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**SUPPLEMENTAL ANNOUNCEMENT
IN RELATION TO THE ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022
AND
DISCLOSEABLE TRANSACTION
RELATING TO THE PROVISION OF THE LOAN**

FURTHER INFORMATION IN RELATION TO THE 2022 ANNUAL REPORT

Reference is made to the Annual Report dated 30 September 2022. Unless otherwise stated, capitalised terms used herein shall have the same meanings as those defined in the Annual Report.

In addition to the information provided in (i) the subsection headed “Money lending services” under the “Management Discussion and Analysis” section and Note 22 “Loans Receivable” to the consolidated financial statements in the Annual Report; and (ii) the section headed “Use of Proceeds from Rights Issue” under the “Management Discussion and Analysis” section of the Annual Report, the Board would like to provide the following supplementary information to the Shareholders regarding the loan portfolio of the Group’s money lending business and the use of proceeds from the Rights Issue.

Money Lending Business

Business Model of the Group’s Money Lending Business

The Group conducts its money lending business in Hong Kong through its wholly-owned subsidiary, DeTai Finance Limited (“**DeTai Finance**”) which holds a money lender’s licence under the Money Lenders Ordinance (Chapter 163 of the laws of Hong Kong). The money lending business is mainly financed by the internal resources of DeTai Finance.

As part of the Group’s money lending business, DeTai Finance grants loans to both corporate and individual borrowers in Hong Kong whom are Independent Third Parties. The Group does not grant loans to the general consumer market. The Group has not solicited new clients nor granted new loans as the management of the Company, which were mainly in charge of the money lending business, has changed in the recent few years. As such, the

current management and employees of the Group have been focused on examining the existing loan portfolio of the Group and in recovering the outstanding loans, instead of soliciting new clients or granting new loans.

The Group, when engaging in the money lending business, has built and maintained a diversified credit risk portfolio to avoid credit risk concentration. It is the policy of DeTai Finance that no loan should be made to one borrower or all related parties of the said borrower where such loan and all loans aggregated with all related parties would exceed 50% of the entire loan portfolio of the Group.

Loan Portfolio of the Money Lending Business

As set out above, the Group's loan portfolio includes individual borrowers and corporate borrowers. The individual borrowers of the Group were merchants. Whilst the corporate borrowers of the Group include, but were not limited to, companies that as at the date of granting the loans were principally engaged in motor vehicle trading, the gaming and resort business, investment holding and provision of corporate supporting services, provision of financial guarantee services and relevant consultancy services, and/or were companies whose shares were listed on the Stock Exchange. Clients were mainly referred to the Group by the then management of Company.

As at 30 June 2022, the Group's loan portfolio consisted of five individual borrowers and four corporate borrowers. The outstanding principal amount and interest receivables (before impairment) amounted to approximately HK\$66 million and HK\$182 million for the top borrower and the top five borrowers respectively, which represented approximately 30.6% and 84.8% of the total outstanding principal amounts and interest receivables, respectively.

Amongst the nine loans in the Group's loan portfolio as at 30 June 2022, (i) one of the loans was secured by collaterals and a personal guarantee and had an interest rate of 10%; (ii) one of the loans was secured by collaterals only and had an interest rate of 5.5%; (iii) two of the loans were secured by a personal guarantee only and had interest rates of 8% and 20% respectively; and (iv) the remaining five loans were unsecured and had interest rates ranging from 7% to 16%. The interest rate of the relevant loans were determined based on the commercial interest of the Group as a whole, with reference to, amongst others, (i) the risk level of the loan (including but not limited to the availability of collaterals and/or personal guarantees); (ii) the principal amount of the loan; and (iii) the financial condition of the borrower.

Credit Assessment Procedures of the Group's Money Lending Business

Before the granting of the loans, DeTai Finance would perform credit assessment procedures to ensure that the potential borrowers have good credit history, available assets and strong repayment capabilities. DeTai Finance will conduct the following credit assessment procedures:

- (i) obtain identity documents such as identity cards or passports from individuals and corporate documents from corporate borrowers;
- (ii) assess the financial condition of the potential borrower by valuing their financial assets; and
- (iii) perform internet and media searches on the potential borrower.

Recovery Procedures of the Group for Overdue Loans

When dealing with overdue loans, the accounting staff, one senior financing officer and the management level executive of DeTai Finance are responsible for following up on overdue sums owed by borrowers who have not made repayment accordingly. Once a loan has been granted by DeTai Finance, a designated officer of DeTai Finance will monitor the repayment of the principal amount of the loan and the interests accrued thereon in accordance with the terms of the loan agreement. In the circumstances where a borrower has defaulted on a loan and in line with the Group's loan collection/recovery procedures, DeTai Finance and the Group have promptly taken appropriate actions to recover the outstanding principal amounts and interests, which include but is not limited to:

- (i) negotiating repayment terms and methods with the borrowers;
- (ii) issuing payment reminders;
- (iii) issuing demand letters from the Group's legal advisers from time to time; and
- (iv) commencing legal proceedings.

