EASY REPAY FINANCE & INVESTMENT LIMITED
易還財務投資有限公司

(Continued into Bermuda with limited liability)

(Stock code: 8079)

SUPPLEMENTAL ANNOUNCEMENT – ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2022

Reference is made to the annual report of Easy Repay Finance & Investment Limited (the "**Company**", together with its subsidiaries, the "**Group**") published on 26 June 2022 in relation to the annual results of the Group for the year ended 31 March 2022 (the "**Annual Report**"). Terms used herein shall have the same meanings as those defined in the Annual Report unless the context requires otherwise.

The Board wishes to provide additional information in relation to the money lending business of the Group and the impairment loss on the loan receivables recognised by the Company for the Year.

MONEY LENDING BUSINESS

Company's money lending business and credit risk assessment policy

The Group's money lending business has been carried out by its subsidiary, Yvonne Credit Service Co., Limited ("**Yvonne Credit**"), a money lender license holder under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong), since 2007.

The source of funding was mainly financed by the internal resources and the working capital of the Group. With a view to minimizing the credit risk, Yvonne Credit only granted loans to Hong Kong residents. Most of the Group's customers are referred by Yvonne Credit's registered referral agents and small portion of the Group's customers are walk-in customers.

Yvonne Credit has its internal assessment and work procedure in granting a loan. When a client is referred to Yvonne Credit by its registered referral agent, a loan application form setting out the potential client's personal information and financial position, including his/her source of income and amount of income, the market value of the property as collateral, and details of the outstanding mortgage (if any) with banks or other financing company will be submitted to the director who is responsible for the mortgage financing business for approval. Together with the loan application form, the following documents will be verified or reviewed:

(i) Copy of identity card or passport;

(ii) Copy of income proof, such as tax demand note, salary payroll receipt, employment contract or tenancy agreement;

(iii) Copy of residential address proof of the latest three months, such as utility bills, tax return or bank statement;

(iv) Legal search for the credit worthiness assessment; and

(v) Land search report for the proof of property ownership.

In addition to the know-your-client procedure, Yvonne Credit will also observe the requirement to comply with the anti-money laundering or counter terrorist financing regulations for its financing business. Furthermore, to promote clients' awareness of the requirements of the Money Lenders Ordinance, a summary of provisions of the Money Lenders Ordinance will be attached, for client's reference, to the loan agreement to be entered between Yvonne Credit and its client.

Determination of loan terms

The Group would determine the terms of the loans (including loan amount, duration and interest rate) on a case-by-case basis taking into account factors including but not limited to the cost of providing a particular loan, the financial background and repayment ability of the borrowers, the credit and business risks of the loan, the expected rates of return of the loan, the borrowers' credit rating and repayment record in other financial institutions, the borrower's earning abilities, the quality and value of the collateral (if any), the purpose of the loan, the relationship with the borrowers and guarantors (if any), the debt ratio of the borrower, the past repayment record (for repeated borrowers), the prevailing market interest rate for similar loans, and the general economic environment. Generally, unsecured loan is subject to higher interest rates given that the appearance of lack of collaterals but the actual interest rate charged might vary subject to the terms of maturity, loan size, financial strength of borrower/guarantor as well as business relationship with the Group.

Collaterals and guarantors would be obtained from the borrowers as appropriate on a case-by-case basis by considering the amount of the loan, the interest rate, whether the existing assets of the borrower would be able to cover the loan and interests, the financial background, repayment ability and credit worthiness of the borrowers. The Group may grant loans to borrowers without collateral if the borrower has stable employment, in sound financial condition and has good asset proof and credit history. Nevertheless, the Group is conservatively prudent and would assess the creditworthiness of the unsecured loans including but not limited to obtaining copies of income proof such as tax demand note, salary payroll, employment contract, and copies of assets proof such as asset title certificates, bank statements, financial statements and auditor's reports (where applicable) to assess the borrower' asset portfolio, leverage level and liquidity conditions before granting the loan.

Major terms of loans granted

The Group offers both mortgage loans and personal loans. The Group focuses on provision of mortgage loans which are secured by legal charge against real estates located in Hong Kong, including residential, and car parking spaces, to individuals or corporations. During the year ended 31 March 2022, the interest rates charged to mortgage loan customers were at the range from 10% to 38% per annum with the maturity profile from 12 to 300 months. The normal interest rates charged to mortgage loan customers range from 10% to 36% and the normal duration of mortgage loans is within the range from 12 to 120 months.

