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CHINA PROPERTIES INVESTMENT HOLDINGS LIMITED

中國置業投資控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 736)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL REPORT OF THE COMPANY FOR THE YEAR ENDED 31 MARCH 2022

Reference is made to the annual report of China Properties Investment Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) for the year ended 31 March 2022 published by the Company on 7 October 2022 (the “**2022 Annual Report**”). Capitalized terms used in this announcement shall have the same meaning as those defined in the 2022 Annual Report, unless the context otherwise requires.

SUPPLEMENTAL INFORMATION ON THE 2022 ANNUAL REPORT IN RELATION TO THE MONEY LENDING BUSINESS OF THE GROUP

In addition to the relevant information disclosed in the 2022 Annual Report, the Board wishes to provide additional information with respect to the money lending businesses of the Group, as follows:

Business model

The Group holds a money lenders licence in Hong Kong pursuant to the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) and provides loan facilities to prospective clients including enterprises and individuals. The Group earns interest income from the provision of such loan facilities through a wholly owned subsidiary of the Company, Triple Glory Holdings Limited (“**TGHL**”).

Key internal controls

The Group has adopted and followed a series of internal control procedures to regulate money lending to ensure comprehensive risk management, so as to safeguard the interests of the Company and its shareholders. The key internal controls adopted by the Group in terms of credit risk assessment, credit approval and ongoing monitoring of loan recoverability and loan collection are outlined below:

1) *Credit risk assessment*

After receiving the potential client’s application, the business team which consists of the general manager and certain subordinate staff of TGHL (the “**Business Team**”) will, in compliance with the requirements under applicable laws and regulations in Hong Kong and the PRC, perform a credit risk assessment to review and assess the potential client’s credit rating, credit risk, repayment ability, and financial status. The credit risk assessment covers, including but not limited to, the following aspects of the potential clients or guarantor (as the case may be):–

Descriptions	Documents Reviewed
a. know-your-client process	Those documents received during the processes listed in items (b) to (i) below
b. identity verification and authentication	Individuals: ID card and/or passport Corporate: business registration certificate, certificate of incorporation and constitutional documents, etc.
c. historical credit records and rating;	Credit and/or litigation search (if any)
d. purpose of loan, repayment plan, and source of funds for repayment;	Loan application form, bank statement and asset/worth proof (if any)
e. cash flows, assets and liabilities (whether actual or contingent);	Individuals: bank statement, income proof, such as salary slip or tax return/demand note and/or asset/worth proof Corporate entities: audited financial statements, management accounts and sales contract(s), (where applicable)
f. income stream, earning capacity and prospective income stream or business performance;	Same as (e).
g. interview in person or, in the case of corporate clients, on-site visit;	N/A
h. the overall risk level of provision of the loan; and	Risk assessment conducted by TGHL’s staff.
i. other matters as may be considered necessary by the business team.	Case by case

In the meantime, the financial department will, among others, conduct a name screening to confirm whether there is any connected person relationship as ascribed under the Listing Rules and engage independent valuer(s) to evaluate the value of assets/collaterals proposed by the potential clients or guarantor (if any).

2) *Formulation of the preliminary proposal by the business team*

Based on the results of the credit risk assessment as set forth above, the business team will compile a preliminary proposal formulating the key terms of the loan on a case-by-case basis, including the principal amount, the interest rate and the tenure, and submit the same to the accounting team for further review.

The interest rate determined should reflect the risk level for the transaction subject to limits or requirements under applicable laws.

3) *Review by the accounting team*

After receiving all documents in relation to the loan application and the preliminary proposal from the business team, the accounting team taking a prominent role in overseeing the internal control procedure of the Group will independently review the entire application. In addition, the accounting team will conduct the size tests for each transaction for the review of the board of TGHL or the Board and consideration in order to comply with the Listing Rules including the notification and shareholders' approval requirements, and where necessary, consult with the Company's legal adviser or financial adviser.

4) *Credit approval*

For the loan applications which have passed those procedures as outlined above, they will then be passed to the board of TGHL or the Board or the shareholders of the Company (as the case may be) for approval in accordance with the transaction size indicated by applicable percentage ratios under the Listing Rules.

