consideration of \$14,750,000.00 vide memorial no. 11032102600084 dated 24 February 2011.
- The property is subject to Assignment in Rentals in favour of DBS Bank (Hong Kong) Limited vide memorial no. 11032102600096 dated 24 February 2011.
- The property is subject to Second Mortgage in favour of DBS Bank (Hong Kong) Limited for the consideration of all monies vide memorial no. 11072601040010 dated 24 February 2011.
- The property falls within an area currently zoned "Other Specified Uses (Railway Depot Comprehensive Development Area)" use under the Draft Shatin Outline Zoning Plan No. S/ST/27 dated 26 October 2012.

10. In the course of our valuation, we have identified and considered transactions of residential units within the subject development taken place in between 24 December 2012 and 15 March 2013. Those transacted units include Unit A on 50th Floor of Block 9, Unit B on 21st Floor of Block 8 and Unit A on 25th Floor of Block 9 with size (in term of gross floor area) ranging from 1,835 square feet to 2,379 feet with unit transacted price (in term gross floor area) ranging from HK\$10,888 per square foot to HK\$13,367 per square foot. The assessed value of the property is in line with the unit prices (in term of HK\$/sq.ft.) of the comparable properties.

VALUATION CERTIFICATE

Group II – Properties held by the Group in Hong Kong for investment

Property	Description	Particulars of occupancy	Market Value in existing state as at 30 June 2013
3. Office 5 on 34th Floor, Tower Two, Lippo Centre, No. 89 Queensway, Hong Kong	The property comprises one office unit on 34th Floor of a 36-storey office building over a commercial podium completed in about 1987.	The property is currently tenanted for a term of 1 year commencing on 17 September 2012 and expiring on 16 September 2013 at a monthly rent of HK\$46,512, exclusive of rates, government rent and management fee.	HK\$20,000,000
60/1,000 of 1,290/102,750th shares of and in Inland Lot No. 8615	The property has a total gross floor area of approximately 969 square feet. The property is held under Conditions of Sale No. UB11720 for a term of 75 years renewable for 75 years commencing on 15 February 1984. The annual government rent payable for the whole lot is HK\$1,000.		

Notes:

- The registered owner of the property is Charterfame Investment Limited, an indirect wholly-owned subsidiary of the Company, registered vide memorial no. UB7665366 dated 24 December 1998.
- Deed of Mutual Covenant of the development is registered vide memorial no. UB3824584 dated 31 August 1988.
- Certificate of Compliance of the development is registered vide memorial no. UB3824585 dated 31 August 1988 and no. UB3832333 dated 8 September 1988.
- Supplemental Deed of Mutual Covenant of the development is registered vide memorial no. UB4877936 dated 27 June 1991.
- Sub-Deed of Mutual Covenant of the development is registered vide memorial no. UB5856470 dated 1 November 1993.
- The property is subject to Mortgage in favour of DBS Bank (Hong Kong) Limited vide memorial no. 06041301670374 dated 15 March 2006.
- The property falls within an area currently zoned “Commercial” use under the Draft Central District Outline Zoning Plan No. S/H4/13 dated 16 July 2010.
- In the course of our valuation, we have identified and considered transactions of office units within the subject development taken place in between 22 February 2013 and 5 March 2013. Those transacted units include Unit 8 on 38th Floor of Block 2, Unit 8 on 12th Floor of Block 2 and Unit 12 on 16th Floor of Block 2 with size (in term of gross floor area) ranging from 1,153 square feet to 1,653 feet with unit transacted price (in term gross floor area) ranging from HK\$20,000 per square foot to HK\$21,000 per square foot. The assessed value of the property is in line with the unit prices (in term of HK\$/sq.ft.) of the comparable properties.

VALUATION CERTIFICATE

Property	Description	Particulars of occupancy	Market Value in existing state as at 30 June 2013
4. Unit No. 6A on 25th Floor, Tower Two, Lippo Centre, No. 89 Queensway, Hong Kong 135/1,000 of 1,290/102,750th shares of and in Inland Lot No. 8615.	<p>The property comprises one office unit on 25th Floor of a 36-storey office building over a commercial podium completed in about 1987.</p> <p>The property has a gross floor area of approximately 2,004 square feet.</p> <p>The property is held under Conditions of Sale No. UB11720 for a term of 75 years renewable for 75 years commencing on 15 February 1984.</p> <p>The annual government rent payable for the whole lot is HK\$1,000.</p>	<p>The property is currently tenanted for a term of 1 year commencing on 1 January 2013 and expiring on 31 December 2013 at a monthly rent of HK\$110,220, exclusive of rates, government rent, management fee and other outgoings.</p>	HK\$41,000,000

Notes:

- The registered owner of the property is Asia Ford Investment Limited, an indirect wholly-owned subsidiary of the Company, registered vide memorial no. 05100401730207 dated 7 September 2005.
- Deed of Mutual Covenant of the development is registered vide memorial no. UB3824584 dated 31 August 1988.
- Certificate of Compliance of the development is registered vide memorial no. UB3824585 dated 31 August 1988 and no. UB3832333 dated 8 September 1988.
- Supplemental Deed of Mutual Covenant of the development is registered vide memorial no. UB4877936 dated 27 June 1991.
- Sub-Deed of Mutual Covenant of the development is registered vide memorial no. UB5856470 dated 1 November 1993.
- The property is subject to Mortgage in favour of DBS Bank (Hong Kong) Limited for the consideration of all monies vide memorial no. 06082201490125 dated 4 August 2006.
- The property is subject to Assignment of Rentals in favour of DBS Bank (Hong Kong) Limited vide memorial no. 06082201490136 dated 4 August 2006.
- The property falls within an area currently zoned "Commercial" use under the Draft Central District Outline Zoning Plan No. S/H4/13 dated 16 July 2010.
- In the course of our valuation, we have identified and considered transactions of office units within the subject development taken place in between 22 February 2013 and 5 March 2013. Those transacted units include Unit 8 on 38th Floor of Block 2, Unit 8 on 12th Floor of Block 2 and Unit 12 on 16th Floor of Block 2 with size (in term of gross floor area) ranging from 1,153 square feet to 1,653 feet with unit transacted price (in term gross floor area) ranging from HK\$20,000 per square foot to HK\$21,000 per square foot. The assessed value of the property is in line with the unit prices (in term of HK\$/sq.ft.) of the comparable properties.

VALUATION CERTIFICATE

Property	Description	Particulars of occupancy	Market Value in existing state as at 30 June 2013
5. Flat E on 10/F of Block 3 (Orchid Court), New Town Plaza (Phase III), Nos. 2-8 Shatin Centre Street, Shatin, New Territories 10/17,650th shares of and in Shatin Town Lot No. 316.	<p>The property comprises one residential unit on 10th Floor of a 22-storey residential building over a commercial podium completed in 1991.</p> <p>The property has a gross floor area and saleable area of approximately 758 square feet and 645 square feet respectively.</p> <p>The property is held under New Grant No. 12268 for a term commencing on 3 February 1989 and expiring on 3 February 1989.</p> <p>The government rent payable for the property is an amount equal to 3% of rateable value for the time being of the property per annum.</p>	<p>The property is currently tenanted for a term of 1 year commencing on 1 July 2012 and expiring on 30 June 2013 at a monthly rent of HK\$19,000, inclusive of rates and government rent but exclusive of other outgoings.</p>	HK\$7,050,000

Notes:

1. The registered owner of the property is Charterfame Investment Limited, an indirect wholly-owned subsidiary of the Company, registered vide memorial no. ST1231746 dated 20 June 2001.
2. Occupation Permit No. NT 101/91 of the development is registered vide memorial no. ST594141 dated 17 July 1991.
3. Certificate of Compliance of the development is registered vide memorial no. ST597233 dated 7 August 1991.
4. Deed of Mutual Covenant and Management Agreement of the development is registered vide memorial nos. ST599970 and ST676113 both dated 10 August 1991.
5. The property is subject to Legal Charge in favour of The Bank of East Asia, Limited for the consideration of all monies (pt.) vide memorial no. 11110100270025 dated 4 October 2011.
6. The property falls within an area currently zoned "Commercial/Residential" use under the Draft Shatin Outline Zoning Plan No. S/ST/27 dated 26 October 2012.
7. In the course of our valuation, we have identified and considered transactions of residential units within the subject development taken place in between 21 December 2012 and 14 February 2013. Those transacted units include Unit B on 13th Floor of Block 5, Unit F on 9th Floor of Block 5, Unit E on 5th Floor of Block 3 with size (in term of gross floor area) ranging from 688 square feet to 767 feet with unit transacted price (in term gross floor area) ranging from HK\$9,037 per square foot to HK\$9,778 per square foot. The assessed value of the property is in line with the unit prices (in term of HK\$/sq.ft.) of the comparable properties.

