

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, makes 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 announcement.*

## **Haosen Fintech Group Limited**

### **浩森金融科技集團有限公司**

*(formerly known as Wealthy Way Group Limited)*

*(incorporated in Cayman Islands with limited liability)*

**(Stock code: 3848)**

## **SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2022**

Reference is made to the annual report of Haosen Fintech Group Limited for the year ended 31 December 2022 (the “**Annual Report**”). Unless otherwise defined, capitalised terms used herein shall have the same meanings as defined in the Annual Report.

In addition to the information provided in the Annual Report, the Board would like to provide the following information to supplement the Annual Report, the Annual Report shall be read in conjunction with information below:

### **SUPPLEMENT INFORMATION ON SHARE OPTION SCHEME**

As at 31 December 2022, the number of options available for grant under the Share Option Scheme is 12,827,300 (31 December 2021: 15,552,300). The total number of Shares which may be issued pursuant to the exercise of the options granted under the Share Option Scheme is 7,165,000 (31 December 2021: 8,867,000), divided by the weighted average number of Shares in issue during the year is approximately 4.61% (2021: 5.70%). As at 31 December 2022, the number of Shares available for future issue under the Share Option Scheme is 19,992,300 (31 December 2021: 24,419,300). As at the date of Annual Report, the number of Shares available for future issue under the Share Option Scheme is 15,552,300, representing approximately 9.93% of the issued share capital of the Company as at the date of the Annual Report.

## SUPPLEMENT INFORMATION ON MICRO CREDIT BUSINESS

As at 31 December 2022, the Company provided micro credit service through our wholly-owned subsidiary Shenzhen Haosen Credit Joint Stock Limited (“**Shenzhen Haosen**”). Shenzhen Haosen has been providing loan services to customers with flexible terms through quick and comprehensive loan assessment and approval processes to support their continued development and address their liquidity needs. Our customer base primarily consists of customers engaged in the industry of manufacturing, wholesale and retail, construction and transportation.

The following table sets out the number of our loans by size as at the dates indicated.

	<b>As at 31 December 2022</b>	As at 31 December 2021
Over RMB5 million	<b>12</b>	14
Over RMB3 million to RMB5 million (inclusive)	<b>9</b>	15
Over RMB1 million to RMB3 million (inclusive)	<b>114</b>	104
Over RMB 500,000 to RMB1 million (inclusive)	<b>217</b>	141
Up to RMB500,000	<b>303</b>	447
	<hr/>	<hr/>
Total number of loans to customers	<b>655</b>	721
	<hr/> <hr/>	<hr/> <hr/>

As at 31 December 2022, the maximum loan amount of approximately 79.4% (31 December 2021: 81.6%) of loan contracts were limited to RMB1 million. Among our loan contracts, the higher proportion of loans with amount up to RMB1 million was mainly due to the fact that we target to server individuals and micro enterprises in the industry of manufacturing, wholesale and retail, construction and transportation, etc., the loan amounts generally lower.

As some of the customers have more than one loan agreement with the Company, as at 31 December 2022, the number of customers is 605 (31 December 2021: 657).

The following table sets out our loans to customers by type of security as at the dates indicated:

	<b>As at 31 December 2022</b>	As at 31 December 2021
	<b>RMB'000</b>	<b>RMB'000</b>
Credit loans	<b>299</b>	15,943
Guaranteed loans	<b>131,355</b>	185,159
Collateral-backed loans	<b>444,976</b>	343,407
	<hr/>	<hr/>
Total	<b>576,630</b>	544,509
	<hr/> <hr/>	<hr/> <hr/>

The following table sets our loans to customers by loan amount as the dates indicated:

	<b>As at 31 December 2022 RMB'000</b>	As at 31 December 2021 RMB'000
Over RMB5 million	<b>133,740</b>	143,412
Over RMB3 million to RMB5 million (inclusive)	<b>33,547</b>	57,050
Over RMB1 million to RMB3 million (inclusive)	<b>166,665</b>	165,086
Over RMB500,000 to RMB1 million (inclusive)	<b>149,389</b>	98,084
Up to RMB500,000	<b>93,289</b>	80,877
	<hr/>	<hr/>
Total loan amount	<b>576,630</b>	544,509
	<hr/> <hr/>	<hr/> <hr/>