5) *Ongoing monitoring of loan recoverability and loan collection*

- a. In respect of money lending clients, TGHL's financial department creates in its loan register for each client an independent sub-account recording and updating, among others, the principal loan amount, repayment schedule for principal and interest and repayment records. Those records are respectively reviewed and approved by the accounting manager and chief financial officer of the TGHL on a monthly basis.
- b. Upon receipt of clients' repayment(s), the financial department shall verify the amount repaid with the repayment schedule and, if any discrepancy is discovered, notify the business team to follow up with the relevant client.

- c. In order to minimize the Group's exposure to credit risk, the management and the board of TGHL conduct regular reviews quarterly in order to, inter alia, monitor loan collection and loan recoverability, identify potential risks/problems therefrom and plan mitigating measures
- d. When a client defaults, the financial department shall issue an overdue notice to the relevant defaulting client, and report the overdue case to the management and board of TGHL who shall closely monitor the situation throughout by reviewing the reason for such overdue cases, assessing the recoverability of the loan and directing appropriate action to be taken on a case-by-case basis. In the case that the overdue persists after issuance of the said overdue notice, TGHL may instruct its legal representative to issue a demand letter(s) to the defaulting clients in which a final warning will be given. If the circumstances warrant, TGHL may consider commencing legal actions against the defaulting client after seeking legal advice.

Major terms of transactions, size and diversity of clients and concentration of transactions on major clients and movement on loss impairment

Money lending

The money lending clients are mainly referrals from the business partners/existing clients of the Group, comprising individuals either holding marketable assets or whose occupations involve business owners or senior management of a company) and a company engaged in human resources management. The Business Team may also solicit potential borrowers through business promotion and their business connections. The source of funding for the money lending business includes equity fund raising and fund generated from internal business operation.

As at 31 March 2022, there were a total of 43 borrowers whose loans were outstanding, out of which 42 were individuals and 1 was a corporation, with the principal amount per loan ranging from approximately HK\$1.5 million to approximately HK\$50 million. To the best knowledge, information and belief of the Board, all these borrowers and their respective ultimate beneficial owners (in the case of corporate clients) are independent of the Company and its connected persons (as ascribed under the Listing Rules).

The major terms of loans granted (including details of the collaterals) are disclosed in note 25 to the consolidated financial statements in the 2022 Annual Report. The loan principal to the top client and top 5 clients amounted to approximately 49.41 million and 234.69 million, representing approximately 8.52% and 40.48% of the total outstanding loan principal as at 31 March 2022. The Group conducts continuous credit assessments for all clients not only upon the establishment of business relationships but also throughout the term of business relationships with the clients. The assessment focuses on the client's credit status, financial status and repayment ability, as well as the business factors which may affect the client's source of income or, in the case of any client being a corporation, performance of the client's operations and hence its repayment ability. Besides, the value

of the collateral is assessed annually. When circumstances arise which might indicate that the Group will not be able to recover the amount according to the original terms, impairment will be considered and made.

During the year ended 31 March 2022, impairment of approximately HK\$117.17 million and HK\$6.35 million has been made for loans and interest receivables respectively whereas, during the year ended 31 March 2021, those figures were approximately HK\$76.42 million and HK\$3.63 million. For the year ended 31 March 2022, the impairment provision was 20.21% (2021: 15.02%). As such, the movement of the impairments for loans and interest receivables during the year ended 31 March 2022 were HK\$40.75 million and HK\$2.72 million. The main reasons for such movements include an increase in the size of the loan pool and the portion of the unsecured loan, the adverse effect of COVID-19 pandemic and the downturn of the economy. During the year ended 31 March 2022, the Group did not record any (i) bad debt and (ii) written off of loans receivable.

The Group has complied with requirements set out in Chapter 14 and/or 14A of the Listing Rules when it granted the loans to each of the respective borrower whose loan was still outstanding as at 31 March 2022.

The procedures performed by the Group in calculating the expected credit loss are disclosed in note 4(i) to the consolidated financial statements of the 2022 Annual Report.

The above additional information does not affect other information contained in the 2022 Annual Report and save as disclosed above, all other information contained in the 2022 Annual Report remains unchanged.

* *For identification purpose only*

By Order of the Board
China Properties Investment Holdings Limited
Han Wei
Chairman

Hong Kong, 22 February 2023

As at the date of this announcement, the executive Directors are Mr. Han Wei, Mr. Au Tat On and Mr. Wang Linbo and the independent non-executive Directors are Mr. Tang Yiu Kay, Ms. Cao Jie Min and Mr. Liang Kuo Chieh.