VALUATION CERTIFICATE

Property	Description	Particulars of occupancy	Market Value in existing state as at 30 June 2013
6. Unit No. 2 on 7th Floor, Sunray Industrial Centre, No. 610 Cha Kwo Ling Road, Kowloon 4/886th shares of and in Yau Tong Inland Lot No. 32.	<p>The property comprises one industrial unit on 7th Floor of a 12-storey industrial building completed in about 1980.</p> <p>The property has a gross floor area of approximately 1,362 square feet.</p> <p>The property is held under Conditions of Sale No. 11015 for a term of 99 years commencing on 1 July 1898 which has been statutorily extended to 30 June 2047.</p> <p>The government rent payable for the property is an amount equal to 3% of rateable value for the time being of the property per annum.</p>	The property is currently tenanted for a term commencing on 1 December 2012 and expiring on 30 November 2013 at a monthly rent of HK\$3,800, inclusive of rates and government rent but exclusive of other outgoings.	HK\$2,720,000

Notes:

1. The registered owner of the property is Hong Kong Finance Company Limited (formerly known as Tin Ching Finance Company Limited), an indirect wholly-owned subsidiary of the Company registered vide memorial no. 05030102220238 dated 21 January 2005.
2. Deed of Mutual Covenant of the development is registered vide memorial no. UB1943264 dated 9 August 1980.
3. The property is subject to Legal Charge in favour of The Bank of East Asia, Limited for the consideration of all moneys (pt.) vide memorial no. 11110100270025 dated 4 October 2011.
4. The property is subject to Assignment of Rental in favour of The Bank of East Asia, Limited vide memorial no. 11110100270037 dated 4 October 2011.
5. The property falls within an area currently zoned "Commercial" use under the Draft Cha Kwo Ling, Yau Tong & Lei Yue Mun Outline Zoning Plan No. S/K15/19 dated 31 May 2011.
6. In the course of our valuation, we have identified and considered transactions of industrial unit in the vicinity taken place in between 4 December 2012 and 26 March 2013. Those transacted units include Unit 4 on 7th Floor of Block B in Ko Fai Industrial Building, Unit 5 on 4th Floor of Block B in Yau Tong Industrial City, Unit E on 6th Floor in Wah Fai Industrial Building with size (in term of gross floor area) ranging from 1,564 square feet to 9,500 feet with unit transacted price (in term gross floor area) ranging from HK\$1,662 per square foot to HK\$2,400 per square foot. The assessed value of the property is in line with the unit prices (in term of HK\$/sq.ft.) of the comparable properties.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 6 February 2013 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Law”). The Memorandum of Association (the “Memorandum”) and the Amended and Restated Articles of Association (the “Articles”) comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum was adopted upon incorporation states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in Section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 4 September 2013 which shall become effective upon commencement of trading in the Shares on the Stock Exchange. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The Board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) Disclosure of interests in contracts with the Company or any of its subsidiaries.

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the Board may

determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the Board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the Board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any

of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the Board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for

any ordinary remuneration as a Director. An executive Director appointed to be a managing Director, joint managing Director, deputy managing Director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The Board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The Board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the Board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be

subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of Director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;
- (bb) becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the Board (unless an alternate Director appointed by him attends) for six (6) consecutive months, and the Board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a Director by virtue of any provision of law or is removed from office pursuant to the Articles.

The Board may from time to time appoint one or more of its body to be managing Director, joint managing Director, or deputy managing Director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments. The Board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the Board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(viii) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) Proceedings of the Board

The Board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) Register of Directors and officers

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of Directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such Directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the Directors may determine;

- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear

business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and less than ten (10) clear business days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised

without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The Board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual

accounts and the Directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the Directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange (as defined in the Articles), it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the Directors and the auditors;
- (cc) the election of Directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the Directors and of the auditors;
- (ff) the granting of any mandate or authority to the Directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the Directors to repurchase securities of the Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the Board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The Board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The Board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The Board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The Board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the Board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the Board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the Board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the Board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the Board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the Board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the Board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the Board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the Board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the Board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the Board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of twelve (12) years; (ii) upon the expiry of the twelve-year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the

foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 26 February, 2013.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to

be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

(n) Winding up

A company may be wound up compulsorily by order of the Court voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be

signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman (Cayman) Limited, the Company's special legal counsel on Cayman Islands law, has sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VI. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation**

Our Company was incorporated under the Companies Law in the Cayman Islands, as an exempted company with limited liability on 6 February 2013.

As our Company was incorporated in the Cayman Islands, our operations are subject to the Companies Law and to our constitution which comprises the Memorandum and Articles of our Company. A summary of various sections of the Memorandum and Articles of our Company and certain relevant aspects of the Companies Law is set out in Appendix IV to this prospectus.

Since 12 April 2013, our Company has been registered in Hong Kong as a non-Hong Kong company under Part XI of the Companies Ordinance and has established our principal place of business in Hong Kong at Unit 3410, 34th Floor, Tower II, Lippo Centre, 89 Queensway, Admiralty, Hong Kong. In connection with such registration requirements of the Companies Ordinance, our Company has appointed Mr. K.N. Chan of Flat D, 5th Floor, Block 1, Pittosporum Court, New Town Plaza (Phase III), Nos. 2-8 Shatin Centre Street, Shatin, New Territories, Hong Kong as our agent for acceptance of service on behalf of our Company in Hong Kong.

2. Changes in authorised and issued share capital of our Company

The following sets out the changes in the authorised and issued share capital of our Company:

- (i) As at the date of incorporation of our Company, the initial authorised share capital of our Company was HK\$380,000 divided into 38,000,000 Shares of nominal value of HK\$0.01 each. On the same day, one nil-paid subscriber Share was allotted and issued to Codan Trust Company (Cayman) Limited as the initial subscriber.
- (ii) On 6 February 2013, Codan Trust Company (Cayman) Limited transferred the one nil paid Share to Tin Ching Holdings. Further, on 12 March 2013, 999,999 new Shares were allotted and issued nil paid to Tin Ching Holdings and subsequently credited as fully paid-up as described in paragraph (iv) below.
- (iii) On 4 September 2013, the authorised share capital of our Company was increased from HK\$380,000 to HK\$100,000,000 by the creation of additional 9,962,000,000 Shares.
- (iv) On 9 September 2013, our Company acquired the entire issued share capital of HKF Overseas from Tin Ching Holdings for the consideration of crediting the 1,000,000 nil-paid Shares held by Tin Ching Holdings as fully paid at par; and the further allotment and issue of a total of 1,000,000 new Shares in our Company, credited as fully paid at par, to Tin Ching Holdings.

Assuming that the Share Offer becomes unconditional and the issue of the Shares pursuant to the Share Offer and the Capitalisation Issue are made, but without taking into account of any Shares which may be issued upon the exercise of the Offer Size Adjustment Option, the issued share capital of the Company will be HK\$4,000,000 divided into 400,000,000 Shares fully paid or credited as fully paid. Other than pursuant to any options which may be granted under the Share Option Scheme, the exercise of the Offer Size Adjustment Option or the exercise of the general mandate to issue Shares referred to in the section headed “Further information about our Company – Written resolutions of sole Shareholder passed on 4 September 2013”, there is no present intention to issue any part of the authorised but unissued share capital of the Company and, without prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

Save as disclosed herein, there has been no alteration in the authorised and issued share capital of our Company since its incorporation.

3. Written resolutions of sole Shareholder passed on 4 September 2013

Pursuant to the written resolutions of sole Shareholder of the Company passed on 4 September 2013, the following resolutions were passed by the sole Shareholder, pursuant to which, among other things:

- (a) the authorised share capital of the Company was increased from HK\$380,000 to HK\$100,000,000 by the creation of an additional 9,962,000,000 Shares;
- (b) conditional upon (i) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and the Shares to be issued pursuant to (a) the Share Offer; (b) the Capitalisation Issue; (c) the exercise of the Offer Size Adjustment Option; (d) and the exercise of any options that may be granted under the Share Option Scheme; and (ii) the agreement on the Offer Price to be determined between the Company and the Sole Bookrunner; and (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of such agreement or otherwise, in each case on or before the date determined in accordance with the terms of the Underwriting Agreements:
 - (i) the Share Offer and the Offer Size Adjustment Option were approved, and the Directors were authorised to effect the same and to allot and issue the Offer Shares under the Share Offer and any Shares which are required to be issued if the Offer Size Adjustment Option is exercised;
 - (ii) conditional upon the share premium account of the Company having sufficient balance, or otherwise being credited as a result of the issue of the Offer Shares under the Share Offer, the Directors were authorised to capitalise HK\$2,980,000 standing to the credit of the share premium account of the

Company by applying such sum in paying up in full at par 298,000,000 Shares for allotment and issue to Tin Ching Holdings, the sole Shareholder on the register of members of our Company at the close of business on 4 September 2013 (“Capitalisation Issue”);

