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## **HOPE LIFE INTERNATIONAL HOLDINGS LIMITED**

**曠逸國際控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 1683)

### **SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2021**

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In addition to the information provided in the Annual Report, the Board of Directors would like to provide supplemental information to the Shareholders regarding the Group’s money lending business, in relation to its (i) business model; (ii) the credit risk assessment policies and internal control procedures; and (iii) movements in allowance for expected credit losses.

Reference is made to the annual report of Hope Life International Holdings Limited (the “**Company**”, together with its subsidiaries as the “**Group**”) for the year ended 31 December 2021 (the “**Annual Report**”) published on 26 April 2022, with respect to, amongst other things, the consolidated results of the Group. In the Annual Report, the following was mentioned:

On page 7 of the Annual Report:

*“The Group holds a money lenders license in Hong Kong and provides loan facilities to prospective customers including enterprises and individuals... On 18 December 2020, the Group and a borrower entered into the loan agreement pursuant to which the Group has agreed to grant the loan in the amount of HK\$60,000,000 to the borrower for a term of 24 months from the effective date ...” (the “**60M Loan**”)*

Furthermore, on page 166 of the Annual Report:

*“Before approving any loans to new borrowers, the Group has assessed the potential borrower’s credit quality and defined credit limits individually. To measure the expected credit losses, the loan receivables have been grouped based on shared credit risk characteristics. The Group has performed historical analysis and identified the economic variable credit risk and expected credit loss. This considers available reasonable and supportive forwarding-looking information. The Group reviews the recoverable amount of each individual’s loan receivables at the end of each reporting period to ensure that adequate impairment loss are made for irrecoverable amounts.”*

In respect of the above and in addition to the information provided in the Annual Report, the board (“**Board**”) of directors (the “**Directors**”) of the Company would like to provide the following supplemental information to the shareholders of the Company (“**Shareholders**”) regarding the Group’s money lending business. Capitalised terms used in this announcement shall adopt the same meanings as defined in the Annual Report, unless the context requires otherwise.

## **BUSINESS MODEL OF THE GROUP’S MONEY LENDING BUSINESS & MAJOR TERMS OF LOANS**

The Group’s money lending business has been conducted through its wholly-owned subsidiary, Greater Bay Finance Limited (“**Greater Bay**”), holding a money lender’s license no. 2313/2021 and offering loan financing services to both corporate and individual customers as its target clients in full compliance with the requirements under the Money Lenders Ordinance (Cap. 162). Potential client(s) approaches Greater Bay on its own as it browses the Group’s public information, whom will be reported to the Board when (1) it is assessed and confirmed that the potential client(s) is a third party independent of the Company and its connected persons in accordance with the Listing Rules; and (2) the potential client(s) is of good quality in terms of credit worthiness to reduce the risk of Greater Bay based on the credit assessment elaborated hereinbelow.

While Greater Bay competes with other licensed money lenders, authorised institutions such as banks, restricted licensed banks and deposit-taking companies in providing money lending services, Greater Bay may offer an advantage in providing loans with simpler approval procedures and greater flexibility. The money lending business has been established with the intention to generate revenue and profit by way of providing loans and earn interest income. The source of funding for this business segment is from the internal resources of the Group.

In respect of the target customers of the money lending business, they can be mainly categorised as follows:

1. For personal loans, Greater Bay targets affluent and reputational customers, the occupations of which ranged from executives, businessmen to professionals; and
2. For corporate loans, Greater Bay targets well-established companies with business operations in Hong Kong.

For the year ended 31 December 2021, the Group mainly provided term loans to individuals and companies where interests are payable by schedule at fixed interest rate. For the year ended 31 December 2021 and as at the date of this announcement, all grantees of the loans granted by Greater Bay are third parties independent of the Company and its connected persons in accordance with the Listing Rules, and none of these grantees are recurring customers except for one corporate entity (as elaborated hereinbelow).

In determination of the loan terms, Greater Bay refers to the prevailing market practices regarding the loan terms, and it may require security, personal or corporate guarantee before it would grant a loan to lower its exposure. It would also determine such granting of loans and the relevant terms on the results of credit risk assessment on those potential clients (as elaborated hereinbelow). For the year ended 31 December 2021 and as at the date of this announcement, none of the current Greater Bay's loan financing cases has a loan tenure of more than two years to minimise the risk of client's non-repayment.

	<b>Active and Outstanding Loan Portfolio as at 31 December 2021</b>	<b>Active and Outstanding Loan Portfolio as at the date of this announcement</b>
<b>Loans (in terms of value of the Group's overall portfolio):</b>		
Personal Loans	11.4%	74.7%
Corporate Loans	88.6%	25.3%
<b>Total:</b>	<b>100%</b>	<b>100%</b>

For the year ended 31 December 2021 and as at the date of this announcement, the approximate value of the Group's total active and outstanding loan portfolio (principal amount and the interest accrued thereunder inclusive), and the loans' distribution with respect to each of the borrowers were as follows:

	<b>Active and Outstanding Loan Portfolio as at 31 December 2021</b>	<b>Active and Outstanding Loan Portfolio as at the date of this announcement</b>
<b>Borrowers:</b>		
Corporate Entity A ( <i>Note 1</i> )	63.9 million	0
Corporate Entity B ( <i>Note 2</i> )	4.0 million	3.0 million
Individual	<u>8.7 million</u>	<u>8.7 million</u>
<b>Total:</b>	<u><u>76.6 million</u></u>	<u><u>11.3 million</u></u>

*Notes:*

1. Corporate Entity A borrowed the 60M Loan, which had been fully repaid in March 2022 (as disclosed on page 7 of the Annual Report).
2. The aggregate loan amount borrowed by Corporate Entity B was granted under two loans, and as a result, it has been a recurring client of Greater Bay.