The following table sets out the original maturity profile of our loans as at the dates indicated:

	<b>2022 RMB'000</b>	2021 RMB'000
0 to 30 days	<b>30,292</b>	50,534
31 to 90 days	<b>50,128</b>	32,583
91 to 365 days	<b>178,752</b>	180,794
Over 365 days	<b>317,458</b>	280,598
	<hr/>	<hr/>
	<b>576,630</b>	544,509
	<hr/> <hr/>	<hr/> <hr/>

The following table sets out the credit quality analysis of our loans to customers. In the event that an instalment repayment is overdue, the entire outstanding balance of small loan receivables is classified as overdue.

	<b>2022 RMB'000</b>	2021 RMB'000
Neither overdue nor credit-impaired	<b>517,821</b>	516,301
Overdue but not credit-impaired		
– overdue within 30 days	<b>22,144</b>	2,554
– overdue within 31 to 90 days	<b>6,618</b>	5,520
Overdue and credit-impaired	<b>30,047</b>	20,134
	<hr/>	<hr/>
	<b>576,630</b>	544,509
	<hr/> <hr/>	<hr/> <hr/>

The following table sets out the allowance for ECLs on our loans to customers are as follows:

	<b>12-m ECL</b> <i>RMB'000</i>	<b>Lifetime ECL – not credit- impaired</b> <i>RMB'000</i>	<b>Lifetime ECL – credit- impaired</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
As at 1 January 2021	1,269	8,525	33,905	43,699
Bad debts written-off	–	(112)	(20,112)	(20,224)
Transfer to Lifetime ECL – to 12-m	–	–	–	–
Transfer to Lifetime ECL – not credit-impaired	(242)	242	–	–
Transfer to Lifetime ECL – credit-impaired	(127)	(413)	540	–
Net re-measurement of loss allowance	(827)	(8,057)	(1,255)	(10,139)
New financial assets originated	1,314	1,069	5,677	8,060
As at 31 December 2021 and 1 January 2022	1,387	1,254	18,755	21,396
Bad debts written-off	–	(5)	(11,283)	(11,288)
Transfer to Lifetime ECL – to 12-m	–	–	–	–
Transfer to Lifetime ECL – not credit-impaired	(17)	17	–	–
Transfer to Lifetime ECL – credit-impaired	(19)	(685)	704	–
Net re-measurement of loss allowance	(1,262)	1,078	10,780	10,596
New financial assets originated	652	4,373	3,860	8,885
As at 31 December 2022	<u>741</u>	<u>6,032</u>	<u>22,816</u>	<u>29,589</u>

During the year ended 31 December 2022, gross carrying amount of small loan receivables amounted to approximately RMB11,550,000 (2021: RMB27,202,000) were written off as bad debts because these were overdue for 1 year or above which are still subject to enforcement activities. The respective allowance for ECLs has been reversed and the remaining balance is charged to profit or loss directly.

## IMPAIRMENT LOSS ON LOAN RECEIVABLES

### General circumstances of impairment

As at 31 December 2022, The total loan receivables which only include financial lease and small loan is RMB653.2 million (31 December 2021: RMB622.8 million). The total outstanding Principal Amount of the top 10 customers is approximately RMB160.7 million, about 24.6% of the total loan receivables which only include financial lease and small loan receivable. Only one of the top 10 customers is overdue, the others are never overdue. The Company performed impairment assessment in the end of the Reporting Period under the expected credit loss (“ECL”) model which required by HKFRS 9.

The following table sets out the principal amount outstanding and the allowance of impairment losses about the top 10 customers in the loan receivables as at 31 December 2022.

