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CHINA BRILLIANT GLOBAL LIMITED

朗華國際集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8026)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2023

Reference is made to the annual report of China Brilliant Global Limited (the “**Company**” together with its subsidiaries, the “**Group**”) for the year ended 31 March 2023 (the “**Annual Report**”). Capitalised terms defined in the Annual Report shall have the same meaning herein unless otherwise defined or the context otherwise required.

The board (the “**Board**”) of directors (the “**Directors**”) of the Company would like to provide further information on the money lending business of the Company to supplement the Annual Report.

Business model

The money lending business of the Company, which is carried out through CBG Finance Limited (“**CBG Finance**”), an indirect wholly-owned subsidiary of the Company, is predominantly focused on short-term loans with a maturity period from 30 days to 60 days, with the occasional slightly longer term of 1 year. The key target client base of CBG Finance is made up of manufacturers of electronic devices wishing to obtain short-term loans to meet their working capital needs between the manufacturing stage for their orders which require funds to purchase the necessary materials and resources for manufacturing, and the payment stage after their delivery of goods. The borrower clients of CBG Finance include both individual and corporate manufacturers incorporated in both Hong Kong and overseas and are predominantly introduced to the Group on referral basis by the shareholders and other staff and employees of the Group. The interest rates of the loans advanced by CBG Finance to the borrowers are predominantly at fixed rates in the range of 5% to 8% per annum, determined with reference to the market rates from time to time.

Credit assessment and loan collection policies

Before accepting any application from prospective borrowers seeking to obtain a loan from CBG Finance, certain credit assessment procedures are required to be complied with according to the internal policy of CBG Finance. Applicants wishing to borrow a loan from CBG Finance are required to complete a loan application form and provide the required loan application documents for verification and due diligence process. All loan applications are subject to credit review, anti-money laundering and counter-terrorist financing review and approval by the directors of CBG Finance. CBG Finance will conduct the credit assessment on the applicant with the information provided by the applicant or obtained through public search, which may include (but are not limited to): (i) conducting a check on background information provided by applicant against public search; (ii) obtaining and reviewing the latest financial information of the applicant for the latest financial year and applicable period, including sales breakdown by customers, material cashflow information and tax payment, etc.; (iii) obtaining and reviewing the details of bad and doubtful debts of the applicant for the latest financial year and applicable period (if any); (iv) conducting a litigation search and check for any unresolved or unsettled significant litigation against the applicant; (v) obtaining and reviewing the purchase contract(s) and order(s) of the applicant for which the loan is proposed to be drawn; and (vi) conducting asset evaluation on the applicants and/or its shareholders.

The directors of CBG Finance will consider each loan application on a case-by-case basis and make reference to the result of credit assessment process together with the following factors to consider and approve the loan application, including: (i) the purpose, loan size, tenor, interest rate and other terms of the loan; (ii) the credit history of the applicant with CBG Finance; and (iii) the sufficiency of investments and assets held by the applicant in the People's Republic of China or Hong Kong showing financial capability of the applicant to repay the loan and consider whether any security and/or guarantee are required to be provided by the applicant. After the loan transactions are entered into, monthly reviews on the loan performance and overall risk profile will be conducted by CBG Finance of its loan portfolios.

Further, CBG Finance has in place loan collection and loan portfolio monitoring policies which are applicable to all loans granted or renewed by CBG Finance. Where any borrower has failed to make any repayment on the due date, the staff of CBG Finance will demand repayment from the borrower and pay a visit to the address of such borrower. If any borrower continues to fail to repay any amount due and owing to CBG Finance, legal advisers would be engaged to formally demand repayment from such borrower and the Company will consider taking further legal action as and when appropriate, subject to legal advice to be obtained from the legal advisers. All existing borrower clients of CBG Finance have proven satisfactory track record on making timely repayment and no additional debt collection procedures were required to be taken by CBG Finance for the year ended 31 March 2023. For assessment and monitoring of loan recoverability, CBG Finance regularly

reviews the manufacturing and sale orders of the borrower clients to monitor the status of the orders for which the borrower clients had obtained loans from CBG Finance and keeps itself informed of the financial conditions and cash flow statuses of the borrower clients to ensure the recoverability of the loans.

Loan impairment policy

The management of CBG Finance will prepare annual reports to the Board to inform them of the figures of overdue loans for the relevant year. As at the relevant balance sheet date, the Board will assess whether there are any indications of impairment on the loan receivables, and if so, perform an impairment test and determine the amount of impairment loss to be recognised.

