萬隆控股集團有限公司
Ban Loong Holdings Limited
(Incorporated in Bermuda with limited liability)
(Stock Code: 30)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

References are made to the interim results announcement (the "**Announcement**") of Ban Loong Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") dated 26 November 2021 in relation to the interim results (the "**Interim Results**") of the Group for the six months ended 30 September 2021 (the "**Period**") and the composite offer and response document (the "**Composite Document**") dated 15 December 2021 in relation to the Offer. Unless otherwise defined, capitalised terms used in this announcement shall bear the same meanings as those defined in the Composite Document.

The Board would like to provide additional information in relation to the Interim Results.

NET ALLOWANCE FOR EXPECTED CREDIT LOSSES

As set out in the Announcement, the Group recorded net allowance for expected credit losses of approximately HK$90.3 million (the "**Impairment Loss**") in respect of financial assets, which mainly consists of approximately HK$71.9 million for loan and interest receivables (the "**Loan Receivables**") and approximately HK$17.9 million for other receivables, deposits and prepayments (the "**Other Receivables**", together with the Loan Receivables as the "**Financial Assets**") for the Period. The Other Receivables consists of (i) advances made by a wholly-owned subsidiary of the Company to various potential business partners, who are the independent third parties; and (ii) rental deposit and utilities deposit paid by the Group to independent third parties. Such advances were made by the wholly-owned subsidiary of the Company to various potential business partners to enhance business cooperation and relationship with the respective parties given the Group has been exploring business opportunities with them.

The recognition of the Impairment Loss was mainly due to the defaults (the "**Defaults**") of the loans (the "**Loans**") made to ten loan borrowers (the "**Borrowers**") and advances (the "**Advances**") made to an entity (the "**Entity**", together with the Borrowers as the "**Customers**") who are independent third parties during the Period. The reason for the Defaults is that the Customers have failed and/or refused to repay the respective Loans and Advances during the Period. One of the Borrowers has been provided a share charge as security for the Loan. Save as disclosed, none of the Customers has pledged any his/its assets to the Group to secure the Loans or Advances (as the case may be).

Prior to granting the respective Loans to the Borrowers, the Group conducted a credit assessment of the Borrowers, which includes (i) the assessment of whether the Borrowers would provide a pledge and/or guarantee in relation to their respective Loans; (ii) conducted background search on the respective Borrowers; and (iii) obtained and reviewed information in relation to the financial background of one of the Borrowers. In making the Advances to the Entity, the Group conducted a credit assessment of the Entity by obtaining and reviewing the financial statements of the Entity.

The Defaults were identified by the Group during the period from January 2021 to November 2021. Subsequently, the Group has issued demand letters, dunning letters and submitted two statement of claims to the court in order to recover the Loans. Further, the Group is also negotiating with several Borrowers and the Entity for settlement of the respective Loans or Advances (as the case may be). The Group will continue to negotiate with the respective Borrowers and the Entity for the settlement of the Loans or Advances (as the case may be) and will consider submitting more statement of claims to the court to recover the Loans and Advances.

Key value of inputs used and assumptions adopted in valuation

The Company has engaged Valplus Consulting Limited (the "**Valuer**"), an independent valuer, to conduct a valuation (the "**Valuation**") to support the relevant impairment assessment in respect of the Impairment Loss. The Valuer comprises of a team of valuation professionals with various international professional accreditations, including but not limited to Chartered Financial Analysts, Certified Financial Risk Managers, Registered Valuers of Royal Institution of Chartered Surveyors and Registered Professional Surveyors in Hong Kong.

The Valuer adopted the probability-weighted loss default model (the "**PD Model**") to measure the expected credit loss allowance of the Financial Assets. Major inputs of the PD Model include (i) probability of default ("**PD**"); (ii) loss given default ("**LGD**"); (iii) exposure at default ("**EAD**"); and (iv) discount factor reflecting time value of money. The key value of inputs of the Valuation as at 30 September 2020 ("**FY2021 Interim**") and 30 September 2021 ("**FY2022 Interim**") are set out as follows:

	Loan receivables under		**Other receivables under**	
	FY2021 Interim	**FY2022 Interim**	**FY2021 Interim**	**FY2022 Interim**
PD	1.1% - 3.5%	10.9% - 100%	0.4% - 3.5%	0% - 100%
LGD	0% - 67.4%	0% - 68.0%	55.4%	57.0%
EAD	HK$505,200,000	HK$505,054,000	HK$385,000	HK$121,556,000
Discount rate	0.1%	0%	0.1%	0% - 2.3%

Based on the valuation method employed, the Valuer is of the opinion that the expected credit loss of the Financial Assets as at 30 September 2021 is as follows (together with the comparative figures as at 31 March 2021):

	As at 31 March 2021 Approximate	**Allowance for expected credit loss during the Period**	**As at 30 September 2021 Approximate**
	HK$	*HK$*	*HK$*
Trade receivables	25,000	491,000	516,000
Loan receivables	11,600,000	71,870,000	83,470,000
Other receivables	1,043,000	17,891,000	18,934,000
Amount due from a shareholder	0	0	0
Total	12,668,000	90,252,000	102,920,000

The key assumptions adopted in the Valuation include the following:

- expected loss rates have been adjusted for forward-looking factors by taking into account any observable change in future economic conditions, events and environment;

- the adopted loss rates and/or default probabilities are representative to reflect the impact from multiple repayment scenarios of the debtors based on the historical credit status information provided by the management of the Company and sourced from public sources;

- according to the management of the Company, historical loss pattern does not vary significantly across the customer groups and there is no expectation of such changes over the expected collection period of the receivables outstanding at the period end. Consequently, all receivables are combined into one or more portfolios for the purpose of measuring the expected credit loss; and

- discount effect due to time value of money on receivables which will be matured in less than one year from the date of the Valuation is considered to be immaterial.

As at the date of the Announcement, there are no significant changes in the value of inputs and assumptions from those previously adopted in previous valuation. Based on the information provided by Company, owing to the deteriorating credit status, certain borrowers failed to repay their Financial Assets which led to more default cases on repayments (the "**Default Events**") as compared to the previous valuation. The Financial Assets under the Default Events were assigned with a maximum default probability of 100%, which leads to a higher EAD under Default Events and thus resulting in an increase in net allowance for the expected credit losses during the Period. Further, as at the date of the Announcement, there are no subsequent changes to the valuation method as referred to above following its adoption.

As set out in the Composite Document, the Directors confirmed that save as disclosed in Appendix II to the Composite Document regarding information about the material changes in the financial or trading position or outlook of the Group, there had been no material change in the financial or trading position or outlook of the Group since 31 March 2021, being the date to which the latest published audited financial statements of the Group were made up. As at the date of this announcement, the Board confirmed that their views remain the same as set out in the Composite Document.

The Board has further discussed with the Independent Financial Adviser in relation to the above and the Independent Financial Adviser confirmed that there is no material difference between the Board's opinion and theirs.

By order of the Board
Ban Loong Holdings Limited
Chow Wang
Deputy Chairman & Chief Executive Officer

Hong Kong, 21 January 2022

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

Executive Directors:
Mr. Wang Minghui *(Chairman)*
Mr. Chow Wang *(Deputy Chairman & Chief Executive Officer)*
Mr. Yin Pinyao
Mr. Wang Zhaoqing *(Chief Operating Officer)*
Mr. Dong Ming

Non-executive Director:
Mr. Fong For

Independent Non-executive Directors:
Mr. Jiang Zhi
Mr. Leung Ka Kui, Johnny
Ms. Wong Chui San, Susan

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement, and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any such statement contained in this announcement misleading.