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HOPEFLUENT GROUP HOLDINGS LIMITED

合富輝煌集團控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 733)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE 2023 ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2023

Reference is made to the Annual Report (the “**2023 Annual Report**”) of Hopefluent Group Holdings Limited (the “**Company**”) for the year ended 31 December 2023 published by the Company on 29 April 2024. Unless the context otherwise requires, capitalised terms used in this announcement shall have the same meanings as those defined in the 2023 Annual Report. This announcement provides supplemental information to the 2023 Annual Report and should be read in conjunction with the 2023 Annual Report.

BUSINESS MODEL OF THE GROUP’S MONEY LENDING BUSINESS

One of the Group’s business segments is financial services, which involves, among others, providing loans to individuals or companies in the PRC. The Group finances this money-lending business mainly with internal resources.

Potential customer(s) approach(es) the Group on their own or are referred through the Group’s business network and connections. The Group focuses on the following category of customers:

- (i) for personal loans, the Group targets high net worth and reputable customers, the occupations of which ranged from executives, businessmen to professionals.
- (ii) for corporate loans, the Group targets companies with well-established business operations in PRC including listed property developers, asset management companies and other private companies.

The Group has maintained credit risk assessment policies and internal control measures in respect of, among others, credit approval, ongoing monitoring of loan recoverability and loan collection, as set out in the section headed “Credit Risk Assessment System and Internal Control Procedures” below to safeguard the Group’s assets and interests.

CREDIT RISK ASSESSMENT SYSTEM AND INTERNAL CONTROL PROCEDURES

The Group has developed a credit risk management system in order to effectively identify, manage and minimize credit risks in connection with each loan the Group grants. In general, the Group’s credit risk management process begins with an initial review and mainly consists of due diligence reviews on customers, risk assessment reviews, multilevel assessments and approvals, post-loan grant reviews and collections.

Below summarizes the key procedures of the Group’s credit risk management system and internal control procedures:

Pre-loan stage

- The Group will conduct an initial review of the loan application, including the completeness, legality, authenticity and validity of the materials provided by the customer, and will consider whether to accept a customer’s application pursuant to its application acceptance procedure.
- After initial pre-screening review, a loan application will be submitted for the formal loan assessment and review process. This involves extensive document reviews and due diligence procedures, as well as risk assessments.
- As part of its due diligence procedures for grants and renewals of loans, the Group’s personnel will conduct independent investigations before the results undergo multiple levels of review and approval. The independent investigations steps taken include, among others:
 - (i) review the original bank statements, property ownership certificates, identification documents, legal operating licenses, and transaction records of individuals and legal entities.
 - (ii) accompany the customers to the credit bureau to obtain a credit report, which allows a review of the client’s current assets and liabilities.
 - (iii) conduct thorough due diligence by investigating the collateral offered and business premises of the customer by the relationship manager and risk control manager.

- Once a loan application passes the abovementioned review, such loan application will be subject to credit review, which focuses on evaluating the customer's ability and willingness to pay its financial obligations when they fall due. As part of this process, the completed reports are reviewed and approved by more senior staff. Specifically, once the report is completed, the customer manager reviews and signs it before submitting it to the risk control assistant for checking. The risk control assistant conducts a thorough review of the customer's business operations, asset status, and document authenticity through various methods such as official litigation websites, online valuation platforms, and anti-fraud systems. The risk control assistant submits the report for approval by the risk control manager. In the event of loans above a certain threshold, final approval is also sought from the credit committee which includes directors of the finance subsidiary.
- Once a loan application is approved, the Group will prepare the loan contract and other relevant documentation based on its standard agreements and conduct its process for determining the relevant interest rate.
- The Group's process for determining, adjusting and approving the interest rate charge for loans is as follows. First, the Group adopts an internal benchmark interest rate with reference to the loan prime rate set by the People's Bank of China with adjustments based on the Group's expected return on funds, funding costs (if applicable), allocation of operating expenses, market price of similar loans and other relevant data. Second, the Group further adjusts the interest rates based on different individual loans taking into account various factors including the collateral conditions (credit or mortgage), repayment type (monthly interest payment, bullet repayment, equal instalment repayment, etc.), specific provisions for different loans' reserve plans, operating costs, and market quotations from peer loans in the industry. Third, the different loans and their corresponding interest rates are approved by different departments in the Group. Lastly, the Group regularly monitors the interest rates in the market and the latest regulations from regulatory authorities so further adjustments can be made based on objective needs.