In determining the expected credit loss (“ECL”) for loan receivables, historical data are assessed together with other external information and are adjusted to reflect current and forward-looking information on macroeconomic factors. To ensure the adequacy of allowance for ECL on loan receivables, the Group engaged an independent firm of professional valuers to conduct a valuation on the allowance for ECL on loan receivables recognised for each financial year, and this impairment allowance was also cross-examined by auditors of the Company.

The Group applies the general approach under Hong Kong Financial Reporting Standard 9 (HKFRS 9), which is often referred to as the “three-stage model”, under which ECL of loan receivables are determined based on (a) the changes in credit quality of the loan receivables since initial recognition, and (b) the estimated expectation of economic loss of the loan receivable under consideration. Under the general approach, there are two measurement bases for allowance of ECL: (a) 12-month ECL, which is the ECL as a result of default events that are possible within 12 months after the reporting date and is calculated as the allowance for ECL on a loan receivable weighted by the probability of default events accumulated over the 12 months after the reporting date; (b) lifetime ECL, which is the ECL as a result of all possible default events over the expected life of a loan receivable and is calculated as the allowance for ECL on a loan receivable weighted by the probability of default event accumulated over the entire life of the loan receivable. The allowance for ECL on loan receivables is derived from gross credit exposure, recovery rate and probability of default.

The Board considers that the credit assessment policy in place, which is stringently complied with by CBG Finance prior to entering into any loan transactions with any prospective borrowers, is effective and adequate in serving the purpose of assessing the potential benefits and risks of each prospective loan transaction of the Company. Thorough background check and due diligence are carried out by CBG Finance on the prospective borrowers and their business operations and financial conditions before any loan transactions are entered into. The Board also considers the loan collection and loan portfolio monitoring policies and loan impairment policy to be effective and adequate.

Loan portfolio as at 31 March 2023

As disclosed above, the Group's loan portfolio includes individual borrowers and corporate borrowers. As at 31 March 2023, the Group had a total of 5 outstanding loans amounting to total outstanding loan receivables (before allowance for credit losses) of HK\$26,646,000 (collectively, "**Outstanding Loans**" and each an "**Outstanding Loan**") and allowance for credit losses on loan receivables amounting to HK\$3,948,000 due by a total of 5 borrowers, of which 1 was an individual borrower and 4 were corporate borrowers. As at 31 March 2023, the largest and the top three largest borrowers in the money lending business of the Company accounted for approximately 29% and 71% of the total loan receivables of the Company respectively. None of the Outstanding Loans constituted a notifiable transaction of the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Amongst the 5 Outstanding Loans in the Group's loan portfolio as at 31 March 2023, (i) none of them were secured by collaterals or guarantees; (ii) 2 Outstanding Loans amounting to total outstanding loan receivables of HK\$8,226,000 had a term of 45 days; 1 Outstanding Loan amounting to total outstanding loan receivables of HK\$7,838,000 had a term of 60 days and 2 Outstanding Loans amounting to total outstanding loan receivables of HK\$10,582,000 had a term of 1 year; (iii) 1 Outstanding Loan amounting to total outstanding loan receivables of HK\$6,795,000 had an interest rate of 5% per annum, and 4 Outstanding Loans amounting to total outstanding loan receivables of HK\$19,851,000 had an interest rate of 8% per annum.

The maturity, interest rate and structure (i.e. with or without collateral) 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.

The ageing analysis of loan receivables (before allowance for credit losses) based on initial loan commencement date as set out in the relevant contracts is as follows:

	As at 31 March 2023 <i>HK\$'000</i>
Within 45 days	8,226
46 days to 180 days	7,838
181 days to 365 days	<u>10,582</u>
Total	<u><u>26,646</u></u>

The ageing analysis of loan receivables based on the maturity dates as set out in the relevant contracts is as follows:

	As at 31 March 2023 <i>HK\$'000</i>
Not yet due	26,646
Overdue	—
Total	26,646

Save as disclosed above, all other information and content set out in the Annual Report remain unchanged. This announcement is supplemental to and should be read in conjunction with the Annual Report.

By Order of the Board
CHINA BRILLIANT GLOBAL LIMITED
Zhang Chunhua
Chairman

Hong Kong, 21 February 2024

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

Mr. Zhang Chunhua (Executive Director (Chairman))
Ms. Zhang Chunping (Executive Director and Chief Executive Officer)
Ms. Chan Mei Yan Hidy (Independent Non-executive Director)
Ms. Huang Jingshu (Independent Non-executive Director)
Mr. Peng Yin (Independent Non-executive Director)

This announcement will remain on the GEM website at www.hkgem.com on the “Latest Listed Company Information” page for at least 7 days from the date of its posting and the Company’s website at www.cbg.com.hk.