All of the customers in the Group's money lending business are Hong Kong residents or companies with business operations in Hong Kong. As at 31 December 2021 and as at the date of this announcement, the effective interest rate of the active and outstanding loans in the loan portfolio of the Group's money lending business ranged from approximately 6% to 10% per annum.

The loans in terms of value granted by Greater Bay secured by either personal guarantee or corporate guarantee represented approximately 88.6% of the Group's total active and outstanding loan portfolio as at 31 December 2021, and represented approximately 25.3% of the Group's total active and outstanding loan portfolio as at the date of this announcement. The secured loans were advanced to individuals who are affluent and reputable, or corporate entities which are well-established companies with business operations.

With reference to the announcement dated 18 December 2020, the borrower under the 60M Loan is a company incorporated in the British Virgin Islands with limited liability. As at the date of this announcement and to the best of the Directors' knowledge and information, after having made all reasonable enquiries, such Borrower and its ultimate beneficial owner, Zhang Jia, are third parties independent of the Company and its connected persons in accordance with the Listing Rules. Corporate guarantee has been provided, and the guarantor is a company incorporated in Samoa with limited liability and holds land(s) in Samoa. Based on the information available to the Company, the ultimate beneficial owners of such guarantor are respectively Lanselota POLU, LIN Meiling and Trinity Force Investments Limited, which is a subsidiary of Kiu Hung International Holdings Limited (Stock Code: 381). To the best of the Directors' knowledge and information, after having made all reasonable enquiries, the guarantor aforesaid and its ultimate beneficial owners, are third parties independent of the Company and its connected persons in accordance with the Listing Rules.

The majority of the loans granted by Greater Bay are short-term loans provided to our customers who, as mentioned above, were affluent and reputable individuals and well-established companies who/which need short-term financing for personal/corporate needs, and while the requirement for collateral and/or guarantee was assessed by Greater Bay on a case-by-case basis, taking into account the assessment of each borrower's credit risk, guarantee for loans are normally required.

## **CREDIT RISK ASSESSMENT POLICIES & INTERNAL CONTROL PROCEDURES**

Mr. Yau Yan Yuen (“**Mr. Yau**”), a qualified accountant, the Company's company secretary and chief financial officer, is mainly responsible for the management and operations of Greater Bay as its sole director. He has more than 10 years of experience in financial management, corporate finance and auditing, and Mr. Yau is currently (i) an independent non-executive director of Creative China Holdings Limited, a company listed on GEM of the Stock Exchange (stock code: 8368); and (ii) the company secretary of Windmill Group Limited, a company listed on the main board of the Stock Exchange (stock code: 1850). Mr. Yau had been the chief financial officer and company secretary of Wai Hung Group Holdings Limited, a company listed on the main board of the Stock Exchange (stock code: 3321), since its listing in April 2019 to May 2021.

Mr. Yau and an accounting officer of the Company employed since 2019 (the “**Accounting Officer**”), who is also a qualified accountant, form the management team in Greater Bay (the “**Management Team**”), and it possesses substantial experiences and a strong background in terms of accounting and finance, furthermore, the management of Greater Bay has its internal control and work procedure manual in provision of the loan financing services.

Greater Bay has its internal work procedure in granting a loan facility. When clients approach Greater Bay for a request on loan financing, client identification procedures will take place with staff of Greater Bay would enquire the potential client's information.

The following is a summary of the general guidelines of assessing the loan applications by the Management Team:

- (A) Identity proof – such as identity card and passport (for individuals) and business registration certificate, certificate of incorporation and the constitutional documents (for corporate entities) must be provided for verification;
- (B) Address proof – such as utility bills, bank/credit card statements or formal correspondence issued by a government or statutory body is required to be produced;
- (C) Repayment ability assessment – to assess and justify the repayment ability of the customer, criteria such as availability of guarantor, the background of the customer, and where applicable, the past payment record and any other relevant information are to be considered. Further information from the customer may be requested including but not limited to the followings: tax demand note, tax return, bank statement, payroll slip, employer’s letter, employment contract, rental income receipt, tenancy agreement, financial statements, and auditor’s report (where applicable); and
- (D) Credit worthiness assessment – Searches and background checks will be conducted upon potential clients by obtaining credit assessment report by independent professional firm which mainly contains bankruptcy or winding up search and litigation search; background search and media searches would be subsequently conducted upon the potential clients. For all such potential clients, a credit report would be obtained prior to granting of any loans.