Loan Impairments

As set out in the Annual Report, the Group recorded impairment loss on loans receivable of approximately HK\$13 million and impairment losses allowances of approximately HK\$204 million as at 30 June 2022, which represented approximately 126% of the loans receivable and 95% of the gross loan and interest receivables as at 30 June 2022. Such impairment loss and impairment losses allowances were based on the valuation reports issued by the 1st ECL Valuer and the 2nd ECL Valuer and the works performed by the Group as set out in the Annual Report. As concluded by the 1st ECL Valuer in their valuation report, the rate of ECL of the Group's loan and interest receivables as at 30 June 2022 ranged from 10.52% to 100% depending on the nature, probability of default and loss given default of the loans receivable.

Use of Proceeds from the Rights Issue

The Company completed the Rights Issue on 13 June 2018, and raised net proceeds of approximately HK\$523.6 million of which an aggregate of HK\$470.3 million has been utilised since the completion of the Rights Issue up to the financial year ended 30 June 2022. The utilisation of the net proceeds of the Rights Issue as at 30 June 2022 is set out below:

Intended use	Revised planned use of net proceeds HK\$ million	Balance of the net proceeds unutilised as at 30 June 2021 HK\$ million	Utilisation of net proceeds during the year ended 30 June 2022 HK\$ million	Remaining balance of the net proceeds unutilised as at 30 June 2022 HK\$ million
Repayment of outstanding borrowings	193.9	118.7	65.4	53.3
Contribution to the facility to be made available to a joint venture company formed with Zhongke International Capital Limited	—	—	—	—
Expansion of the Group's money lending business	111.3	—	—	—
Future potential investments and/or general working capital	<u>218.4</u>	<u>11.6</u>	<u>11.6</u>	<u>—</u>
Total	<u><u>523.6</u></u>	<u><u>130.3</u></u>	<u><u>77.0</u></u>	<u><u>53.3</u></u>

The Company had a remaining balance of approximately HK\$53.3 million of unutilised net proceeds as at 30 June 2022. In accordance with the disclosure in the Annual Report, the Company had repaid the remaining instalments of an outstanding bank loan on 30 December 2022.

DISCLOSEABLE TRANSACTION — PROVISION OF THE LOAN

The Board announces that on 24 July 2017, the Lender, an indirect wholly-owned subsidiary of the Company, entered into the Loan Agreement with the Borrower, pursuant to which the Lender has agreed to lend the Loan of HK\$5,000,000 to the Borrower for a term from the date of drawdown (which is 24 July 2017) to 23 October 2017 at an interest rate of 16% per annum. On each of 7 November 2017, 7 December 2017, 29 December 2017, 31 January 2018, 1 March 2018, 1 April 2018, 2 May 2018 and 1 June 2018, the Loan Agreement was amended and supplemented and the repayment date of the Loan was extended to 22 November 2017, 31 December 2017, 31 January 2018, 28 February 2018, 31 March 2018, 30 April 2018, 31 May 2018 and 30 June 2018, respectively. The Loan Agreement was then amended and supplemented by the Ninth Supplemental Agreement and the repayment date of the Loan was extended to 31 July 2018. The Loan Agreement was further amended and

supplemented on each of 1 August 2018, 3 September 2018 and 14 September 2018 and the repayment date of the Loan was extended on to 31 August 2018, 30 September 2018 and 31 October 2018 respectively.

The Loan Agreement

Date: 24 July 2017

Lender: DeTai Finance Limited, an indirect wholly-owned subsidiary of the Company

Borrower: As at the date of granting the Loan, the Borrower was a merchant and a controlling shareholder of a company engaged in the development of the environmentally friendly energy and biofuel business in the PRC. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Borrower is an Independent Third Party

Principal terms of the Loan Agreement

Amount of the Loan: HK\$5,000,000

Term: From 24 July 2017 to 23 October 2017

Interest: 16% per annum

Default interest: If the Borrower defaults in repayment on the due date of the Loan, interest or other amounts payable under the Loan Agreement, the Borrower shall pay interest on such overdue sums from the due date until payment in full (before and after judgment) at the rate of sixteen per cent. (16%) per annum. Such interest shall be calculated on the actual number of days elapsed and on the basis of a 365-day year.

Repayment: The outstanding principal amount of the Loan shall be repaid on 23 October 2017. The accrued interest of the Loan shall be repaid on the date of repayment.

Prepayment: The Loan may be prepaid in whole or in part, without prepayment penalty, with accrued interest up to and including the date of prepayment on the outstanding balance of the Loan to be prepaid by notice in writing.