- (iii) the rules of the Share Option Scheme were approved and adopted, and the Directors were authorised, at their absolute discretion, to grant options to subscribe for Shares under the Share Option Scheme, and to allot and issue and deal with Shares issued pursuant thereunder, and to take all such steps they consider necessary or, desirable to implement the Share Option Scheme and to vote on any matter connected therewith notwithstanding that they or any of them may be interested in the same;
- (c) a general unconditional mandate was given to the Directors authorising them to exercise all the powers of the Company to allot, issue and deal with (otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or a specific authority granted by the Shareholders in general meeting, or pursuant to the exercise of any options which may be granted under the Share Option Scheme or Offer Size Adjustment Option) Shares with an aggregate nominal value not exceeding 20% of the aggregate nominal value of the share capital of the Company in issue immediately following completion of the Share Offer and the Capitalisation Issue, such mandate to remain in effect until whichever is the earliest of (i) the conclusion of the next annual general meeting of the Company, or (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles or any applicable laws of the Cayman Islands to be held, or (iii) the passing of an ordinary resolution of the Shareholders in general meeting revoking, varying or renewing such mandate;
- (d) a general unconditional mandate was given to our Directors authorising them to exercise all powers of the Company to repurchase on the Stock Exchange or on any other stock exchange on which the Shares may be listed and which is recognised by the SFC and the Stock Exchange for this purpose in accordance with all applicable laws and requirements of the Listing Rules (or of such other stock exchange) such number of Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal value of the share capital of the Company in issue immediately following completion of the Share Offer and the Capitalisation Issue, such mandate to remain in effect until whichever is the earliest of (i) the conclusion of the next annual general meeting of our Company, or (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or any applicable laws to be held, or (iii) the passing of an ordinary resolution by our Shareholders at a general meeting revoking, varying or renewing such mandate;

- (e) the general unconditional mandate as stated in paragraph (c) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of the Company repurchased by the Company pursuant to the mandate as stated in paragraph (d) above, provided that such extended amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue immediately following completion of the Share Offer and the Capitalisation Issue; and
- (f) conditional upon Listing, the Articles were approved and adopted.

4. Corporate Reorganisation

The companies comprising our Group underwent the Reorganisation in preparation for the Listing of our Shares on the Stock Exchange. For information relating to the Reorganisation, please refer to the section headed “Corporate structure and Corporate Reorganisation” in this prospectus for more details.

5. Changes in share capital of our subsidiaries

Subsidiaries of our Company are listed in the Accountant’s Report set out in Appendix I to this prospectus.

In addition to those disclosed in the sub-paragraph headed “Changes in authorised and issued share capital of our Company” in this Appendix and in the sub-paragraph headed “(II) Transfer of the relevant subsidiaries of HKF Overseas by way of share swap” under the section headed “Corporate structure and Corporate Reorganisation” of this prospectus, the following alterations in the authorised and issued share capital of our subsidiaries have taken place within two years immediately preceding the date of this prospectus:

Max Art

- (1) On 18 November 2011, Max Art was established with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each and 1 share of HK\$1.00 each was issued and allotted to GNL11 Limited for cash at par.
- (2) On 8 December 2011, Max Art issued and allotted 9,999 shares of HK\$1.00 each to Tin Ching Holdings for cash at par.

HK Finance

- (3) On 21 March 2012, the authorised share capital of HK Finance was increased from HK\$10,000,000 divided into 10,000,000 shares of HK\$1.00 each to HK\$100,000,000 divided into 100,000,000 shares of HK\$1.00 each by the creation of 90,000,000 additional shares of HK\$1.00 each.

- (4) On 30 March 2012, the issued share capital of HK Finance was increased from HK\$10,000,000 to HK\$60,000,000 and 50,000,000 shares of HK\$1.00 each were issued and allotted to Tin Ching Holdings by setting off a loan of HK\$50,000,000 owed by HK Finance to Tin Ching Holdings.
- (5) On 28 March 2013, the issued share capital of HK Finance was increased from HK\$60,000,000 to HK\$100,000,000 and 40,000,000 shares of HK\$1.00 each were issued and allotted to Tin Ching Holdings by setting off a loan of HK\$40,000,000 owed by HK Finance to Tin Ching Holdings.

Oriental Credit

- (6) On 3 September 2012, Oriental Credit was established with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each and 1 share of HK\$1.00 each was issued and allotted to Will-tech Tax Consultants Limited for cash at par.
- (7) On 12 September 2012, Oriental Credit issued and allotted 9,999 shares of HK\$1.00 each to Tin Ching Holdings for cash at par.

HKF Overseas

- (8) On 6 February 2013, HKF Overseas was established with 50,000 authorised ordinary shares without par value. An aggregate of 10 shares were allotted to Tin Ching Holdings for cash at US\$1.00 each.

Save as set out above, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

6. Repurchase by our Company of our own securities

This paragraph contains information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of our own securities. Subject to certain restrictions, the Listing Rules permit companies whose primary listings are on the Stock Exchange to repurchase their own securities on the Stock Exchange, the most important of which are summarised below.

(i) Shareholders' approval

The Listing Rules provide that all proposed repurchases of securities by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of a specific approval of a specific transaction, or by way of a general mandate.

- (a) *Note:* Pursuant to a written resolution passed by our sole Shareholder on 4 September 2013, a general unconditional mandate was given to our Directors authorising them to exercise all

powers of the Company to repurchase on the Stock Exchange or on any other stock exchange on which the Shares may be listed and which is recognised by the SFC and the Stock Exchange for this purpose in accordance with all applicable laws and requirements of the Listing Rules (or of such other stock exchange) such number of Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal value of the share capital of the Company in issue immediately following completion of the Share Offer and the Capitalisation Issue, such mandate to remain in effect until whichever is the earliest of (i) the conclusion of the next annual general meeting of our Company, or (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or any applicable laws to be held, or (iii) the passing of an ordinary resolution by our Shareholders at a general meeting revoking, varying or renewing such mandate (“Share Repurchase Mandate”).

(ii) Source of funds

Any repurchases must be financed out of funds legally available for the purpose in accordance with the Listing Rules, the Memorandum and the Articles and the applicable laws and regulations of the Cayman Islands.

A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

(i) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and the Shareholders for our Directors to have general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or the earnings per Share. Repurchases of Shares will only be made if our Directors believe that such repurchases will benefit our Company and the Shareholders.

(ii) Funding of repurchase

Under the laws of the Cayman Islands, any repurchases by our Company may be made either (1) out of profits of our Company; (2) out of the share premium account of our Company; or (3) out of the proceeds of a fresh issue of Shares made for the purpose of the purchase; or (4) out of capital, if so authorised by the Articles and subject to the provisions of the Companies Law; and (5) in the case of any premium payable on the purchase, out of the profits of our Company, from sums standing to the credit of the share premium account of our Company or out of capital, if so authorised by the Articles and subject to the provisions of the Companies Law.

Our Directors do not propose to exercise the Share Repurchase Mandate to such an extent that would have a material adverse effect on the working capital position of our Company or the gearing levels which, in the opinion of our Directors, are appropriate for our Company from time to time.

(iii) Trading restrictions

Our Company may not issue or announce a proposed issue of Shares for a period of 30 days immediately following a repurchase of Shares, without the prior approval of the Stock Exchange. Our Company is also prohibited from repurchasing Shares on the Stock Exchange if the repurchase would result in the number of Shares which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. Our Company is required to procure that the broker appointed by it to effect a repurchase of Shares discloses to the Stock Exchange such information with respect to the repurchases as the Stock Exchange may request. Our Company also shall not purchase its Shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which the Shares were traded on the Stock Exchange.

(iv) Status of repurchased shares

All repurchased Shares (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those Shares will be cancelled. Under Cayman Islands law, a company's repurchased shares shall be treated as cancelled and the amount of the company's issued share capital shall be reduced by the aggregate par value of the repurchased shares unless in compliance with the Memorandum and Articles of the Company, the Company is authorised under the Articles or by a resolution of directors to hold such shares in the name of the Company as treasury shares prior to the purchase, redemption or surrender of such shares. The authorised share capital of the company will not be reduced.

(v) Suspension of repurchases

Pursuant to the Listing Rules, our Company may not make any repurchases of Shares after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In particular, under the requirements of the Listing Rules in force as of the date hereof, during the period of one month immediately preceding the earlier of: (i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half year, quarterly or any other interim period (whether or not required by the Listing Rules); and (ii) the deadline for our Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and in each case ending on the date of the results announcement, our Company may not repurchase Shares on the Stock Exchange unless the circumstances are exceptional. In addition, the Stock Exchange may prohibit a repurchase of the Shares on the Stock Exchange if our Company has breached the Listing Rules.

(vi) Procedural and reporting requirements

As required by the Listing Rules, repurchases of Shares on the Stock Exchange or otherwise must be reported to the Stock Exchange no later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the Stock Exchange business day following any day on which our Company may make a purchase of Shares, reporting the total number of Shares purchased the previous day, the purchase price per Share or the highest and lowest prices paid for such purchases, where relevant. In addition, our Company's annual report is required to disclose details regarding repurchases of Shares made during the year, including a monthly analysis of the number of Shares repurchased, the purchase price per Share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate price paid.