No.	Counter party	Status	Loan Type	Principal amount outstanding RMB'000	Allowance for impairment losses RMB'000
1	Relevant Party A	Normal	Financial lease	38,000	–
2	Relevant Party B	Overdue	Financial lease	16,400	9,228
3	Relevant Party C	Normal	Small loan	18,000	85
4	Relevant Party D	Normal	Small loan	17,000	80
5	Relevant Party E	Normal	Small loan	17,000	129
6	Relevant Party F	Normal	Small loan	15,000	114
7	Relevant Party G	Normal	Small loan	11,000	20
8	Relevant Party H	Normal	Small loan	11,000	20
9	Relevant Party I	Normal	Small loan	9,362	–
10	Relevant Party J	Normal	Small loan	8,000	5
		Total		<u>160,762</u>	<u>9,681</u>

To the best knowledge of the Directors after making all reasonable enquiries, the counter parties of above top 10 customers are independent third parties of the Company.

As at 31 December 2022, the Company has recognised RMB47.5 million as the allowance for impairment losses. There are 7 material loans which the amount of allowance for impairment losses is more than RMB1 millions. The total carrying amount of allowance for impairment of these 7 loans is approximately RMB22.0 million. These 7 loans involved 7 agreements amongst 7 customers which consisted overdue and credit-impaired loan receivables (each, the “**Overdue and Credit-impaired Agreement**”, collectively, the “**Overdue and Credit-impaired Agreements**”). The Overdue and Credit-impaired Agreements are 90 days past due. The Company has also seized any security deposit collected in relation to the Overdue and Credit-impaired Agreements. To the best knowledge of the Directors after making all

reasonable enquiries, the counter parties to the Overdue and Credit-impaired agreements are independent third parties and the Overdue and Credit-impaired Agreements have no bearing on the related parties of the Company. A breakdown of the amount outstanding, the allowance for impairment losses recognised as at 31 December 2022 in respect of such Overdue and Credit-impaired Agreements are as follows:

No.	Counter party	Status	Loan Type	Amount	Allowance for
				outstanding	impairment
				<i>RMB'000</i>	<i>RMB'000</i>
1	Relevant Party B	Overdue and credit-impaired	Finance Lease	17,557	9,228
2	Relevant Party L	Overdue and credit-impaired	Finance Lease	3,758	2,813
3	Relevant Party M	Overdue and credit-impaired	Finance Lease	3,547	1,810
7	Relevant Party N	Overdue and credit-impaired	Small loan	3,270	3,270
4	Relevant Party O	Overdue and credit-impaired	Small loan	2,762	2,333
5	Relevant Party P	Overdue and credit-impaired	Small loan	1,647	1,467
6	Relevant Party Q	Overdue and credit-impaired	Small loan	1,184	1,077
		Total		33,725	21,998

### ***Relevant Party B***

The Company entered into a sale-leaseback agreement with Relevant Party B on 13 January 2021 pursuant to which the Company purchased from Relevant Party B the relevant leaseback assets at the Consideration of RMB16.4 million, and lease to Relevant Party B the relevant leaseback assets for an aggregate lease payment of RMB17.8 million. However, Relevant Party B has defaulted in payment since February 2021. Since then, the Company has been in continuous negotiation with Relevant Party B for the settlement of the debt. In November 2022, the Company commenced legal proceedings against Relevant Party B. As at the date of the Annual Report, the Company still in legal proceedings against Relevant Party B. As the Company is of the opinion that Relevant Party B is unlikely to repay its credit obligations to the Group in full, as well as the financial asset is 90 days past due, an allowance of impairment loss of approximately RMB9.2 million was recognised at the end of the Reporting Period under the expected credit loss model.

