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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 2021 (the “**2021 Annual Report**”). Unless otherwise defined herein, capitalized terms used in this announcement shall have the same meanings as those defined in the 2021 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 2021 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 2021, the Group has identified its potential clients through referral. These referrals were 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 2021, the Group offered a credit period ranging from 12 months to 25 years for the loans to its customers and with interest rate ranging from 8% p.a. to 18% p.a. (2020: 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 corporations that required only short-term financing for their businesses, with nature including property development, trading, construction etc., a 12-month duration will be the standard term for their loans.

## **(III) LOAN RECEIVABLES**

As at 31 December 2021, the number of clients in relation to the Money Lending Business was 13. As at 31 December 2021, the net carrying amount of the loan receivables under Money Lending Business of the Group was around HK\$432.4 million (2020: around HK\$480.2 million).

Regarding the Money Lending Business of the Group, as at 31 December 2021, in aggregation with loans granted to persons connected with each other, (i) around HK\$312.3 million, which in around 72.2% (2020: around 34.9%) of the receivables was due from the Group's largest client; and (ii) around HK\$391.1 million, which in around 90.7% (2020: around 82.9%) of the receivables were due from the five largest clients.

As at 31 December 2021, the net carrying amount of other loan receivables of the Group was around HK\$1,513.9 million (2020: around HK\$891.4 million), of which around HK\$683.1 million was related to loan receivables due from, Glory Sun Land Group Limited, together with its subsidiaries, all of which being previous subsidiaries of the Company and around HK\$830.8 million was related to two other receivables that acquired by the PRC subsidiaries of the Company during the year ended 31 December 2021.

As at 31 December 2021, the loans and advances of around HK\$174.8 million were secured by charges over properties and listed securities of the borrowers.

#### **(IV) LOAN INTEREST INCOME**

During the year ended 31 December 2021, the total loan interest income was around HK\$101.7 million (2020: around HK\$132.9 million) of which, around HK\$39.1 was related to the Money Lending Business and around HK\$62.6 was related to the other loan receivables of the Group.

#### **(V) MOVEMENTS IN LOAN IMPAIRMENTS**

An impairment loss of around HK\$330 million was recognised (2020: impairment loss of around HK\$1.5 million) during the year ended 31 December 2021. The significant increase was mainly attributable to the increase in expected credit loss provided for the largest receivable client due to its deteriorating financial positions.

Significant amounts of impairment loss recognised during the year ended 31 December 2021, were related to Glory Sun Land Group Limited (“**GSLG**”), together with their subsidiaries, all of which being previous subsidiaries of the Company and the shares of GSLG are listed on the Stock Exchange (stock code: 299). On 3 October 2022, the Company had entered into a framework agreement with GSLG in acquiring 51% of one of their subsidiaries, with assets that mainly comprise property development projects in Shantou City, Guangdong Province, China. Pursuant to the terms of the framework agreement, the overdue loan balances in relation to GSLG and their subsidiaries will be used to offset part of the consideration to be paid by the Company. For details of the transaction, please refer to the announcement of the Company dated 3 October 2022.

#### **(VI) INTERNAL CONTROLS OF CREDIT APPROVAL AND MONITORING OF LOAN RECOVERABILITY**

In respect of the loan receivables under the Money Lending Business, in order to manage credit risk and 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 their borrowing period.

Subsequently, recoverability of the receivable loans 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 the creditworthiness of the borrowers as can be substantiated 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 potential exposure to recoverability problem. For borrowers that request for loan extension, subject to the consensus of the revised terms of the loan extension agreement, the Company may pursue legal actions against the borrowers for their overdue loan balances.

The Group considers that both quantitative and qualitative information are essential for the determination of 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.

During the year ended 31 December 2021, the grant of the loans by the Company has timely complied with the relevant requirements under Chapters 14 and 14A of the Listing Rules.

By Order of the Board  
**Glory Sun Financial Group Limited**  
**YAO Jianhui**  
*Chairman and Chief Executive Officer*

Hong Kong, 2 December 2022

*As at the date of this announcement, the Board comprises six Directors, namely Mr. Yao Jianhui (Chairman and Chief Executive Officer), Mr. Li Minbin and Mr. Huang Wei as executive directors; Mr. Zhang Chi as non-executive director; and Mr. Wong Chun Bong, Professor Lee Kwok On, Matthew and Ms. Zhao Yizi as independent non-executive directors.*