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寶新金融集團有限公司

GLORY SUN FINANCIAL GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01282)

SUPPLEMENTAL ANNOUNCEMENT ON INFORMATION IN RELATION TO THE MONEY LENDING BUSINESS OF THE COMPANY

Reference is made to the annual report of the Company for the year ended 31 December 2022 (the “**2022 Annual Report**”). Unless otherwise defined herein, capitalized terms used in this announcement shall have the same meanings as those defined in the 2022 Annual Report.

The Board would like to provide the shareholders and potential investors of the Company with supplemental information in relation to the Group’s money lending business under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) (the “**Money Lending Business**”) as disclosed in the 2022 Annual Report as follows:

(i) The business model and credit risk assessment policy of the Money Lending Business

The Group holds a money lenders license under the Money Lender’s Ordinance (Chapter 163 of the Laws of Hong Kong) and mainly utilizes its internal resources that generated from its revenue in funding its Money Lending Business and other lending business. With the focus of individual customers that with net-worth or collateral items in around HK\$5,000,000 or above and/or corporations with loan size that ranged from around HK\$1 million to HK\$400 million, the Group is engaged in the provision and arrangement of mortgage and other loans. For individual customers to become the Company’s target customers, except the threshold as aforementioned, there is no other particular benchmark, such as age group, occupation and minimum monthly income threshold. For a corporation to become the Company’s target customers, except the collateral value in relation to the loan granted, there is no other particular benchmark requirement, for example a particular industry, business location, operation history, level of annual income or profit etc.

During the year ended 31 December 2022, the Group has identified its potential clients through referral. The referral was made by either the existing customers or senior management of the Group. Occasionally, attributable to the introduction of the Group’s business on the website, potential borrowers might inquire about details of the Group’s money lending service.

It is the Group's policy that potential borrowers are subject to credit verification procedures. These include assessment on their credit worthiness based on records on TransUnion Limited, their financial positions, history of default and other factors such as secured assets or collateral items provided. Collateral items may include shares, properties and car parking spaces.

(ii) Major terms of loans granted

Under the lending businesses of the group during the year ended 31 December 2022, the Group offered a credit period ranging from 2 months to 3 years for the loans to its customers and with interest rate ranging from 5% p.a. to 18% p.a. (2021: from 8% p.a. to 18% p.a.). For mortgage loans, a longer credit period for more than 12 months will be given to individuals or their wholly-own investment companies. On the other hand, for individuals or corporates that required short-term financing for their businesses, with nature including property development, trading, construction etc., a 12 months duration will be the standard term for their loans.

(iii) Loan receivables

As at 31 December 2022, the number of clients in relation to the Money Lending Business was 6. As at 31 December 2022, the net carrying amount of the loan receivables under Money Lending Business of the Group was around HK\$420.2 million (2021: around HK\$432.4 million). Regarding the Money Lending Business of the Group, as at 31 December 2022, in aggregation with loans granted to persons connected with each other, (i) around HK\$354.8 million, which in around 84.4% (2021: 72.2%) of the receivables was due from the Group's largest client; and (ii) around HK\$419.0 million, which in around 100% (2021: 90.7%) of the receivables were due from the five largest clients.

For margin loans receivables of the Group, as at 31 December 2022, the net carrying amount was around HK\$72.8 million (2021: around HK\$543.9 million)

For other loan receivables of the Group, as at 31 December 2022, the net carrying amount was around HK\$1,436.0 million (2021: around HK\$1,513.9 million), of which (a) around HK\$655.7 million was related to loan receivables from, Glory Sun Land Group Limited, together with its subsidiaries, all of which being previous subsidiaries of the Company; and (b) around HK\$ 780.3 million was related to loans from the PRC subsidiaries of the Company to a number of different PRC companies (the "PRC Loans") during the year ended 31 December 2022. These PRC Loans are either with corporate guarantees or security interests in favour of the Group.

As at 31 December 2022, the loans and advances of around HK\$783.5 million were secured by charges over the properties and listed securities of the borrowers.