(vii) General

None of the Directors nor, to the best of their knowledge and having made all reasonable enquiries, any of their associates (as defined in the Listing Rules), have any present intention, if the Share Repurchase Mandate is exercised, to sell any Shares to our Company or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Share Repurchase Mandate in accordance with the Listing Rules, the Articles and the applicable laws and regulations of the Cayman Islands.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition of voting rights for the purpose of the Takeovers Code. Accordingly, a Shareholder, or a group of Shareholders acting in concert (as defined in the Takeovers Code), depending on the level of increase of the Shareholder's interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any other consequences which would arise under the Takeovers Code as a consequence of any repurchases of Shares pursuant to the Share Repurchase Mandate.

Our Company is prohibited from knowingly purchasing securities on the Stock Exchange from a connected person (as defined in the Listing Rules) and a connected person is prohibited from knowingly selling his/her securities to our Company.

No connected persons (as defined in the Listing Rules) of the Company have notified us of intention to sell securities to our Company and such persons have undertaken not to sell any such securities to our Company, if the Share Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR COMPANY**1. Summary of material contracts of our Group**

The contracts below (not being contracts entered into in the ordinary course of business) have been entered into by our Company or our subsidiaries within the two years preceding the date of this prospectus and are, or may be, material:



- (a) a sale and purchase agreement and an assignment entered into between Asia Ford as the vendor and Lee Kin Fai and Wong Yan On Georgiana as the purchaser dated 30 December 2011 and 9 February 2012 respectively where Flat B, 16th Floor, Block 5, Royal Ascot, 1 Tsun King Road, Shatin, New Territories, Hong Kong was sold and assigned at the consideration of HK\$5,150,000;
- (b) a loan novation deed dated 28 February 2013 entered into among Charterfame (as original obligor), HK Finance (as new obligor) and Tin Ching Industrial (as creditor) pursuant to which in consideration of the agreement on the part of Tin Ching Industrial therein contained, HK Finance irrevocably and unconditionally agrees and undertakes to Tin Ching Industrial and Charterfame: (a) to perform and discharge all obligations and liabilities of Charterfame and to repay indebtedness amounting to HK\$46,887,196 (the “28 February 2013 Indebtedness”) in full to Tin Ching Industrial as from 28 February 2013; and (b) to assume all obligations and liabilities and to satisfy all claims and demands whatsoever in connection with the 28 February 2013 Indebtedness as from 28 February 2013 as if HK Finance were the debtor thereof in lieu of Charterfame. In consideration of the agreement on the part of HK Finance therein contained, Tin Ching Industrial (a) releases and discharges Charterfame from all its obligations and liabilities to repay the 28 February 2013 Indebtedness and from all claims and demands whatsoever arising out of or in connection with the 28 February 2013 Indebtedness with effect from 28 February 2013; and (b) agrees and undertakes with HK Finance with effect from 28 February 2013 to accept the obligations and liabilities of HK Finance to repay the 28 February 2013 Indebtedness as if HK Finance were the debtor at the inception of the 28 February 2013 Indebtedness in lieu of Charterfame;
- (c) a loan novation deed dated 28 March 2013 entered into among HK Finance (as original obligor), Tin Ching Holdings (as new obligor) and Tin Ching Industrial (as creditor) pursuant to which in consideration of the agreement on the part of Tin Ching Industrial therein contained, Tin Ching Holdings irrevocably and unconditionally agrees and undertakes to Tin Ching Industrial and HK Finance: (a) to perform and discharge all obligations and liabilities on the part of HK Finance and to repay indebtedness amounting to HK\$40,000,000 (the “28 March 2013 Indebtedness”) in full to Tin Ching Industrial as from 28 March 2013; and (b) to assume all obligations and liabilities and to satisfy all claims and demands whatsoever in connection with the 28 March 2013 Indebtedness as from 28 March 2013 as if Tin Ching Holdings were the debtor thereof in lieu of HK Finance. In consideration of the agreement on the part of Tin Ching Holdings therein contained, Tin Ching Industrial (a) releases and discharges HK Finance from all its obligations and liabilities to repay the 28 March 2013 Indebtedness and from all claims and

- demands whatsoever arising out of or in connection with the 28 March 2013 Indebtedness with effect from 28 March 2013; and (b) agrees and undertakes with Tin Ching Holdings with effect from 28 March 2013 to accept the obligations and liabilities of the Tin Ching Holdings to repay the 28 March 2013 Indebtedness as if Tin Ching Holdings were the debtor at the inception of the 28 March 2013 Indebtedness in lieu of HK Finance;
- (d) a loan novation deed dated 30 March 2012 entered into among HK Finance (as original obligor), Tin Ching Holdings (as new obligor) and Tin Ching Industrial (as creditor) pursuant to which in consideration of the agreement on the part of Tin Ching Industrial therein contained, Tin Ching Holdings irrevocably and unconditionally agrees and undertakes to Tin Ching Industrial and HK Finance: (a) to perform and discharge all obligations and liabilities on the part of HK Finance and to repay indebtedness amounting to HK\$50,000,000 (the “30 March 2012 Indebtedness”) in full to Tin Ching Industrial as from 30 March 2012; and (b) to assume all obligations and liabilities and to satisfy all claims and demands whatsoever in connection with the 30 March 2012 Indebtedness as from 30 March 2012 as if Tin Ching Holdings were the debtor thereof in lieu of HK Finance. In consideration of the agreement on the part of Tin Ching Holdings therein contained, Tin Ching Industrial (a) releases and discharges HK Finance from all its obligations and liabilities to repay the 30 March 2012 Indebtedness and from all claims and demands whatsoever arising out of or in connection with the 30 March 2012 Indebtedness with effect from 30 March 2012; and (b) agrees and undertakes with Tin Ching Holdings with effect from 30 March 2012 to accept the obligations and liabilities of the Tin Ching Holdings to repay the 30 March 2012 Indebtedness as if Tin Ching Holdings were the debtor at the inception of the 30 March 2012 Indebtedness in lieu of HK Finance;
- (e) a share swap agreement dated 9 September 2013 entered into between the Company and Tin Ching Holdings, pursuant to which Tin Ching Holdings transferred 10,000 shares of HKF Overseas to the Company for the consideration of (i) issue and allotment of 1,000,000 Shares to Tin Ching Holdings at par and (ii) crediting the 1,000,000 nil paid shares of the Company as fully paid at par;
- (f) The Public Offer Underwriting Agreement;
- (g) a deed of indemnity dated 16 September 2013, executed by the Controlling Shareholders in favour of the Company (for itself and as trustee for each of its subsidiaries) containing indemnities in respect of certain tax liabilities and claims which may arise, as referred to in the sub-paragraph headed “Estate duty, Tax and other indemnities” under the paragraph headed “Other Information” of this appendix; and
- (h) a deed of non-competition dated 16 September 2013, executed by the Controlling Shareholders in favour of the Company (for itself and as trustee for each of its subsidiaries), pursuant to which each of them has given certain non-competition undertakings, as referred to in the paragraph headed “Relationship with the Controlling Shareholders – Deed of Non-competition” of this prospectus.



2. Summary of intellectual property rights of our Group

(a) Trademark

As at the Latest Practicable Date, we were the registered proprietor of the following trademarks in Hong Kong:

Item	Trademark	Registered Proprietor	Trademark number	Class	Registration Date	Expiry Date
1.		HK Finance	302317176	36	17 July 2012	16 July 2022
2.		HK Finance	302317185	36	17 July 2012	16 July 2022

Our Group has applied for registration of the following trademarks (which are under examination) as at the Latest Practicable Date in Hong Kong, details of which are as follows:

Item	Trademark	Applicant	Application number	Class	Date of application
1.		HK Finance	302562732	36	28 March 2013
2.		HK Finance	302686906	36	29 July 2013

Note:

- The services covered by Class 36 in Hong Kong are: Insurance; financial affairs; monetary affairs; real estate affairs; mortgage referral services; mortgage consulting; financial arrangement referral services; arranging of loans; mortgage broking services.

(b) Domain Name

Our Group has registered the following domain name as at the Latest Practicable Date:

Domain name	Registrant	Term/Expiry Date
hkfinance.hk	HK Finance	3 March 2015
hkfinance.com.hk	HK Finance	13 January 2014

C. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Particulars of Directors' service agreements and letters of appointment

Each of the executive Directors Mr. K.N. Chan, Mr. W. Chan and Mr. Tse has entered into a service agreement with our Company regarding his appointment as executive Director for an initial term of three years commencing from the Listing Date and shall continue thereafter unless terminated by not less than three months prior written notice or otherwise in accordance with the service agreement.

According to the terms of the service agreements entered into between our Company and the executive Directors, each of Mr. K.N. Chan and Mr. W. Chan will receive a monthly salary of HK\$100,000, and Mr. Tse will receive a monthly salary of HK\$80,000, all these salaries are subject to annual review by our Board and the remuneration committee of our Board. Each of the executive Directors is also entitled to a discretionary bonus as may be determined by the Board and our remuneration committee of our Board after each completed year of service provided that the aggregate amount of discretionary bonuses payable in each financial year to all executive directors of the Company shall not exceed five (5) per cent of the audited consolidated net profit attributable to the equity holders of the Company but before extraordinary or exceptional items of the relevant financial year. Each of the executive Directors is also entitled to a guaranteed bonus which is equivalent to one-month salary.

