

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

FINSOFT FINANCIAL INVESTMENT HOLDINGS LIMITED

匯財金融投資控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8018)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

Reference is made to (i) the announcement of Finsoft Financial Investment Holdings Limited (“**Company**”, together with its subsidiaries, “**Group**”) dated 25 March 2021 (“**Annual Results Announcement**”) in relation to the annual results of the Company for the year ended 31 December 2020 (“**Year 2020**”) and (ii) the annual report of the Company for the year ended 31 December 2020 (“**Annual Report**”) published on 30 March 2021. Unless otherwise stated, capitalised terms used in herein shall have the same meanings as those defined in the Annual Report.

In addition to the information disclosed in the Annual Results Announcement and the Annual Report, the Company would like to provide the following supplemental information in relation to the Group’s provision for impairment loss on loans and interest receivables for Year 2020 of approximately HK\$46.5 million.

The assessment of the Group’s provision for impairment loss on loans and interest receivables for Year 2020 was performed under the expected credit loss (“**ECL**”) model in accordance with HKFRS 9 *Financial Instruments*. The key measuring parameters and inputs of ECL include probability of default (“**PD**”), loss given default (“**LGD**”) and exposure at default (“**EAD**”), which are based on the assessed creditworthiness of the borrowers.

In determining the credit risk of the borrowers, the Company considered the following factors: (i) if it is an individual borrower or a corporate borrower; (ii) the industry where the corporate borrower operates; (iii) the internal credit assessment of the borrower; and (iv) the historical repayment records of, and the working relationship with, the borrower.

In determining whether there have been significant increases in credit risk, the following key criteria are taken into account:

- an actual or expected significant deterioration in the borrower’s external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for the corporate borrower;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the borrower’s ability to meet its debt obligations;

* *For identification purposes only*

- an actual or expected significant deterioration in the operating results of the corporate borrower;
- significant increases in credit risk on other financial instruments of the same corporate borrower;
- an actual or expected significant adverse change in the regulatory, economic or technological environment of the borrower that results in a significant decrease in the borrower’s ability to meet its debt obligations;
- status of the loans and interest receivables as at the reporting date, including any breach of contract such as a default or past due event as at the reporting date; and
- whether it is probable that the borrower will enter bankruptcy or other financial reorganisation.

A borrower will be regarded as credit-impaired if he is in default of the loan principal, or has entered bankruptcy or other financial reorganisation, or has severely delayed payments of the loan principal or interests.

The Group categorises the credit quality of its loans and interest receivables according to 3 different stages under the ECL model:

Stage 1: financial assets without significant increase in credit risk since initial recognition where loss allowance is calculated based on 12-month ECL

Stage 2: financial assets with significant increase in credit risk since initial recognition where loss allowance is calculated based on lifetime ECL

Stage 3: credit impaired assets where loss allowance is calculated based on lifetime ECL

In general, loans and interest receivables that are not defaulted and have no sign of any significant increase in credit risk are categorised as Stage 1 assets and the Group adopted the PD and corresponding LGD based on market statistics or the PD and LGD of the credit ratings of comparable borrowers in similar industries/businesses as extracted from Refinitiv (previously known as Thomson Reuters Financial & Risk) StarMine Combined Credit Risk Model or Moody’s.

For borrowers that are identified to have significant increases in credit risk, their loans and interest receivables are categorised as Stage 2 assets and the Group adopted the PD and corresponding LGD by referring to the high risk categories for the corresponding type of the borrower (i.e. individual borrower or corporate borrower).

For borrowers that are identified to be credit-impaired, their loans and interest receivables are categorised as Stage 3 assets and the Group applied the PD of the lowest credit categories and their corresponding LGD.

The assumptions adopted in the ECL assessment are as follows:

- the market trends and conditions where the borrowers operate will not deviate significantly from economic forecasts in general; and
- the probabilities of defaults as extracted from Refinitiv, Moody's and market statistics are assumed to be unbiased.

As at 31 December 2020, the Group has a total of 33 borrowers (31 December 2019: 18) with total outstanding loan principal and interest receivables in the sum of approximately HK\$138.50 million (31 December 2019: approximately HK\$102.30 million). Among the borrowers as at 31 December 2020, 14 borrowers (31 December 2019: 13) were identified to be in Stage 1, 7 borrowers (31 December 2019: 2) were identified to be in Stage 2 and 12 borrowers (31 December 2019: 3) were identified to be in Stage 3.

The significant increase in the provision for impairment loss on loans and interest receivables for Year 2020 was mainly due to the fact that as at 31 December 2020, a total of 12 borrowers have not repaid the outstanding loan principal and interest receivables in the total sum of approximately HK\$70.96 million upon maturity of the loans, whereas as at 31 December 2019, only 3 borrowers had not repaid the outstanding loan principal and interest receivables in the total sum of approximately HK\$22.70 million upon maturity of the loans.

There was no significant change to the bases, assumptions and inputs adopted in the ECL assessment for Year 2020 from those adopted in previous year.

The Company has instructed its legal advisers to issue demand letters to the borrowers who have overdue loans for more than 90 days demanding immediate repayment of the outstanding loan principal and interests. Some of the overdue borrowers who are currently staying in mainland China promise to repay the outstanding balances as soon as they return to Hong Kong. The Company will continue to negotiate with borrowers for repayment or settlement of their overdue balances.

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

Shareholders and potential investors should exercise caution when dealing in the shares of the Company.

On behalf of the Board
Finsoft Financial Investment Holdings Limited
Ms. Tin Yat Yu Carol
Chairman

Hong Kong, 16 April 2021

As at the date of this announcement, the Board consists of Ms. Tin Yat Yu Carol being an executive Director and the chairman of the Board, Mr. Chan Wai Lung, Ms. Lam Ching Yee, Ms. Lin Ting and Ms. So Wai Yee Betty being the executive Directors, and Mr. Hon Ming Sang, Ms. Lee Kwun Ling, May Jean and Ms. Lo Wing Sze BBS, JP being the 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 on the “Latest Company Announcements” page of the website of the GEM at www.hkgem.com for a minimum period of seven days from the date of its publication and on the website of the Company at www.finsouthk.com.