### ***Relevant Party L***

The Company entered into a direct lease agreement with Relevant Party L on July 2020 pursuant to which the Company purchased from the supplier the relevant lease assets at the Consideration of RMB9 million, and lease to Relevant Party L the relevant lease assets for an aggregate lease payment of RMB10.3 millions. However, Relevant Party L has defaulted in payment since August 2021. In September 2021, the Company commenced legal proceedings against Relevant Party L. In February 2022, a judgment was awarded in favour of the Company. Since then, the Company has been in continuous negotiation with Relevant Party L for the settlement of the judgment debt and the case was brought to the execution phase in April 2022. As of 31 December 2022, the case still in the execution phase. As the Company is of the opinion that Relevant Party L is unlikely to repay its credit obligations to the Group in full, as well as the financial asset is 90 days past due, an allowance of impairment loss of approximately RMB2.8 million was recognised at the end of the Reporting Period under the expected credit loss model.

### ***Relevant Party M***

The Company entered into a sale-leaseback agreement with Relevant Party M on August 2020 pursuant to which the Company purchased from Relevant Party M the relevant leaseback assets at the Consideration of RMB8 million, and lease to Relevant Party M the relevant leaseback assets for an aggregate lease payment of RMB9.0 million. However, Relevant Party M has defaulted in payment since August 2021. Since then, the company has been in continuous negotiation with Relevant Party M for the settlement of the debt. As of 31 December 2022, as the financial asset is 90 days past due, an allowance of impairment loss of approximately RMB1.8 million was recognised at the end of the Reporting Period under the expected credit loss model.

### ***Relevant Party N***

The Company entered into a loan agreement with Relevant Party N on July 2021 which the principal amount is RMB16 million. Relevant Party N has defaulted in payment since Feb 2022. Since then, the company has been in continuous negotiation with Relevant Party N for the settlement of the debt. As of 31 December 2022, the Amount outstanding is RMB 3.27 million. As the financial asset is 90 days past due, an allowance of impairment loss of approximately RMB3.27 million was recognised at the end of the Reporting Period under the expected credit loss model.

### ***Relevant Party O***

The Company entered into a loan agreement with Relevant Party O on April 2021 which the principal amount is RMB3 million. Relevant Party O has defaulted in payment since October 2021. In October 2021, the Company commenced legal proceedings against Relevant Party O. In April 2022, a judgment was awarded in favour of the Company. Since then, the Company has been in continuous negotiation with Relevant Party O for the settlement of the judgment debt. As of 31 December 2022, the case still in the execution phase, the Amount outstanding is RMB2.76 million. As the financial asset is 90 days past due, an allowance of impairment loss of approximately RMB2.33 million was recognised at the end of the Reporting Period under the expected credit loss model.

### ***Relevant Party P***

The Company entered into a loan agreement with Relevant Party P on June 2021 which the principal amount is RMB1.8 million. Relevant Party P has defaulted in payment since October 2021. In Jan 2022, the Company commenced legal proceedings against Relevant Party P. In November 2022, a judgment was awarded in favour of the Company. Since then, the Company has been in continuous negotiation with Relevant Party P for the settlement of the judgment debt. As of 31 December 2022, the case still in the execution phase, the Amount outstanding is RMB1.64 million. As the financial asset is 90 days past due, an allowance of impairment loss of approximately RMB1.46 million was recognised at the end of the Reporting Period under the expected credit loss model.

### ***Relevant Party Q***

The Company entered into a loan agreement with Relevant Party Q on June 2021 which the principal amount is RMB1.3 million. Relevant Party Q has defaulted in payment since December 2021. In Feb 2022, the Company commenced legal proceedings against Relevant Party Q. In September 2022, a judgment was awarded in favour of the Company. Since then, the Company has been in continuous negotiation with Relevant Party Q for the settlement of the judgment debt. As of 31 December 2022, the case still in the execution phase, the Amount outstanding is RMB1.18 million. As the financial asset is 90 days past due, an allowance of impairment loss of approximately RMB1.07 million was recognised at the end of the Reporting Period under the expected credit loss model.

## Value of inputs used of key assumptions adopted in the impairment assessment

As required by HKFRS 9, the Company performed impairment assessment in the end of the Reporting Period under the expected credit loss (“ECL”) model on loan and account receivables.

HFFRS 9 outlines a “three-stage” model for impairment based on the changes in credit quality since initial recognition. The Group then classifies the loan receivables into these 3 stages based on the assessment of respective credit quality.