Since 1 April 2011, our Group has provided a quarter located at Flat A on 30th Floor of Tower 9, The Palazzo, No. 28 Lok King Street, Shatin, Hong Kong to Mr. W. Chan as part of the remuneration of his directorship in the Group.

Each of our independent non-executive Directors, Mr. R. Chan, Mr. Chu and Mr. Cheung has signed a letter of appointment dated 4 September 2013 with our Company for an initial term of two years commencing from the Listing Date and may be terminated by not less than three months (save the notice period is one month in the case of one independent non-executive Director) written notice or otherwise in accordance with the relevant letter of appointment. The annual remuneration payable by our Company to our independent non-executive Directors is an aggregate amount of HK\$420,000 according to the letters of appointment.

2. Directors' remuneration

- (a) For the years ended 31 March 2011, 2012 and 2013, the total remuneration (including salaries and bonus, housing allowance, and pension costs) paid to our Directors by our Group was HK\$0.7 million, HK\$1.5 million and HK\$2.4 million respectively.
- (b) Pursuant to the current arrangements in force, it is anticipated that, for the year ending 31 March 2014, an aggregate amount of approximately HK\$3.6 million will be payable to our Directors as remuneration and benefits in kind (excluding any commission or discretionary bonus) by our Group.

3. Disclosure of interests of the Directors in dealings with our Group

None of our Directors or their associates engaged in any dealing with our Group during the Track Record Period.

4. Disclosure of interests and short positions of Directors of our Company in the Shares of our Group

Immediately following completion of the Share Offer and the Capitalisation Issue, the interests or short positions of each of the Directors in the share capital, underlying shares and debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO) which, once the Shares are listed, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, once the Shares are listed, or which will be required to be notified to the Company or the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, will be as follows:

Name of Director	Nature of interest	Name of Company	Number of Shares held	Shareholding percentage (%)
Mr. K.N. Chan	Interest in a controlled corporation <i>(note 1)</i>	Our Company	300,000,000(L) <i>(note 2)</i>	75 <i>(note 2)</i>
Mr. W. Chan	Interest in a controlled corporation <i>(note 1)</i>	Our Company	300,000,000(L) <i>(note 2)</i>	75 <i>(note 2)</i>

Notes:

- (1) Tin Ching Holdings is 100% owned by Mr. K.N. Chan and Mr. W. Chan in equal shares.
- (2) These shares are held by Tin Ching Holdings, a company owned by Mr. K.N. Chan and Mr. W. Chan in equal shares.
- (L) The letter "L" denotes long position in the Shares.

5. Disclosure of interests under the Securities and Futures Ordinance and disclosure of interests for substantial shareholders

So far as our Directors are aware, the following persons will, immediately following completion of the Share Offer and Capitalisation Issue (but without taking into account of any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Offer or any Shares to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme) have beneficial interests or short positions in any Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, and/or are expected to be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of our Company:

Name	Type of interest	Name of Company	Number of Shares held	Percentage of shareholding in our Company (%)
Tin Ching Holdings (note 1)	Beneficial owner	Our Company	300,000,000	75
Mr. K.N. Chan	Interest in a controlled corporation (note 1)	Our Company	300,000,000 (note 2)	75 (note 2)
Mr. W. Chan	Interest in a controlled corporation (note 1)	Our Company	300,000,000 (note 2)	75 (note 2)

Notes:

1. Tin Ching Holdings is the registered and beneficial owner of these Shares. Tin Ching Holdings is owned as to 50% by Mr. K.N. Chan and 50% by Mr. W. Chan. Upon completion of the Share Offer and Capitalisation Issue, Tin Ching Holdings will be interested in 300,000,000 Shares. By virtue of the provisions of Part XV of the SFO, Mr. K.N. Chan and Mr. W. Chan are deemed to be interested in all the Shares in which Tin Ching Holdings is interested.
2. These shares are held by Tin Ching Holdings, a company owned by Mr. K.N. Chan and Mr. W. Chan in equal shares.

6. Disclaimers

Save as disclosed in this prospectus:

- (a) our Directors are not aware of any person (other than our Directors or the chief executive of our Company) who will, immediately following completion of the Share Offer and the Capitalisation Issue and assuming that the Offer Size Adjustment Option and the options which may be granted under the Share Option Scheme are not exercised, have an interest and/or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests and/or short positions which they are deemed to have under such provisions of the SFO) or who will, either directly or indirectly, be expected to be interested in 10% or more of nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group;
- (b) none of our Directors or the chief executives of our Company had any interest or short position in any of the Shares, underlying Shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, in each case once the Shares are listed;
- (c) None of the Directors nor any of the persons whose names are listed in the paragraph headed “Qualifications of experts” under the section headed “Other Information” in this appendix was directly or indirectly interested in the promotion of our Company, or has any direct or indirect interest in any assets which had been acquired or disposed of by or leased to our Company or any of its subsidiaries, within the two years immediately preceding the date of this prospectus, or were proposed to be acquired or disposed of by or leased to Our Company or any of its subsidiaries;
- (d) none of the persons whose names are listed in the paragraph headed “Qualifications of experts” under the section headed “Other Information” in this appendix was materially interested in any contract or arrangement subsisting at the date of this prospectus which was significant in relation to the business of our Group;
- (e) none of our Directors nor any of the persons whose names are listed in the paragraph headed “Qualifications of experts” under the section headed “Other Information” in this Appendix has received any agency fee, commissions, discounts, brokerage or other special terms from our Group within the two years immediately preceding the date of this prospectus in connection with the issue or sale of any capital of any member of our Group;

- (f) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole; and
- (g) save in connection with the Underwriting Agreements, none of the parties listed in the section headed “Qualifications of experts” of this Appendix:
 - (i) were interested legally or beneficially in any securities of any member of our Group; and
 - (ii) had any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of any member of our Group.

D. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme approved by a resolution of our sole Shareholder passed on 4 September 2013. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

1. Purposes of the Share Option Scheme

The purpose of the Share Option Scheme is to provide incentives and to recognise and acknowledge the contributions which the Eligible Participants (defined in paragraph 2 below) have made or may make to the Group. The Share Option Scheme will provide the Eligible Participants with the opportunity to own a personal stake in the Company with a view to motivating the Eligible Participants and/or attracting and retaining or otherwise maintaining on-going relationship with the Eligible Participants whose contributions are, will be or are likely to be beneficial to the long term growth of the Group.

2. Who may join

Our Directors (which include a duly authorised committee thereof) may, at its absolute discretion, invite any person belonging to any of the following classes of participants (the “Eligible Participants”), to take up options (the “Options”) to subscribe for Shares:

- (a) any director (whether executive or non-executive or independent non-executive), employee (whether full time or part time), officer, consultant, customer, supplier, agent, partner or adviser of or contractor to the Group or any entity in which the Company or any subsidiary holds any interest (the “Invested Entity”);
- (b) any discretionary trust the discretionary objects of which include any director (whether executive or non-executive or independent non-executive), employee (whether full time or part time), officer, consultant, customer, supplier, agent, partner or adviser of or contractor to the Group or any Invested Entity; and
- (c) any corporation wholly-owned by any person mentioned in clause (a) above.

The eligibility of any of the above persons to the grant of any Option shall be determined by the Board from time to time on the basis of his contribution (whether past, present or future) to the development and growth of the Group. Our Company shall be entitled to cancel any Option granted to a grantee but not exercised if such grantee fails to meet the eligibility criteria determined by the Board after an Option is granted but before it is exercised.

3. Subscription Price for the Shares and consideration for the Options

The subscription price per Share under the Share Option Scheme (the “Subscription Price”) shall be a price determined by our Directors, but shall not be less than the highest of:

- (a) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the date of the offer (the “Option Offer”) of grant of an Option (the “Offer Date”), which must be a Business Day; and
- (b) the average closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet for the five Business days immediately preceding the Offer Date in respect of such Option; and
- (c) the nominal value of a Share.

For the purpose of calculating the Subscription Price for Shares under this paragraph, where our Company has been listed for less than five Business Days, the new issue price shall be used as the closing price for any Business Day falling within the period before listing.

A nominal consideration of HK\$1.00 is payable on acceptance of the grant of an Option.

4. Maximum number of Shares

The total number of Shares which may be issued upon exercise of all Options (exclusive of Options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of our Group) to be granted under the Share Option Scheme and any other share option scheme of our Group shall not in aggregate exceed 10% of the Shares in issue on the Listing Date (“Scheme Mandate Limit”).

Our Company may seek approval of our Shareholders in general meeting for refreshing the 10% limit set out hereinabove such that the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option schemes of our Company under the limit as refreshed shall not exceed 10% of the total number of Shares in issue as at the date of approval to refresh such limit. Options previously granted under the Share Option Scheme and any other share option schemes (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme or any other share option schemes or exercised Options) will not be counted for the purpose of calculating such limit as refreshed. In such a case, our Company shall issue a circular to its Shareholders containing the information as required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules.