The Ninth Supplemental Agreement

On 3 July 2018, the Lender and the Borrower entered into the Ninth Supplemental Agreement, pursuant to which, the repayment date of the Loan Agreement was extended to 31 July 2018. Save as aforesaid, other terms in the Loan Agreement and/or the extensions thereof remained in full force and effect and shall be read and construed and be enforceable as if the terms of the Ninth Supplemental Agreement were inserted into the Loan Agreement and its extensions thereof by way of addition or substitution.

The terms of the Loan Agreement were arrived at after arm's length negotiations between the Lender and the Borrower with reference to the financial condition and repayment ability of the Borrower. The Lender is a registered money lender holding a valid money lenders licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) and is principally engaged in the business of money lending service. The Loan was funded from internal resources of the Group.

INFORMATION ON THE GROUP

As at the date of the granting of the Loan, the Group was principally engaged in (i) hotel hospitality business; (ii) new energy business; (iii) provision of money lending services; (iv) trading and distribution of liquor and wine; (v) investments in listed securities and funds; and (vi) manufacturing and trading of electric cycles.

REASONS FOR PROVISION OF THE LOAN

The provision of the Loan and its extensions thereof provided reasonable interest income to the Lender and the Loan was recorded as loan receivable of the Group. The Directors considered that the transactions contemplated under the Loan Agreement and its extensions thereof are in the ordinary and usual course of business of the Group and on normal commercial terms and that the terms of the Loan Agreement and its extensions thereof are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As the highest of the applicable percentage ratios in respect of the extension of the Loan under the Ninth Supplemental Agreement is higher than 5% but less than 25%, the extension of the Loan under the Ninth Supplemental Agreement constitutes a discloseable transaction for the Company under the Listing Rules and is subject to the notification and announcement requirements under the Listing Rules.

However, due to inadvertent oversight, the extension of the Loan under the Ninth Supplemental Agreement had not been notified and announced by the Company in a timely manner in accordance with the Listing Rules which constituted a breach of Chapter 14 of the Listing Rules at the material time.

REMEDIAL ACTIONS

The Company regrets the omission of such disclosure and in order to avoid the occurrence of similar non-compliance with the Listing Rules in the future, the Company has/will implement(ed) the following measures and procedures:

1. the Directors have instructed the management of the Group to take all necessary measures to examine the existing loan portfolio of the Group and to ensure that such loans are in full compliance with the Listing Rules;
2. the Company will arrange to (i) hold regular departmental meetings to monitor notifiable transactions; (ii) strengthen the reporting system between departments and Directors; and (iii) provide more guidance materials and trainings on compliance matters to the Directors, senior management and the financial staff of the Group on a regular basis to increase their awareness and knowledge of the Listing Rules; and
3. the Company will work more closely with its legal advisers on compliance issues.

It is always the intention of the Company to fully comply with the Listing Rules. The Board and senior management of the Group are now fully aware of the relevant requirements under the Listing Rules and will ensure that the Company will comply with the relevant Listing Rules in order to avoid the recurrence of similar events in the future.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

“1st ECL Valuer”	the first independent valuer engaged by the Group to determine the ECL of the Group’s loans receivable
“2nd ECL Valuer”	the second independent valuer engaged by the Group to determine the ECL of the Group’s loans receivable
“Annual Report”	the annual report of the Company for the year ended 30 June 2022
“Board”	the board of Directors
“Borrower”	Mr. Li Kit, the borrower of the Loan
“Company”	DeTai New Energy Group Limited, a company incorporated in Bermuda with limited liability whose issued Shares are listed on the main board of the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“ECL”	expected credit loss
“Group”	the Company and its subsidiaries

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) are third parties independent of and not connected with the Group and its connected persons in accordance with the Listing Rules
“Lender”	DeTai Finance Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the term loan in the amount of HK\$5,000,000 granted by the Lender to the Borrower pursuant to the terms of the Loan Agreement
“Loan Agreement”	the loan agreement dated 24 July 2017 entered into between the Lender and the Borrower relating to the granting of the Loan
“Ninth Supplemental Agreement”	the supplemental agreement dated 3 July 2018 and entered into between the Lender and the Borrower to amend and supplement the Loan Agreement
“PRC”	the People’s Republic of China
“Rights Issue”	the rights issue of the Company completed on 13 June 2018
“Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

By order of the Board
DeTai New Energy Group Limited
Cheng Chi Kin
Chairman and Executive Director

Hong Kong, 24 March 2023

As at the date of this announcement, the executive Directors are Mr. Cheng Chi Kin (Chairman) and Mr. Wong Siu Keung Joe; and the independent non-executive Directors are Mr. Chiu Wai On and Mr. Man Kwok Leung.