The Group also provides secured car loans and unsecured personal loans to individuals who are mainly owners of motor vehicles, real estate assets under the Home Ownership Scheme and the Tenant Purchase Scheme as well as private residential properties. During the year ended 31 March 2022, the interest rates charged to them were at the range from 4% to 55% per annum with the maturity profile from 1 to 240 months. The normal interest rates charged to these loans range from 15% to 36% for general borrowers and from 4% to 15% for existing customers or referral or refinance of wholesales customers, and the normal duration of these loans is within the range from 1 to 60 months.

The duration of loans is normally requested by the borrowers. The Group will determine the final duration of the loans based on the information provided by the borrowers, for example, the age of borrower, financial information of borrower and the past repayment record (if any). Sometimes, the Group grants loans at significant variance in duration and interest rate taking into account the loan amount, short term financing, special collaterals (e.g. antique, jewellery), long term business relationship and goodwill, etc.

Size and diversity of clients

As at 31 March 2022, the carrying amount of loans and advances to customers was approximately HK$121,212,000. As at 31 March 2022, there were 15 mortgage loan customers with first or second charge of approximately HK$28,309,000, representing approximately 12% of the Group's entire loan portfolio as at 31 March 2022. The mortgage loans granted by the Group as at 31 March 2022 had a principal amount ranging from HK$200,000 to HK$7,750,000 (the average loan size being approximately HK$2,014,000, with maturity profiles from 12 to 300 months (the average loan term being approximately 122 months) and interest rates ranging from 10% to 38% (the average interest rate being approximately 18%). As at 31 March 2022, approximately 98% of the mortgage loans were secured by residential properties and the remaining 2% were secured by car parking spaces.

As at 31 March 2022, there were 222 secured car loans and 517 unsecured personal loans, which in total amounted to approximately HK$92,903,000, representing approximately 88% of the Group's entire loan portfolio as at 31 March 2022. The secured car loans granted by the Group as at 31 March 2022 had a principal amount ranging from HK$70,000 to HK$2,400,000 (the average loan size being approximately HK$176,000) with maturity profile from 24 to 60 months (the average loan term being approximately 47 months) and interest rates from 9.34% to 36% (the average interest rate being approximately 25.77%). The unsecured personal loans granted by the Group as at 31 March 2022 had had a principal amount ranging from HK$6,000 to HK$15,000,000 (the average loan size being approximately HK$407,000) with maturity profile from 1 to 240 months (the average loan term being 24.5 months) and interest rates from 4% to 54.76% (the average interest rate being approximately 39.94%).

Key internal control measures

Loan monitoring

After loan advancement, the management of the Group would continue to monitor the financial conditions of the borrowers and the guarantors (if any) and value of the collaterals on a regular basis and take appropriate follow-up action with the borrowers including follow up calls and site visits where the financial condition of the borrowers deteriorates or the value of the collaterals decreases dramatically.

The Company will conduct regular company searches, internet searches and regulatory compliance searches towards the borrowers in order to monitor the risk level. The Company will also request borrowers for provision of any updated financial information if considered necessary to update their financial ability, credit risk and assess the loan recoverability. These exercises are to monitor if any material adverse change may arise on the financial or legal conditions on the borrowers. If it is noted that there is a material deterioration in the borrowers' financial condition, the Group may require repayment from the borrowers.

For secured loans, the Group would keep track on the market value of the pledged collaterals on a monthly basis and when the Group perceives that there is a huge fluctuation in the relevant market of the collateral so as to ensure that there is no material deterioration in value. If it is noted that the value of the collateral is insufficient to cover the risk exposure or the actual loan-to-collateral value ratio with respect to any loan advanced has reached or exceeded acceptable level, the Group may require the borrower to (i) provide additional collateral; (ii) partially repay the outstanding loan; or (iii) realise the value of the collateral in order to bring the loan-to-collateral value ratio back to acceptable level.

Loan collection

In order to minimise the Group's exposure to credit risk and follow up closely with its customers as to the deadlines in payment of interest and principal of the loans, (i) the relevant staff of Yvonne Credit is responsible for monitoring the status of loan repayment and keeping accounting records for monthly audit of the loan balance to ensure that all borrowers have made repayment on time in accordance with the terms of the relevant loan agreement; (ii) the relevant staff of Yvonne Credit will communicate regularly with the borrowers regarding their financial positions and credit profile to have an up-to-date understanding of their repayment ability and creditworthiness; (iii) the relevant staff is required to report to the directors of Yvonne Credit immediately in the event of late repayment, material change to the repayment ability or creditworthiness of the borrowers or any other events which indicate the recovery of the loan may be at risk; and (iv) the management is required to report the repayment status of all the Group's loans to the Directors on a quarterly basis so that the Directors can review the loan portfolio and discuss actions to be taken.