The overall limit on the number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of our Company shall not, in aggregate, exceed such number of Shares as equals 30% of the Shares in issue from time to time. No Option may be granted under this Share Option Scheme or any other share option scheme of our Company if it would result in the above-mentioned 30% limit being exceeded.

5. Maximum entitlement of each Eligible Participant

The total number of Shares issued and which may fall to be issued upon exercise of the Options granted under the Share Option Scheme and any other share option scheme of our Group (including both exercised or outstanding Options) to each Eligible Participant in any 12-month period shall not exceed 1% of the issued Shares for the time being (“Individual Limit”).

Notwithstanding the above, where any further grant of Options to an Eligible Participant would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such Eligible Participant under the Share Option Scheme and any other share option schemes of our Company (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of our Shares in issue, such further grant must be separately approved by our Shareholders in general meeting with such Eligible Participant and his associates (as defined in the Listing Rules) abstaining from voting.

The number and terms of the Options to be granted to such Eligible Participant shall be fixed before Shareholders’ approval and the date of the Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under Note 1 to Rule 17.03(9) of the Listing Rule.

In such a case, our Company shall issue a circular to our Shareholders containing, amongst other terms, the identity of such Eligible Participant, the number and the terms of the Options to be granted (and options previously granted to such Eligible Participant) and such other information as required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules.

6. Granting Options to Directors, chief executives or substantial shareholders of our Company or their respective associates

Any grant of an Option under the Share Option Scheme to a Director, chief executive or substantial shareholder of our Company or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is a grantee of such Option).

Where an Option is proposed to be granted to a substantial shareholder of our Company or an independent non-executive Director, or any of their respective associates, and where the Shares issued and to be issued upon exercise of all Options granted and to be granted to such person under this Scheme (including Options exercised, cancelled and outstanding) in the 12-month period up to and including the Offer Date in respect of such proposed Option:

- (i) represent in aggregate over 0.1% of the Shares in issue as at such Offer Date, and
- (ii) at such Offer Date have an aggregate value in excess of HK\$5,000,000, based on the closing price of the Shares at such Offer Date,

such proposed grant will be subject to the approval by the Shareholders at a general meeting. The Connected Persons involved and all other Connected Persons of our Company must abstain from voting at such general meeting.

Our Company shall issue a circular to the Shareholders explaining the proposed grant, containing:

- (i) the details of the number and terms (including the Subscription Price) of the Option to be granted to each Eligible Participant, which must be fixed before the Shareholders' meeting, and the date of Board meeting for proposing such further grant is to be taken as the date of grant for the purpose of calculating the exercise price under note (1) to Rule 17.03(9) of the Listing Rules;
- (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of such Option) on whether or not to vote in favour of the proposed grant;
- (iii) the information required under Rules 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and
- (iv) the information required under Rule 2.17 of the Listing Rules.

The date of the Board meeting for proposing such grant is to be taken as the Offer Date for the purpose of calculating the subscription price. Our Company must comply with the requirements under Rules 13.40, 13.41 and 13.42 of the Listing Rules.

The requirements for the grant of an Option to a Director or chief executive of our Company set out in Rules 17.04(1), (2) and (3) of the Listing Rules shall not apply where the proposed grantee is only a proposed Director or chief executive of our Company.

7. Restrictions on time of grant of Options

No offer shall be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision, until such price sensitive information has been published pursuant to the requirements of the Listing Rules. In particular, during the period

commencing one month immediately preceding the earlier of (i) the date of the Board meeting (as such date is first notified by our Company to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for our Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, no Option may be granted.

8. Grant of Options, performance target and acceptance

An Offer shall remain open for acceptance by a grantee for a period of 21 days from the Offer Date. An Option Offer may not be accepted by a grantee who ceases to be an Eligible Participant for any reason other than death after the Option Offer is made to him but before his acceptance. No Option Offer shall be capable of or open for acceptance after ten years after the date of approval of the Share Option Scheme (the "Termination Date").

An Option Offer shall be made to an Eligible Participant by letter containing the following:

- (i) the name, address and (if appropriate) position of the Eligible Participant;
- (ii) the number of Shares in respect of which the Option Offer is made and the Subscription Price for such Shares;
- (iii) the option period in respect of which the Option Offer is made or, as the case may be, the option period in respect of separate parcels of Shares comprised in the Offer;
- (iv) the last date by which the Option Offer must be accepted;
- (v) the procedures for acceptance;
- (vi) the specific conditions, restrictions or limitations (if any) and such other terms and conditions of the Option Offer as may be imposed by the Board as are not inconsistent with the Share Option Scheme; and
- (vii) a statement requiring the Eligible Participant to undertake to hold the Option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme.

To accept the Option Offer, the duplicate letter comprising acceptance of the Offer duly signed by the grantee together with a payment in favour of our Company of HK\$1.00 by way of consideration for the grant thereof must be received by our Company at its principal place of business in Hong Kong within the 21-day period mentioned above. Such payment shall in no circumstances be refundable. Upon acceptance, the Option shall be deemed to have been granted and to have taken effect on the Offer Date.

Any Option Offer may be accepted by a grantee in respect of less than the number of Shares which are offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof. To the extent the Option Offer is not accepted within 21 days from the Offer Date in the manner indicated above, it will be deemed to have been irrevocably declined.

The Board may at its discretion when making an Option Offer impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the Share Option Scheme as it may think fit (to be stated in the letter containing the Option Offer), including (without prejudice to the generality of the foregoing) conditions, restrictions or limitations relating to the achievement of operating or financial targets, the satisfactory performance by the grantee, the time when the right to exercise the Option in respect of all or some of the Shares the subject of the Option will vest or the minimum period during which the Option must be held by the grantee. Our Company shall be entitled to cancel any Option granted but not exercised if there is a breach of any of such conditions, restrictions or limitations by the grantee.

9. Exercise of Options and duration of the Share Option Scheme

- (a) An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by our Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of Options is made but shall end in any event not later than ten years from the date of grant of the Option subject to the provisions for early termination thereof. No further Options may be granted more than ten years after the date of approval of the Share Option Scheme (“the Adoption Date”) by the Shareholders of our Company.

Subject to earlier termination by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of ten years from the Adoption Date.

- (b) Unless otherwise determined by our Directors and stated in the offer of the grant of Options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.
- (c) Rights on death

If the grantee (being an individual) ceasing to be an Eligible Participant by reason of his death before exercising his Option in full, such Option Period shall be deemed to expire six months after the date of such grantee’s death and, if none of the events under paragraphs (e), (f) and (g) below exists with respect to such grantee at the time of his death, his personal representative(s) may exercise such Option (to the extent not already exercised) in whole or in part in accordance with this paragraph within such period of six months, provided that where any of the events set out in

paragraphs (e), (f) and (g) below occurs prior to his death or within such period of six months following his death, then his personal representative(s) may so exercise the Option within such of the various periods set out in such paragraphs, and any Option not so exercised shall lapse and determine at the expiry of such six months or any applicable shorter period set out in those paragraphs.

(d) Rights upon ceasing to be an Eligible Participant

If the grantee ceasing to be an Eligible Participant for any reason other than as described in section (c) of this paragraph, then all his Options shall lapse and determine on the date he so ceases (to the extent not already exercised), unless the Board gives notice in writing to the grantee prior to the date of the grantee ceasing to be an Eligible Participant that his Option (to the extent not exercised) may be exercised at any time within such period as set out in the notice from the Board.

(e) Rights on a general offer

If in consequence of any general offer made to all the Shareholders (or all such Shareholders other than the offeror, any person controlled by the offeror and any person acting in association or concert with the offeror) (including an offer made in the first instance on a condition such that, if it is satisfied, the offeror will have control of our Company) or otherwise, and such offer becomes or is declared unconditional, then the Directors shall as soon as practicable thereafter notify every grantee accordingly and each grantee shall be entitled at any time within the period of 21 days of the notice given by the offeror, to exercise all of his outstanding Option, and such Option shall, to the extent not having been exercised, lapse and determine upon the expiry of such period.

(f) Rights on voluntary winding up

If a notice is given by our Company to our Shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution for the voluntary winding up of our Company, our Company shall forthwith give notice thereof to every grantee and the grantee shall be entitled by notice in writing to our Company (such notice to be received by our Company not later than four Business Days prior to the proposed Shareholders' meeting) exercise his Option (to the extent not already exercised) either to its full extent or to the extent specified in such notice and our Company shall as soon as possible and in any event not later than the day immediately prior to the date of the proposed Shareholders' meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise and all Options shall, to the extent not having been exercised, lapse and determine.

(g) Rights on compromise or arrangement with creditors

If a compromise or arrangement between our Company and our Shareholders or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or

companies, our Company shall give notice thereof to every grantee (together with a notice of the existence of this paragraph) on the same day as it despatches to each Shareholder or creditor of our Company a notice summoning the meeting to consider such a compromise or arrangement, and thereupon each grantee shall be entitled by notice in writing to our Company accompanied by the payment for the Subscription Price in respect of his Option (such notice to be received by our Company not later than two Business Days prior to the proposed meeting) exercise his Option (to the extent not already exercised) to its full extent.