Post-loan and recovery stages

- After granting the loans, the Group will continue to monitor the customer's ability to repay the loans. It will also conduct periodic reviews of the loans and conduct on-site visits or telephone interviews with the customers to monitor the risks associated with loans.
- Based on the circumstances and results of the negotiation with customers, the Group has then taken appropriate recovery actions including sending legal demand letters, arranging legal proceedings, enforcing guarantees or rights over collateral provided and entering into settlement or loan restructuring arrangements.
- Based on the progress and outcomes of the legal proceedings, the collection methods are reviewed by relevant personnel and where appropriate, raised to the attention of senior management to determine if any adjustments are required, to formulate other strategies for recovery and to consider if further legal action needs to be taken.

- Regular reports are submitted to the senior management, providing an overview of overdue principal and interest, collateral status, project location, collection progress, and optimization plans. Where issues arise, the matter is also raised to senior management to allow for sufficient oversight.

BREAKDOWN OF LOANS

The Group offers both secured and unsecured loans. Secured loans are mainly secured by properties in the PRC or project pledges. All of the loans are guaranteed by personal or corporate guarantees. During the year ended 31 December 2023, the Group had granted loans to 927 customers. Set out below is the table showing breakdown types of loans and types of collateral during the year ended 31 December 2023.

Types of loans	Number of customers
Personal loans	907
Corporate loans	<u>20</u>
	<u><u>927</u></u>

Secured or unsecured	Types of collateral	Number of customers
Unsecured	Personal or corporate guarantee only	906
Secured	Property	14
Secured	Projects pledge	<u>7</u>
		<u><u>927</u></u>

LOAN IMPAIRMENT POLICIES AND MATERIAL IMPAIRMENTS

The Group performs impairment assessments under the expected credit loss (“ECL”) model on financial assets (including loan receivables) which are subject to impairment under Hong Kong Financial Reporting Standard 9 — Financial Instruments issued by the Hong Kong Institute of Certified Public Accountants. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition. For detailed impairment policies, please refer to the sub-paragraph headed “Impairment of financial assets” in the “Material accounting policies” on pages 64 to 65 of the 2023 Annual Report.

For the year ended 31 December 2023, the Company recorded an impairment loss on loan receivables amounted to approximately HK\$235 million, of which approximately HK\$222 million were classified at stage 3 which was arrived at after considering events such as notification that were unable to pay due to the negative impacts from epidemic and the harsh market environment or they had not made payments to the Group despite previous signing of a civil mediation agreement. Thus, it was considered that they exhibited (i) significant financial difficulty of the borrower, (ii) a breach of contract, such as a default or past due event, and/or (iii) other factors that are described under credit-impaired financial assets on page 66 of the 2023 Annual Report.

SHARE OPTION SCHEME

On 23 May 2023, the Company adopted a share option scheme (the “**Share Option Scheme**”) to replace the share option scheme adopted in 2014.

The total number of shares of the Company (the “**Shares**”) that may be issued in respect of options granted under the Share Option Scheme during the year ended 31 December 2023 (i.e. 67,380,000 Shares) divided by the weighted average number of Shares of the relevant class in issue (i.e. 674,149,989 Shares) for the year ended 31 December 2023 was approximately 9.99%.

As at the date of the 2023 Annual Report, the total number of Shares available for issue under the Share Option Scheme (including Shares issuable for share options granted but not yet cancelled or exercised) was 67,414,998 Shares, representing approximately 10% of the issued share capital of the Company.

GENERAL

The information contained in this supplemental announcement does not affect other information contained in the 2023 Annual Report and save as disclosed above, all other information in the 2023 Annual Report remains unchanged.

By order of the Board
Hopefluent Group Holdings Limited
FU Wai Chung
Chairman

Hong Kong, 5 July 2024

As at the date of this announcement, the executive directors of the Company are Mr. FU Wai Chung, Mr. GAO Bin and Mr. LO Yat Fung; the non-executive directors of the Company are Mr. FU Ear Ly and Mr. HUANG Peng; and the independent non-executive directors of the Company are Mr. LAM King Pui, Mr. CAO Qimeng and Ms. XU Jing.