Stage 1 (12-month ECL):	A financial instrument of which the credit risk has not significantly increase since initial recognition. The amount equal to 12-month ECL is recognised as loss allowance;
Stage 2 (Lifetime ECL not credit-impaired):	A financial instrument with a significant increase in credit risk since initial recognition but is not considered to be credit-impaired, indicators usually include financial asset overdue more than 30 days but less than 90 days. The amount equal to lifetime ECL is recognised as loss allowance; and
Stage 3 (Lifetime ECL credit-impaired):	A financial instrument is considered to be credit-impaired as at statement of financial position date, indicators usually include financial asset overdue more than 90 days. The amount equal to lifetime ECL is recognised as loss allowance.

In measuring the ECL on the loan receivables, the Company adopted a calculation model using observable data as at the end of the reporting period to formulate the ECLs:

$$\text{ECLs} = \text{Gross Carrying amounts of loan receivables} \times \text{Implied credit risk (Note 1)} - \text{Recoverable amount of collaterals (Note 2)}$$

*Notes:*

1. Implied credit risk = (Effective interest rate – Risk free rate – Administrative service rate) x (1 + Forward looking factor)

Pursuant to HKFRS 9, in a basic lending arrangement the most significant elements of interest are consideration for the time value of money and credit risk which is associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The administrative costs may also be part of interest.

Therefore, the Company applied this concept in estimating the rate of credit risk of the customers by calculating the difference between (i) the effective interest rates of interest charged; (ii) risk-free rate (i.e. benchmark lending rates offered by the People’s Bank of China); (iii) administrative service rate of the Group; and (iv) the weighting of the financial leasing receivables under different categories at each of the reporting date. Such rate of credit risk is considered not including any forward-looking factors for the estimated changes in economic or market condition.

The ECLs rate was then adjusted by forward-looking information. The forward looking factor is estimated based on several macroeconomic indicators, such as gross domestic product growth rate, unemployment rate, non-performing loan rate in the PRC under respective expected forecasts of economic scenarios. The macroeconomic indicators were extracted from the analysis or articles released by IMF, Goldmand Sches Gr, Bank of China, etc.

2. Recoverable amount of collaterals = (fair value of collaterals – estimated transaction cost) x disposal rate of collaterals x discount factor of time value of money for the period from converting the collateral after the legal process into cash (recovery of collaterals either in physical form or in cash of equivalent value (in case of enforcement measures))

The Company determined the recoverable amount of collaterals by estimating the latest fair value and disposal value of the collaterals and time required for converting collaterals into cash. At each of the end of reporting period, an independent valuer is engaged by the Company to estimate the fair value of the collaterals based on the current condition, usage and available second-hand market data. Given the transaction cost of disposal including administrative charges, handling charges and delivery and storage expenses is immaterial, which only accounted for less than 0.1% of the fair value of collaterals in general, it was supposed to be included in determining the disposal rate of collaterals. The Company considered that the fair value stated in the valuation report might not accurately reflect the real situation as the fair value is always higher than the actual auction price in the event of default. As to determine the recoverable amount of collaterals in a fair and reasonable manner, the Company has made references to the historical legal cases of the past two years on Referee Document Network of China for the average time taken to convert the collaterals into cash and the auction results in Taobao Online Auction Platform for the disposal rate of collaterals.

If the recoverable amount of collaterals could not fully recover the outstanding balance of principal and interests at the end of the reporting period, the allowance of ECLs would be made for such shortfall. ECLs are remeasured at each reporting date to reflect changes in the credit risks of the financial leasing receivables since initial recognition or any event of default.

By order of the Board  
**Haosen Fintech Group Limited**  
**LO Wai Ho**  
*Chairman and Executive Director*

Hong Kong, 4 September 2023

*As at the date of this announcement, the Board comprises Mr. LO Wai Ho and Mr. XIE Weiwan as executive Directors; and Mr. HA Tak Kong, Mr. IP Chi Wai and Mr. KAM Wai Man as independent non-executive Directors.*