With effect from the date of such meeting, the rights of all grantees to exercise their respective Options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all Options shall, to the extent not having been exercised, thereupon lapse and determine. The Directors shall endeavour to procure that the Shares issued as a result of the exercise of Options shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the relevant court having jurisdiction (the “Court”) (whether upon the terms presented to the Court or upon any other terms as may be approved by such Court), the rights of the grantees to exercise their respective Options shall with effect from the date of the making of the order by the Court be restored in full (but only up to the extent not already exercised) and shall thereupon become exercisable (but subject to the other terms of this Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any grantee as a result of the aforesaid suspension.

- (h) Upon the occurrence of any of the events referred to in paragraphs (e), (f) and (g), our Company may at its discretion and notwithstanding the terms of the relevant Option, also give notice to the grantee that his Option may be exercised at any time within such period as shall be notified by our Company and/or to the extent (not being less than the extent to which it could then be exercised in accordance with its terms) notified by our Company. If our Company issues such notice, the balance of the Options if not exercised shall lapse at the expiry of such period.

10. Lapse of options

An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (a) the expiry of the option period in respect of such Option in paragraphs 9(c) – 9(h) above;
- (b) the expiry of any of the periods referred to in paragraphs 9(c) – 9(h) above;
- (c) the date of commencement of the winding up of our Company;

- (d) the date on which the grantee sells, transfers, charges, mortgages, encumbrances or creates any interest in favour of any other party, over or in relation to any Option in breach of the rules of the Share Option Scheme;
- (e) the date on which any of the following events, unless otherwise waived by the Board, happens;
 - (i) any liquidator, provisional liquidator, administrator, receiver or any person carrying out any similar function has been appointed anywhere in the world in respect of the whole or any part of the assets or undertaking of the grantee (being a corporation) of such Option;
 - (ii) the grantee (being a corporation) of such Option has ceased or suspended payment of its debts, become unable to pay its debts (within the meaning of Section 178 of the Companies Ordinance or any similar laws or regulations) or otherwise become insolvent;
 - (iii) there is unsatisfied judgment, order or award outstanding against the grantee of such Option;
 - (iv) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in this paragraph in respect of the grantee of such Option;
 - (v) a bankruptcy order has been made against the grantee (being an individual), or any director of the grantee (being a corporation) of such Option in any jurisdiction; or
 - (vi) a petition for bankruptcy has been presented against the grantee (being an individual), or any director of the grantee (being a corporation) of such Option in any jurisdiction;
- (f) the date on which the grantee commits a breach of any condition, restriction or limitation attached to the grant of any Option, if the Board shall exercise our Company's right to cancel such Option pursuant to the terms of the Share Option Scheme; or
- (g) the date on which the Board considers that the grantee fails to meet any eligibility criteria set out by the Board pursuant to paragraph 2 above, if the Board shall exercise our Company's right to cancel the Option.

11. Reorganisation of Capital Structure

In the event of any alteration in the capital structure of our Company whilst any Option remains exercisable or the Share Option Scheme remains in effect, and such event arises from any capitalisation issue, rights issue, consolidation, sub-division of Shares or reduction of share capital of our Company, then, in any such case:

- (a) the Board shall instruct the auditors or an independent financial adviser to certify in writing that in their opinion, the adjustment, if any, is fair and reasonable as regards:
 - (i) the number or nominal amount of Shares subject to the Option(s) (insofar as it is/they are unexercised); and/or
 - (ii) the Subscription Price; and/or
 - (iii) the maximum number of Shares referred to in paragraph 4 above,and an adjustment as so certified by the auditors or the independent financial adviser shall be made, provided that:
 - (i) any such adjustment must give the grantee the same proportion of the issued share capital of our Company as that to which he was previously entitled (as interpreted in accordance with the Supplementary Guidance attached to the letter from the Stock Exchange dated 5 September 2005);
 - (ii) no such adjustment shall be made to the extent that a Share would be issued at less than its nominal value; and
 - (iii) the issue of Shares as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustment; and
- (b) in respect of any such adjustment other than any adjustment made on a capitalisation issue such auditors or independent financial adviser must confirm to the Directors in writing that the adjustment satisfies the requirements of the relevant provisions of the Listing Rules (as amended from time to time) and the note thereto and the Supplementary Guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issues relating to share option schemes.

Our Company shall, upon receipt of a notice from a grantee, inform the grantee of such alteration and shall either inform the grantee of the adjustment to be made in accordance with the certificate of the auditors or the independent financial adviser obtained by our Company for such purpose or, if no such certificate has yet been obtained, inform the grantee of such fact and instruct the auditors or the independent financial adviser as soon as practicable thereafter to issue a certificate in that regard in accordance with this paragraph.

In giving any certificate under this paragraph, the auditors and the independent financial adviser shall be deemed to be acting as experts and not as arbitrators and their certificate shall, in the absence of manifest error, be final, conclusive and binding on our Company and all persons who may be affected thereby for the purposes of the Share Option Scheme.

12. Alteration of the Scheme

The Share Option Scheme may be altered in any respect by resolution of the Board, save that:

- (a) the provisions of the Share Option Scheme relating to matters set out in Rule 17.03 of the Listing Rules shall not be altered to the advantage of any grantees or prospective grantees except with the prior sanction of an ordinary resolution of our Company in general meeting;
- (b) any alteration to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of the Options granted prior to such alteration shall be approved by the Shareholders in a general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme;
- (c) the amended terms of the Share Option Scheme or the amended Options shall continue to comply with Chapter 17 of the Listing Rules; and
- (d) any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by our Shareholders in a general meeting.

13. Administration of the Board

The Share Option Scheme shall be subject to the administration of the Board whose decision on all matters arising in relation to the Share Option Scheme or the interpretation of its rules or its effect shall (save as otherwise provided herein) be final and binding on all persons who may be affected thereby.

14. Rights are personal to grantee

An Option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest whatsoever in favour of any third party over or in relation to any Option or enter into any agreement so to do. Any breach of the foregoing by a grantee shall entitle our Company to cancel any Option or part thereof granted to such grantee.

15. Ranking of Shares

Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the Memorandum and Articles of our Company for the time being in force and will rank *pari passu* in all respects with the existing fully paid Shares in issue on the date on which the Option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members) (the "Exercise Date") and accordingly will entitle the holders thereof to participate in all dividends or other distributions (including distributions made upon the liquidation of our Company) paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. A Share allotted and issued upon the exercise of an Option shall not carry voting rights until the name of the grantee has been duly entered onto the register of members of our Company as the holder thereof.

16. Termination of the Share Option Scheme

Our Company may, by an ordinary resolution at a general meeting or of a resolution of the Board, at any time terminate the operation of the Share Option Scheme and in such event no further Option will be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any Option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme and any Option granted but not yet exercised prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

17. Cancellation of options

Either the Board or our Shareholders (by an ordinary resolution) shall have the right, at any time and from time to time, with the agreement of the grantee forthwith to cancel, whether conditionally or unconditionally, any Option granted to the grantee but not exercised. Cancelled Options may be re-issued after such cancellation has been approved, provided that re-issued Options shall only be granted in compliance with the terms of the Share Option Scheme. For the avoidance of doubt, new Options may be issued to an Eligible Participant in place of his cancelled Options only if there are available unissued Options (excluding cancelled Options) within the limit approved by the Shareholders. The Board may also, in its absolute discretion, determine that against cancellation of all or any part of the outstanding Options held by a grantee, a sum shall be paid to the grantee which sum shall be equal to the excess (if any) of the price of the Shares comprised in the outstanding Options or the relevant part thereof calculated at the average of the closing prices of the Shares on the Stock Exchange according to the daily quotations sheet during the 5 Business Days immediately preceding the date of the cancellation notice over the Subscription Price in aggregate in respect of the Options or any part thereof so cancelled.

18. Present status of the Share Option Scheme

The Share Option Scheme is conditional on the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, 40,000,000 Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not more than that of the Scheme Mandate Limit.

Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Shares to be issued within the Scheme Mandate Limit pursuant to the exercise of any options which may be granted under the Share Option Scheme.

As at the date of this prospectus, no options have been granted or agreed to be granted under the Share Option Scheme.

E. OTHER INFORMATION

1. Estate duty, Tax and other indemnities

Pursuant to The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on 11 February 2006 in Hong Kong, estate duty ceased to be chargeable in Hong Kong in respect of the estates of persons dying on or after that date. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application for a grant of representation in respect of holders of Shares whose death occur on or after 11 February 2006.

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries in the Cayman Islands, the BVI and Hong Kong in which the companies comprising our Group are incorporated.

Dealings in the Shares will be subject to Hong Kong stamp duty. The current ad valorem rate of Hong Kong stamp duty is 0.1% on the higher of the consideration for or the market value of the Shares and it is charged on the purchaser on every purchase and on the seller on every sale of the Shares. A total stamp duty of 0.2% is currently payable on a typical sale and purchase transaction involving the Shares.

