

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.



TERMBRAY INDUSTRIES INTERNATIONAL (HOLDINGS) LIMITED

添利工業國際(集團)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00093)

SUPPLEMENTAL ANNOUNCEMENT TO ANNUAL REPORT 2021

Reference is made to the annual report of Termbay Industries International (Holdings) Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) published on 28 April 2022 (the “**Annual Report 2021**”). Capitalized terms used herein shall have the same meanings as defined in the Annual Report 2021 unless the context requires otherwise.

In addition to the information disclosed in the Annual Report 2021, this announcement is made to provide supplemental information to the Annual Report 2021 in relation to the money lending business of the Group.

BUSINESS MODEL AND CREDIT RISK ASSESSMENT POLICY

Business model

The Group provides money lending services to customers in Hong Kong.

For loans with property pledged to the Group, lower interest rates are charged compared to unsecured personal credit loans. The Group engaged mortgage referral agents, which are all independent third parties, to source new customers. The tenure of the majority of the mortgage loans are ranged from 10 years to 20 years and the actual tenure may differ subject to customer’s early repayment.

In order to provide 24/7 borrowing experience, customers can apply loans via the Group’s automatic lending mobile application “X Wallet” App (the “**X Wallet**”), which is for unsecured loan only. The Group primarily focuses its sales and marketing effort to source new customers for unsecured loan, including advertising through public transport, outdoor banner, television, online media platforms, pamphlets and other marketing campaigns. The whole lending process through X Wallet involves no human intervention. Basically, it requires the provision of HKID card and face recognition, and offers loans using information technology such as big-data and credit scoring model. The loan facilities granted through X Wallet are all revolving loan facilities which could be repaid and re-borrowed within the approved credit limit at any time during the loan period, the majority of which ranged from 2 years to 4 years. The maximum amount of unsecured loan applied through X Wallet could be as high as HK\$85,000.

* For identification purpose only

Credit risk assessment policy

All of the information provided by customers are required to undergo assessment procedures and will be reviewed according to the credit risk assessment policy approved by the Board before standard payment terms and conditions are offered.

For secured loans pledged by properties, the credit clerk will obtain all mandatory information and supporting documents from the applicant. To assess the credit risk of each applicant, the Credit Committee takes into account the applicant's credit history, the property type, valuation, loan-to-value ratios and overall market conditions at the time of application.

For unsecured loans applied via X Wallet, the Group assesses the credit quality of applications by collecting relevant customer information such as Optical Character Recognition, face recognition, live testing and credit report through the mobile devices. The Group has established a robust control framework regarding the authorization structure for the approval and renewal of credit facilities, which also limit concentrations of exposure by types of asset, counterparties, credit rating, geographic location, etc.

The Group has also developed policies and procedures to appropriately assess and measure the Expected Credit Loss ("ECL") in accordance with impairment requirements of HKFRS 9.

MAJOR TERMS OF LOANS GRANTED

The majority of interest rates for secured loans granted ranged from 9% to 18% per annum and the weighted average interest rate charged was approximately 13% per annum. The majority of the collateral are residential properties and commercial properties, and all of the collaterals are located in Hong Kong. Loan amounts for secured loans granted ranged from HK\$80,000 to HK\$30,000,000.

The majority of interest rates for unsecured loans via X Wallet granted ranged from 36% to 58% per annum and the weighted average interest rate charged was approximately 40% per annum. Loan amounts for unsecured loans via X Wallet granted ranged from HK\$3,000 to HK\$85,000.

The Group principally offers lending business to private individual customers, with credit assessment policies requiring applicants to provide personal information and authorisation to check their credit ratings.

INFORMATION ON CUSTOMERS

As at 31 December 2021, the number of mortgage loans customers is 98, of which the top 10 customers represented 46.8% of total mortgage loan receivables, and the number of personal loans customers is 8,290, of which top 10 customers represented 0.4% of total personal loan receivables. The largest and five largest customers accounted for 5.1% and 21.8% respectively of the total loan receivables as at 31 December 2021.

IMPAIRMENT OF LOANS

The Group manages and analyses the credit risk for each of the loan receivables on a timely basis. Details of management's consideration during the ECL assessment process are disclosed in note 3 to the consolidated financial statements within the Annual Report 2021.

As at 31 December 2021, the gross loan and interest receivables of the Group amounted to HK\$584,009,000 and HK\$5,253,000, respectively. The provision for impairment of loan receivables as at 31 December 2021 under the ECL model amounted to HK\$25,772,000.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supporting information to demonstrate that a more lagging default criterion is more appropriate. In particular, the following qualitative factors are taken into account in determining the risk of default occurring:

- (1) Probable bankruptcy entered by the borrowers; and
- (2) Death of the debtor.

During the year ended 31 December 2021, the Group had written off loan and interest receivables totalling approximately HK\$10,604,000, net of recoveries of loan and interest receivables previously written-off, based on the (1) bankruptcy of the borrowers, and (2) death of the debtors.

INTERNAL CONTROL PROCEDURES

The following internal control measures have been implemented for the carrying out the Group's money lending business:

Credit approval process

For secured loans, the credit clerk will obtain basic information such as the applicant's name, contact details, background information, desired loan amount and purpose of the loan, and the particulars of the property proposed to be mortgaged. The credit clerk will also obtain three preliminary estimates of valuations of the property from independent professional property valuers or banks either verbally or through internet or email. The credit officer will perform a preliminary review and verification of the application materials. The Credit Committee will then review the application and determine the amount of loan and the interest rate based on the applicant's information and the valuation of the property in accordance with the internal credit policies and guidelines.

For unsecured loan applications through X Wallet, the credit approval is automatically processed by the established credit assessment model in the system. Credit reports of the applicant will be automatically retrieved from TransUnion through the Application Programming Interface. Applications will be screened by the credit scoring model which will generate a risk score in respect of each applicant based on the TransUnion report and information supplied by the applicant. Once the loan is approved, the terms of the loan including loan amount, interest rate and tenure will be determined specifically for each applicant. Otherwise, no loan would be offered if the applicant could not pass the credit assessment.

Ongoing monitoring of loan recoverability and loan collection

A system is in place to identify and monitor overdue loan accounts.

The directors and senior management of the Group closely monitor the overall performance of the loans outstanding by checking systematically generated daily reports, and regularly review the whole collection performance of overdue assets. The Debt Recovery Department is responsible for loan recovery, and it seeks management's opinion for further actions when necessary. The Debt Recovery Department will contact the customer by phone if the account is overdue, and at the same time, notice of overdue payment will be issued to the customer. If the respective receivables haven't been recovered in time, the Debt Recovery Department will engage external debt collection agents to recover the debt. For secured loans, the Debt Recovery Department will discuss legal actions to be taken with the management.

For loans overdue for more than 90 days, the Group will consider the loan assets to be in default, the status of the respective outstanding loan will be fully provided for, but such cases will still continue to be handled by external debt collection agents (unless the debtor has become bankrupt, subject to any debt restructuring, or if the debtor is deceased).

The Board confirmed that the supplemental information provided in this announcement does not affect any other information contained in the Annual Report 2021 and, save as disclosed above, the contents of the Annual Report 2021 remain unchanged.

By order of the Board
Termbray Industries International (Holdings) Limited
Lee Lap
Chairman

Hong Kong, 26 August 2022

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

Executive Directors:

Mr. Lee Lap (*Chairman*)

Mr. Tommy Lee (*Vice Chairman & Chief Executive Officer*)

Mr. Chau Hau Shing

Independent Non-Executive Directors:

Mr. Shu Wa Tung, Laurence

Mr. Wu Wai Pan