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萬城控股有限公司
MILLION CITIES HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2892)

**SUPPLEMENTAL ANNOUNCEMENT
IN RELATION TO
DISCLOSEABLE TRANSACTION
PROVISION OF LOAN**

Reference is made to the announcement of the Company dated 5 May 2022 (the “**Announcement**”) in relation to the provision of loan to an independent third party. Capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement unless otherwise defined herein.

Further to the information disclosed in the Announcement, the Company wishes to provide its shareholders and potential investors with the following supplementary information:

THE GROUP’S CREDIT RISK ASSESSMENT ON THE BORROWER

Prior to entering into the Loan Agreement, the Group has obtained and reviewed the following information and documents to assess the creditability and background of the Borrower, including but not limited to:

- (i) company related information of the Borrower, including its business licence, articles of association, business scope, financial statements and organisational structure; and
- (ii) desktop search results on the credit status of the Borrower to ascertain if there are any outstanding liabilities which were or have been subjected to legal actions in the relevant jurisdiction.

Apart from the review of the above documents and information, the Group has also enquired with the ultimate beneficial owner of the Borrower, namely Mr. Chan Sun Wah (陳新華) (“**Mr. Chan**”), and made assessment on his personality, integrity and assets, which forms bases for the Group to evaluate the Borrower’s creditworthiness prior to entering into the Loan Agreement. After making assessment on each of the Borrower and Mr. Chan, the Group is of the view that each of the Borrower and Mr. Chan has sufficient resources for the repayment of the Loan.

So far as the Directors are aware of, Mr. Wong has acquainted with Mr. Chan for more than 10 years first through business contacts and has later become a personal friend with Mr. Chan. Based on the long-term personal friendship between Mr. Wong and Mr. Chan, Mr. Wong offered to provide a personal guarantee (the “**PG**”) to the Loan. Credibility assessment, similar to the aforesaid assessment on the Borrower, was then conducted by the Group on Mr. Wong. To the best of the Directors’ knowledge, information and belief, considering Mr. Wong’s family and/or personal wealth, creditworthiness, experience and personal credit history, the Group believes the PG would be able to (i) secure due performance of the repayment obligations of the Borrower when the Loan falls due; (ii) guarantee the recoverability of the Loan; (iii) minimise the credit risks exposed to the Group under the Loan Agreement; and (iv) provide a strong and confident collateral to the Group.

FURTHER INFORMATION ON THE REASONS FOR AND BENEFITS OF ENTERING INTO THE LOAN AGREEMENT

The interest rate of 4% per annum of the Loan was agreed between the Lender and the Borrower at arm’s length negotiations, with reference to the annual interest income derived from the Group’s current agreement deposits and the market estimated long-term agreement deposits, which are at the range of approximately 1.5% to 2.75% per annum, as well as the subscription of the Non-Convertible Preference Shares, which if materialised, would be approximately 3.6% per annum. The interest rate of 4% per annum of the Loan is higher than the annual interest income derived from the Group’s current and estimated agreement deposits as well as the subscription of the Non-Convertible Preference Shares, and can therefore increase the rate of return of the cash and cash equivalents of the Group in a short period of time. In particular, the Directors consider that the interest rate of the Non-Convertible Preference Shares, which is equity financing in nature, would be more appropriate to be used as a benchmark against the interest rate of the Loan.

The Directors are of the view that the determination of the interest rate of the Loan with reference to the annual interest income derived from the Group’s agreement deposits and the subscription of the Non-Convertible Preference Shares, alongside with the Group’s assessment on the creditworthiness of each of the Borrower and the Guarantor as mentioned above, would be relevant and sufficient to the Group. Therefore, the Board

considers that the terms of the Loan Agreement (including its interest rate of 4% per annum) are entered into on normal commercial terms and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

By order of the Board
Million Cities Holdings Limited
Wong Ting Chung
Chairman & executive Director

Hong Kong, 25 May 2022

As at the date of this announcement, the chairman and executive Director is Mr. Wong Ting Chung; the other executive Directors are Mr. Lau Ka Keung and Mr. Li Wa Tat, Benedict; and the independent non-executive Directors are Mr. Ip Shu Kwan, Stephen, Mr. Li Yinquan and Mr. Chan Hiu Fung, Nicholas.