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Oshidori International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock code: 622)

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

Reference is made to the annual report (the “**Annual Report**”) of Oshidori International Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) for the year ended 31 December 2021 published on the websites of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Company on 27 April 2022. Unless otherwise stated, capitalised terms used herein shall have the same meaning as those defined in the Annual Report.

In addition to the disclosures under the sub-section headed “Credit and Lending Services” in the “Management Discussion and Analysis” section on page 5 of the Annual Report, the Company would like to provide the shareholders (the “**Shareholders**”) of the Company and the public with the following additional information in relation to the Company’s credit and lending services business:

(A) Business Model

The Company, through its wholly owned subsidiaries, namely, Oshidori WW Resources Limited and Oshidori Citizens Money Lending Corporation Limited, conducts credit and lending business under the Money Lenders Ordinance, Chapter 163 of the Laws of Hong Kong.

The Group maintains readily available funds and equips itself with sufficient lending capacities for capturing potential business opportunities. The Group finances its credit and lending business with its existing general working capital. The Group’s credit and lending business has a unique business model with emphasis on the provision of sizeable loans to both corporate and individual clients with good financial standing and low credit risk (such as listed companies and individuals holding marketable assets).

The Group targets a niche market of high-profile borrowers (i.e. (a) listed companies, (b) companies with well-established businesses for over 2 years, (c) companies or individuals holding marketable assets and (d) individuals whose occupations are executives, businessmen or professionals) in need of sizeable loans, who have a proven track record of making repayments. The Group grants loans only to recognised and creditworthy customers. The Group granted loans only to the customers (a) who are third parties and not connected with the Group; (b) who are introduced by the Group's directors, senior management, business partners or existing/previous borrowers; and (c) whose creditworthiness and loan collateral are evaluated and approved by the credit committee (the "**Credit Committee**") of the Group. The Group rarely advertises in the open market.

The management team of the Group's credit and lending business comprises the Credit Committee and 2 managers. The Credit Committee consists of two directors of the Group, who have more than 30 years and around 20 years of experience in finance, investment and credit and lending industries, respectively. It is a pre-requisite that the said managers shall have at least five years of experience in the finance and/or accounting industries. The Credit Committee has the power and authority to review and approve the loan applications. The roles and responsibilities are as follows:

- a) the Credit Committee is responsible for (i) assessing credit risks, (ii) overseeing the approval of credit applications and loan approvals; and (iii) managing customer relationships; and
- b) the managers are responsible for (i) reviewing loan documentations, (ii) identifying potential problems; and (iii) recommending mitigating factors.

(B) Internal Control Procedures

The Group has taken the following internal control measures in carrying out the credit and lending services business:

Credit risk assessment of customers

Potential customers are required to disclose and provide the Group with a list of information required for a loan application. The Group will then assess the creditworthiness of the potential customers and their repayment abilities, including legal due diligence. In particular, the following information is requested and considered as part of the process of assessing creditworthiness:

- a) the potential customers' background and statutory information;
- b) the potential customers' proof of income, including bank statements;
- c) the amount and purpose of the loan;

- d) the results of legal searches, such as litigation (or the absence of), on the potential customers; and
- e) whether the Group and the potential customers have any prior dealings and, if so, the credit history of any such prior arrangements.

In making the approval decision, the Credit Committee considers the information set out above and assesses the potential customers' credit risk, the loan-to-value ratio and the proposed interest rate. The operations of the Credit Committee are subject to review by the Executive Directors of the Company.

Mechanism in determining loan terms

The request from each potential customer is unique. The loan terms are determined based on the potential customers' financial needs (e.g. type of loan, capital needs and loan tenure), credit risk assessment of potential customers and their financial repayment abilities. The loan interest rate is determined based on the result of credit risk assessment and reference to the market interest rate.

Approval process for granting loans

Application and approval process are as follows:

- a) collection of potential customer's information;
- b) preliminary loan assessment and approval (if disapproved, reject loan application and inform the potential customer);
- c) credit assessment – 3C's Assessment (i.e. character, capacity, and collateral):
 - character is defined by credit and loan repayment history;
 - capacity measures income and ability to service a loan or line of credit;
 - collateral refers to asset(s) that could be leveraged for payment;
- d) determine the terms of the loan and obtain approval from Credit Committee (if disapproved, reject loan application and inform potential customer);
- e) prepare board minutes to approve the loan and notify the potential customer of the loan approval;
- f) prepare all relevant loan documents and explain the terms of the loan and the associated loan documents to the potential customer;

- g) execution of the relevant loan documents and prepare loan disbursement; and
- h) review and file the loan documents in the filing cabinets.