Each of the Controlling Shareholders (the “Indemnifiers”) has entered into the Deed of Indemnity with and in favor of our Company (for ourselves and as trustee for each of our subsidiaries) to provide indemnities on a joint and several basis in respect of, among other matters, any liability for tax which might be incurred by any member of our Group on or before the Share Offer becomes unconditional (“Effective Date”).

Under the Deed of Indemnity, the Indemnifiers have given indemnities to our Group on a joint and several basis in relation to the amount of any and all taxation which might be payable by any member of our Group resulting from or by reference to any income, profits or gains earned, accrued or received on or before the Effective Date or any event or transaction entered into or occurring on or before the Effective Date.

The Deed of Indemnity does not cover any taxation claim and the Indemnifiers shall be under no liability under the Deed of Indemnity in respect of any taxation:

- (a) to the extent that provision or reserve has been made for such taxation in the combined audited accounts of our Group or the audited accounts of the relevant member of our Group up to 31 March 2013; or

- (b) to the extent that such taxation or liability would not have arisen but for some act or omission of, or transaction entered into by any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) otherwise than in the course of normal day to day operations of that company or carried out, made or entered into pursuant to a legally binding commitment created on or before the Effective Date on which the conditions set out in the section headed “Structure and conditions of the Share Offer – Conditions of the Share Offer” in this prospectus are fulfilled or where applicable, waived;
- (c) to the extent that any provision or reserve made for taxation in the audited accounts of any member of our Group up to 31 March 2013 which is finally established to be an over-provision or an excessive reserve;
- (d) to the extent that such taxation claim arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the laws rules or negotiations or the interpretation or practice thereof by the Inland Revenue Department in Hong Kong or any other relevant authority coming into force after the Effective Date or to the extent that such taxation claim arises or is increased by an increase in rates of taxation after the Effective Date with retrospective effect; or
- (e) for any penalty imposed on any member of our Group under section 42 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent thereof under the laws of any jurisdiction outside Hong Kong by reason of any member of our Group defaulting in any obligation to give information to the Commissioner under section 42(1) of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent authority thereof under the laws of any jurisdiction outside Hong Kong, provided that such obligation arises on or before the Effective Date.

Under the Deed of Indemnity, the Indemnifiers have also given indemnities to our Group on a joint and several basis against all claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines of whatever nature suffered by or incurred by any member of our Group (i) as a result of directly or indirectly or in connection with, or in consequence of any non-compliance with or breach of any applicable laws, rules or regulations in any jurisdiction by any member of our Group on or before the Effective Date; (ii) as a result of directly or indirectly or in connection with any litigation, proceeding, claim, investigation, inquiry, enforcement proceeding or process by any governmental, administrative or regulatory body which (a) the members of our Group, their respective directors and/or authorised representatives or any of them is/are involved; and/or (b) arises due to some act or omission of, or transaction voluntarily effected by, the members of our Group or any of them (whether alone or in conjunction with some other act, omission or transaction) on or before the Effective Date.

The Deed of Indemnity does not cover any claim and the Indemnifiers shall be under no liability under the Deed of Indemnity in respect of any claim to the extent that provision has been made for such claim in the combined audited accounts of our Group or the audited accounts of the relevant member of our Group up to 31 March 2013.

Under the Deed of Indemnity, the Indemnifiers have further given indemnities to our Group on a joint and several basis against all claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines of whatever nature suffered by or incurred by any member of our Group.

2. Litigation

No member of our Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against any member of our Group, that would have a material adverse effect on our results of operations or financial condition of our Company.

3. Sponsor

Asian Capital has made an application on behalf of our Company to the Stock Exchange for listing of, and permission to deal in, the Shares in issue and the Shares to be issued pursuant to (i) the Share Offer; (ii) the Capitalisation Issue; (iii) the exercise of the Offer Size Adjustment Options; and (iv) to the exercise of any options that may be granted under the Share Option Scheme.

4. Promoter

Save as disclosed in this prospectus, within the two years preceding the date of this prospectus, no cash, securities or other benefit had been paid, allotted or given, nor are any such cash, securities or other benefit intended to be paid, allotted or given, to the promoter of our Company in connection with the Share Offer or the related transactions described in this prospectus.

The promoter of our Company is Mr. W. Chan.

5. Agency fees or commissions received

Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of its subsidiaries.

6. Preliminary expenses

The preliminary expenses payable by our Company are estimated to be about HK\$43,000.

7. Registration procedures

The register of members of our Company will be maintained in the Cayman Islands by Codan Trust Company (Cayman) Limited and a Hong Kong register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Unless our Directors otherwise agree, all transfers and other documents of title of Shares must be lodged for registration with and registered by our Hong Kong Branch Share Registrar and may not be lodged in the Cayman Islands.

8. Taxation of holders of Shares

Dealings in Shares will be subject to Hong Kong stamp duty. The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

Potential holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares.

None of our Company, our Directors or other parties involved in the Share Offer can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

Under present Cayman Islands law, transfers and other dispositions of Shares are exempt from Cayman Islands stamp duty.

9. Qualifications of experts

The following are the respective qualifications of the experts who have given opinion or advice which are included in this prospectus:

Name	Qualification
Asian Capital (Corporate Finance) Limited	A corporation licensed to carry on for type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
PricewaterhouseCoopers	Certified Public Accountants
Conyers Dill & Pearman (Cayman) Limited	Cayman Islands Attorneys-at-law
RSM Nelson Wheeler Consulting Limited	Internal Control Consultant
Assets Appraisal Limited	Property Valuer
Cheung & Choy	Legal advisers as to Hong Kong law

10. Consents of experts

Each of Asian Capital, PricewaterhouseCoopers, Conyers Dill & Pearman (Cayman) Limited, Cheung & Choy, RSM Nelson Wheeler Consulting Limited and Assets Appraisal Limited has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or certificates and/or opinions and/or references to its name (as the case may be) included in the form and context in which they are respectively included.

11. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies Ordinance so far as applicable.

12. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided in section 4 of the Companies Ordinance (Exemption of Companies and Prospectus from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). The English text of this prospectus shall prevail over the Chinese text in case of discrepancies.

13. No material adverse change

The Board confirms that there has been no material adverse change in the prospects or financial position or trading position of our Company or our subsidiaries since 31 March 2013 (the date to which the latest audited financial statements of our Company were prepared).

14. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of our subsidiaries;

- (iii) no founders, management or deferred shares of our Company or any of its subsidiaries have been issued or agreed to be issued;
 - (iv) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.
- (b) None of Asian Capital, PricewaterhouseCoopers, Conyers Dill & Pearman (Cayman) Limited, Cheung & Choy, RSM Nelson Wheeler Consulting Limited and Assets Appraisal Limited:
 - (i) is interested beneficially or non-beneficially in any shares in any member of our Group; or
 - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group.
- (c) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (d) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group within 12 months preceding the date of this prospectus.
- (e) There are no arrangements in existence under which future dividends are to be or agreed to be waived.
- (f) All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.
- (g) Our Group had not issued any debentures nor did it have any outstanding debentures nor any convertible debt securities as at the Latest Practicable Date.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the Application Forms, the written consents referred to in the section headed “E. Other information – 10. Consents of experts” in Appendix V to this prospectus; and copies of material contracts referred to in the section headed “B. Further information about the business of our Company – 1. Summary of material contracts of our Group” in Appendix V to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Cheung & Choy at Room B, 5th Floor, C.T.S. House, 78-83 Connaught Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- a. the Memorandum of Association and the Articles;
- b. the Accountant’s Report from PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;
- c. the audited combined financial statements of the Group for the three years ended 31 March 2013;
- d. the report from PricewaterhouseCoopers relating to the Unaudited Pro Forma Financial Information, the text of which is set out in Appendix II to this prospectus;
- e. the letter dated 17 September, 2013 relating to the property interest of the Group prepared by Asset Appraisal Limited, the text of which is set out in Appendix III to this prospectus;
- f. the Cayman Companies Law;
- g. the material contracts referred to in the section headed “B. Further information about the business of our Company – 1. Summary of material contracts of our Group” in Appendix V to this prospectus;
- h. the service agreements referred to in the section headed “C. Further information about Directors and Substantial Shareholders – 1. Particulars of Directors’ service agreements and letters of appointment” in Appendix V to this prospectus;
- i. the written consents referred to in the section headed “E. Other information – 10. Consents of experts” in Appendix V to this prospectus;

- j. the rules of the Share Option Scheme;
- k. the letters of advice prepared by Conyers Dill & Pearman (Cayman) Limited, the legal advisers to the Company as to Cayman Islands law, summarizing certain aspects of the Cayman Islands company law as referred to at the end of Appendix IV to this prospectus;
- l. the letter of advice prepared by Cheung & Choy, the legal advisers to the Company as to Hong Kong law regarding certain aspects of Hong Kong law as referred to in the section “Business – Legal and regulatory risks” of this prospectus; and
- m. the internal control consultant’s report prepared by RSM Nelson Wheeler Consulting Limited, extracts of which are referred to in the section “Business – Review of internal control systems” of this prospectus.