The Group has standard procedures in dealing with default in payment. In the event of failure to repay interest or principal amount by the due date, (i) within 2 days, the Group would proactively contact the borrower via phone and issue overdue payment reminders to the relevant borrower to urge him/her to settle the overdue amounts without further delay and enquire the reasons for the default, (ii) the Group would continue to contact the borrower on a weekly basis via telephone and email stating that the borrower should repay the outstanding amount as soon as possible and negotiate with the borrower for the repayment or settlement of the loan; (iii) if the default in repayment persists, 5 days after the due date, the Group would request its lawyer to issue a legal demand letter to the borrower explaining the legal proceedings to process the relevant legal actions in respect of the collateral for secured loan or petition bankruptcy for non-secured loan; and (iv) if no positive response is received within 2 days after the demand letter was issued, the management will decide whether to engage a debt collection agent or commence legal proceedings against the borrower. Yvonne Credit may also take legal actions to enforce the possession of the defaulted client's property for auction and defaulted client's motor vehicle for sale.

LOAN IMPAIRMENT ASSESSMENT

The Group adopted the requirements in respect of ECL assessment set forth in HKFRS 9 issued by the HKICPA in determining the impairment loss allowance for its loan receivables. The details of the accounting policies in respect of the impairment assessment of financial assets are set out under note 3 to the consolidated financial statements of the Group in the Annual Report. The Company has taken into account the following factors on the impairment assessment for the outstanding loans and unlisted debt securities due from the connected parties and independent third parties in accordance with the HKFRS 9:

(i) the probability of default and the likelihood that the borrowers may fail to pay back the loans. The Company will perform due diligence on the financial statements and consider the macro-environment and the latest announcements of the borrowers. The repayment history of the borrowers will also be taken into account;

(ii) the loss given default and the expected cash shortfall between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive. The Company will consider the value of the collaterals pledged for the loans, if any; and

(iii) forward-looking market data such as gross domestic product will also impact to the recoverability of the loans.

For the purpose of impairment assessment, loans of the Group are classified as stage 1, 2 and 3 according to the prevailing accounting standard.

Stage 1 – are loans with no significant increase in credit risk of the financial instrument since their initial recognition.

Stage 2 – are loans with increase in credit risk of the financial instrument since their initial recognition.

Stage 3 – loans has significant increase in credit risk of the financial instrument since initial recognition and considered as credit-impaired. Impairment was assessed for each of the loans and the ECL model for internal impairment assessment has taken into account the following:

(1) expected life and contractual terms of a financial instrument

(2) market probability of default

(3) market loss given default or discounted recovery rate and

(4) forward-looking market data.

The management will from time to time assess whether the credit risk of the loan receivables has increased significantly since their initial recognition. Other than the adverse effect to the economic environment arising from the novel coronavirus disease (COVID-19), the factors to be considered for possible loan impairment include the clients' repayment track record and updated financial position, the change in the market value of clients' properties as well as the sentiment of the overall market in Hong Kong. The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Based on the above ECL model, there was a recognition of net impairment losses arising from expected credit losses on loans and advances to customers in the amount of approximately HK$25.8 million for the year ended 31 March 2022 (2021: approximately HK$80.5 million). The impairment on loan receivables for the year ended 31 March 2022 was mainly attributable to delay payment of certain borrowers due to the continuation of the novel coronavirus disease (COVID-19) and economic downturn for the year ended 31 March 2022 which have affected the repayment ability of the borrowers.

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
EASY REPAY FINANCE & INVESTMENT LIMITED
Mr. Chan Yan Tak
Chairman and Executive Director

Hong Kong, 14 December 2022

As at the date of this announcement, the Board comprises Mr. Chan Yan Tak (Chairman), Mr. Lim Ming Shing Tony, Ms. Siu Yeuk Hung, Clara and Mr. Law Ka Kei as executive Directors; Mr. Lee King Fui, Mr. Joseph Rodrick Law and Mr. To Kwan as independent non-executive Directors.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain com on the "Latest Listed Company Information" page of the website of the Stock Exchange at www.hkexnews.hk for at least seven days from the date of its publication and on the website of the Company at www.ecrepay.com.