Based on the above procedures, the Company considers that the credit risk and the risk of breaching the relevant laws and regulations in connection with anti-money laundering or anti-terrorist financing is relatively low. Nonetheless, the Company has in place all measures to mitigate the risk of money laundering or terrorist financing risk of potential customers’ businesses, such as the nature and details of the business/occupation/employment of the potential customer; the anticipated level and nature of the activity that is to be undertaken through the relationship, location of potential customer; the expected source and origin of the funds to be used in the relationship; and the initial and ongoing source(s) of wealth or income.

Furthermore, guarantors who provide personal/corporate guarantee in favour of a loan, where applicable, are also required to meet the same basic eligibility and approval criteria as the borrower of loans, and will be required to go through the same verification and approval procedures.

After credit assessment and review of the loan applications, with the loan terms determined (having taken into consideration factors such as the credit risks of the customers, their recoverability and the prevalent market interest rates), loan documents will be prepared by the Accounting Officer and the loans will be recommended to Mr. Yau’s review prior to reporting to the Board or approval (as the case may be). Mr. Yau, as the sole director of Greater Bay, will be responsible for the approval of loans in the amount of less than HK\$1,000,000.00, and reporting the same to the Board.

The Management Team would report any potential loan(s) to the Company for consideration and approval if it is in the amount of HK\$1,000,000.00 or above, in which case, such potential loan(s) shall be reported first to one of the executive Director (the “**Reporting Director**”) for his/her consideration, then the Reporting Director will elaborate to the Board such potential loan(s) in contemplation and his recommendations therewith for discussion and approval, the Directors (including the independent non-executive Directors) shall then consider whether such loans are on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

As at the date of this letter, for the above approval process, Mr. Liang Zhichao, one of the executive Directors would be the Reporting Director in respect of loans in the amount of HK\$1,000,000.00 or above.

Last but not least, the Management Team will conduct regular review and carry out follow up actions (on a monthly and continuing basis) in respect of overdue amounts to minimise the Group’s exposure to credit risk and follow up closely with its customers as to the deadlines in payment of interest of the loans. An aging analysis of the debtors is prepared on a monthly basis and is closely monitored to minimise any credit risk associated with these debtors. Mr. Yau in turn reported the status of Greater Bay’s loan portfolio to the Board monthly, such that the Board may closely monitor the loan portfolio and continue to adopt risk control and management strategies while broadening the customer base.

Greater Bay has standard procedures in dealing with default in payment. In case there are any minor defaults, its management will send reminder and/or demand letters to its customers. In case the default for loans persists (i.e. delay in repayment has exceeded for three months or above), the collection procedure will commence and Greater Bay will engage lawyers in advising on the loan and its recovery and enforcement action.

#### **MOVEMENTS IN ALLOWANCE FOR EXPECTED CREDIT LOSSES (“ECL”)**

The Group’s impairment losses are mainly related to 12-month ECL (“**12-month ECL**”) allowance for loans and interest receivables. Generally speaking, the 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. ECL assessment is done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date as well as the forecast of future conditions. The Group measures the loss allowance equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognise lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

Allowance for expected credit losses of loans and interest receivables of approximately HK\$11.0 million was made on the Group's money lending business for the financial year ended 31 December 2021. The balance of provision for allowance to the expected credit losses of loan receivables represents the management's best estimates at the year-end date on expected credit losses under Hong Kong Financial Reporting Standard 9 Financial Instruments expected credit losses models. Management assesses whether the credit risk of loan receivables have increased significantly since their initial recognition, and apply a three-stage impairment model to calculate their expected credit losses.

The measurement models of expected credit losses involves management judgments and assumptions, primarily including the following:

- selection of appropriate mode and determination of relevant key measurement parameters, including probability of default, loss given default and exposure at default;
- criteria for determining whether or not there was a significant increase in credit risk or a default; and
- economic indicator for forward – looking measurement, and the application of economic scenarios and weightings.

The Group will continue to adhere to the established internal control measures of the money lending business to monitor the timely repayment, control credit risks and enhance recoverability of the customers.

The Directors believe that the above ECL measurement on the loans and interest receivables based on the Group's internal credit check and review policy will provide a fair and reasonable estimate of the impairment losses. On the other hand, the Group will carry out ongoing periodic review and negotiations with the counterparties of those loans and interest receivables and seek opinions from qualified professionals on the impairment review so as to ensure the financial results are truly and fairly stated and in compliance with the accounting standards and policies.

## **GENERAL**

The information contained in this supplemental announcement does not affect other information contained in the Annual Report and save as disclosed above, all other information in the Annual Report remains unchanged.

By order of the Board of  
**Hope Life International Holdings Limited**  
**LIANG Zhichao**  
*Chairman*

Hong Kong, 29 August 2022

*As at the date of this announcement, the Board of Directors of the Company comprises Mr. LIANG Zhichao and Ms. CHEN Wuyou as executive Directors; and Mr. CHEUNG Ting Pong, Ms. XIE Yanbin and Mr. ZHEN Jian as independent non-executive Directors.*