(iv) Movement of impairment losses on loans and advances

For events and circumstances that lead to the Company in recognizing or further making impairment of its loans, factors would normally include (a) delay in settlement of loan interest or loan principal amounts by the borrowers on the due date; (b) legal actions being taken by the Company against the borrowers; (c) decrease in value of the collaterals due to the decline in the global equity market in general; and (d) the decrease in confidence in the properties development industry in China considering some of the borrowers of the Company are in this industry.

During the year ended 31 December 2022, an impairment loss of around HK\$292.6 million was recognised (2021: impairment loss of HK\$370.7 million), of which (i) around HK\$282.5 million was related to other loan receivables (“**Impairment of Other Loan Receivables**”) and (ii) around HK\$10.1 million was related to margin loans receivables. The decrease was mainly attributable to the settlements made by some of the borrowers of the Company. For the Impairment of Other Loan Receivable, around HK\$217.3 million was related to borrowing made during January 2022 to a PRC project company that engaged in property development business and was matured in July 2022. Notwithstanding that this borrowing was secured by corporate guarantee, taken into consideration that (i) the borrower is principally engaged in property development business in China and the property sector in China has over the past two years been thrust into a severe debt crisis; (ii) failure of this borrower in making timely loan settlement to the subsidiary of the Company on the loan maturity date; and (iii) legal proceeding has already been instituted by the Group against this PRC project company, impairment was recognised on their overdue loan outstanding during the year ended 31 December 2022.

(v) Internal controls of credit approval and monitoring of loan recoverability

In respect of loan receivables from clients under the Money Lending Business, in order to manage credit risk to identify potential recoverability problem, it is the Group’s policy that all potential clients who wish to obtain loans from the Group will be firstly reviewed by the managers of the Credit Department that with years of experience in the industry. In determining the potential loan size and credit limits, managers or senior consultant of the Credit Department will prepare report that summarize all available data such as information under the TransUnion Credit Report, including history of default, background of the borrowers, their collateral items provided and occasionally by utilizing search engines in the internet, other publicly available information. The management of the group, which also include members of the Board, will then review the report and on a case-by-case basis, adjust for factors that are specific to each borrower or to make adjustments on the size, duration and interest rate of the loans before granting the loans. These specific factors may include background and financial strength of the borrowers, for example, whether they are directors or shareholders of a listed company and the length of the borrowing period. For PRC Loans, the presence and sufficiency of corporate security interests and/or guarantees would be the most important parameters for the management to consider.

Recoverability of all loan receivable balances will be monitored on an ongoing basis. In assessing the possibility of recovering the loan receivables, information such as (i) historical payment records e.g., timely settlement of loan interest or loan principal amounts on the due dates; (ii) the length of the overdue period; and (iii) any foreseeable changes in the economic environment that would significantly deteriorating the borrower's ability to meet its obligation. Furthermore, on an as-needed basis management of the Group will also make periodic individual assessment on the recoverability of loans receivables based on creditworthiness of the borrowers as can be substantiate by their history of default, ability to make timely payment of interest during the loan period and loan-to-collateral ratio to ensure whether follow-up action should be taken to avoid exposure to recoverability problem. For those borrowers that fail to make timely settlement or to request for loan extension, subject to the duration of the overdue balance and/or consensus of the revised terms of the loan extension agreement, the Group will in the first place issue them a settlement notice/demand letter, which serve as a reminder for them to make immediate repayment, and subject to the response of these borrowers, the Group might pursue legal actions against them or to exercise the its right on the collateral items for the overdue loan balances.

The Group considers both quantitative and qualitative information are essential for the determination of the credit risk, and the determination factors may include historical and forward-looking information that is available without undue cost or effort. By considering all these factors, it is the view of the management that the credit risk of the Money Lending Business of the Group can be significantly reduced.

By Order of the Board
Glory Sun Financial Group Limited
Huang Wansheng
Chairman and Chief Executive Officer

Hong Kong, 19 July 2023

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Huang Wansheng, Mr. Li Minbin and Mr. Huang Wei; one non-executive Director, namely Mr. Zhang Chi; and three independent non-executive Directors, namely Mr. Wong Chun Bong, Professor Lee Kwok On, Matthew and Ms. Zhao Yizi.