Monitoring loan repayment and recovery

The status of outstanding loan principals and interest collection is monitored by the Credit Committee, two managers and accounting department on a daily basis by reviewing daily reports. On the maturity date, the Credit Committee communicates with borrowers by phone regarding their financial conditions and source of repayment to ascertain whether borrowers have any difficulty in making their repayments on time; and the Credit Committee also reminds borrowers to make timely repayments of their loans. When borrowers request for loan extension, the Credit Committee would request the managers and accounting department to ascertain and review the borrowers' financial condition through publicly available information (such as the Stock Exchange's website and press media, etc) so as to assess the recoverability of loans. In the event that there is no such publicly available information, the Credit Committee would request the respective borrowers for their updated financial information.

Taking actions on delinquent loans

When a loan is overdue, the Group will contact the borrower and guarantor (if any) to remind them of the possible enforcement action(s) and timing of repayment and seeking reasons for the delay in repayment. The Group will also issue demand letter(s) to the borrowers. If the Group does not receive any favourable reply from the borrowers, the Group will instruct legal advisers to take legal actions for recovery of outstanding loan principal and accrued interest.

The action plans are determined based on the individual situation on a case by case basis. In general, the Group takes into account factors such as whether the pledged assets provided by the borrowers are sufficient in value; and whether there are any bona fide settlement offers made by the borrowers.

In case the market value of pledged assets falls below the outstanding loan amount, the Group may request the borrowers to increase the pledged assets. In case the borrowers can provide the Group with bona fide settlement proposal, the Group may consider withholding legal action against the borrowers and accept the settlement proposal in order to save legal costs and time.

(C) Major Terms of Loans

As at 31 December 2021, the Company's credit and lending services business had 16 customers (all of them are independent third parties) and the total net loan receivables including both fixed and variable rate loan advances was HK\$978,401,000 (2020: HK\$1,254,521,000).

Among these loan receivables, HK\$63,668,000 and HK\$66,320,000 (totalling HK\$129,988,000) (2020: totalling of HK\$788,779,000) were secured by the pledge of securities and personal guarantees respectively, and bearing interest ranging from 5% to 15% (2020: 3% to 24%) per annum. Out of these secured loan receivables, HK\$472,000 had contractual loan period of 7 years and HK\$129,516,000 had contractual loan period of 18 months (2020: between 6 months and 30 years).

The remaining balance of HK\$848,413,000 (2020: HK\$465,742,000) were unsecured, and bearing interest ranging from 3% to 36% (2020: 5% to 36%) per annum. The contractual loan periods for these unsecured loan receivables are between 6 months and 1 year (as to HK\$604,318,000), between over 1 year and 2 years (as to HK\$231,649,000), between over 2 years to 5 years (as to HK\$11,405,000) and over 5 years (as to HK\$1,041,000) (2020: between 6 months and 5 years and over 5 years).

During the year ended 31 December 2021, the Group offered attractive interest rate to borrowers (as low as 3% per annum) as special promotion and on ad hoc basis. Such interest rate would be offered when the Group obtained surplus financial resources upon receipt of unexpected early repayment from borrowers. Such interest rate was offered as a special promotion to maintain amicable business relationship with our borrowers whose credit assessment were of satisfactory results. In addition, the Group also made reference to its available low-cost credit facilities offered by various banks and financial institutions with interest rate ranging from 0.88% to 1.60% per annum during the year ended 31 December 2021. **All such borrowers repaid their loans in full as at the date of this announcement.**

(D) Top Five Borrowers

As at 31 December 2021, the loan receivables from the largest borrower was HK\$147,205,000 (representing approximately 15% to the total loan receivables of the Group) while the loan receivables from the five largest borrowers together was HK\$622,268,000 (representing approximately 64% of the total loan receivables of the Group). During the year ended 31 December 2021, no cash rebate was provided to such largest borrower whereas cash rebate in the total amount of HK\$9 million was provided to such five largest borrowers. **All such borrowers repaid their loans in full as at the date of this announcement.**

In addition to the disclosure under the sub-section headed “Business Review” in the “Management Discussion and Analysis” section on pages 4 to 6 of the Annual Report, the Company would also like to provide the Shareholders and the public with the following additional information in respect of interest income of the Group:

Interest Income

Interest income decreased 30% from HK\$141 million for the six months ended 30 June 2021 to HK\$99 million for the year ended 31 December 2021. The decrease of the interest income was the result of cash rebates initiatives to clients. The covid pandemic caused adverse financial effects to everyone including the Group's clients, the Group considered such cash rebates can help its clients at difficult times as well as to maintain amicable business relationship and encourage more referrals.

(a) Credit and Lending Services

During the year ended 31 December 2021, the Group provided cash rebates initiatives to clients of the credit and lending services business.

The cash rebates were first contemplated around last quarter of 2021 by the directors of those subsidiaries of the Company which carry on the credit and lending services business. The cash rebates were then initiated by them after taking into account the profitability of the credit and lending services segment, the repayment record and creditability of the clients as well as possibility of future business opportunities from such clients. As at the date of this announcement, all the clients who received cash rebates fully repaid the loan granted.

During the year ended 31 December 2021, the amount of cash rebates provided to clients of the credit and lending services business was HK\$54 million. The Group's interest income from the credit and lending services business for the year ended 31 December 2021 before and after the cash rebates were HK\$120 million and HK\$66 million respectively. For loans where cash rebates was made, the effective interest rates before and after the cash rebates were ranging from approximately 3% to approximately 12% and approximately 0% to approximately 2% respectively. The Company's credit and lending services business had 16 customers as at 31 December 2021.

(b) Financial Services

During the year ended 31 December 2021, the Group provided cash rebates initiatives to clients of the margin financing business.

The cash rebates were first contemplated around last quarter of 2021 by certain directors of those subsidiaries of the Company which carry on the margin financing business. The cash rebates were then initiated by them after taking into account the overall profitability of the margin financing services and financial services, trading activities as well as the securities portfolio of the clients who received cash rebates. As at the date of this announcement, all the clients who received cash rebates remain active clients, repaid certain amount of margin loans granted and provided more business to the Group e.g. IPO subscriptions, brokerage services, etc.

During the year ended 31 December 2021, the amount of cash rebates provided to clients of the margin financing business was HK\$75 million. The Group's interest income from the margin financing business for the year ended 31 December 2021 before and after the cash rebates were HK\$100 million and HK\$25 million respectively. For margin loans where cash rebates was made, the effective interest rates before and after the cash rebates were ranging from approximately 12% to approximately 30% and approximately 3% to approximately 9% respectively. The Company's margin financing business had 185 customers as at 31 December 2021.

No cash rebate was provided to clients of the Group's financial services business (other than margin financing business) during the year ended 31 December 2021.

In view of the macroeconomic environment that had been adversely affected by the Covid-19 pandemic, the Group considered that the cash rebates could greatly assist its clients at this difficult time and promote business in the future. Accordingly, the Board considers that the grant of cash rebates was in the interests of the Company and its Shareholders as a whole.

In addition to the disclosures under the sub-section headed "Acquisition and Disposal of Blue River Holdings Limited" in the "Management Discussion and Analysis" section on page 9 of the Annual Report, the Board would like to inform Shareholders and the public that the Company has not incurred any loss from the Settlement.

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

By Order of the Board
Oshidori International Holdings Limited
Wong Wan Men
Executive Director

Hong Kong, 20 January 2023

As at the date of this announcement, the Board comprises the following directors:

<i>Executive Directors:</i>	<i>Non-Executive Director:</i>	<i>Independent Non-Executive Directors:</i>
Ms. Wong Wan Men	Mr. Sam Hing Cheong	Hon. Chan Hak Kan, <i>S.B.S., J.P.</i>
Mr. Wong Yat Fai		Mr. Hung Cho Sing, <i>B.B.S.</i>
		Mr. Lam John Cheung-wah
		Dr. Lo Wing Yan William, <i>J.P.</i>
		Mr. Yu Chung Leung