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江山控股
KongSun Holdings

KONG SUN HOLDINGS LIMITED
江山控股有限公司
(Incorporated in Hong Kong with limited liability)
(Stock Code: 295)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

Reference is made to the annual report for the year ended 31 December 2021 (the "**FY2021**") of Kong Sun Holdings Limited (the "**Company**" and together with its subsidiaries, the "**Group**") dated 26 April 2022 (the "**Annual Report**"). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Annual Report.

The Board would like to supplement the following additional information in relation to the impairment losses on loan receivables arising from the provision of financial services of approximately RMB12,767,000 (the "**Impairments**") in aggregate for the FY2021 as disclosed in the Annual Report.

With reference to the Annual Report, the Impairments (which were calculated based on an expected credit loss (the "**ECL**") in the aggregate amount of approximately RMB12,767,000 were recognised during the FY2021 attributable to loans receivables. Such Impairments were made in respect of over 2,000 individual and of the Group based on the impairment assessment.

The credit risk of the financial services business of the Group is mainly arisen from its loans receivable from customers. To monitor credit risk, the Group sets out the following credit policies:

(i) The Group's business model and credit risk assessment policy of the financial services business

The Group mainly uses its own funds to carry out credit business and does not accept deposits from the public. The Group has set up a credit committee (the "**Credit Committee**") in the subsidiaries operating the credit business, which is responsible for formulating the policies, authorisation and collective approval of the credit business of the subsidiaries. The primary duties of the Credit Committee are to approve and oversee the Group's credit policy and to monitor its loan portfolios. The Credit Committee comprises five senior management personnel from the subsidiaries operating the credit business with risk control, legal, finance and business background, and makes decisions through votes at the meetings.

All decisions for loan applications are handled by the Credit Committee. All new customers have to pass the Group's financial background and credit checks (including but not limited to financial position, identity and background, credit status, collaterals (if any), guarantors (if any)) before loans are granted. The business department of the Group makes decisions on whether to grant loans within the Credit Committee's scope of authorisation or approves loan applications beyond the scope of authorisation submitted to the Credit Committee.

In terms of credit monitoring, the risk control department will perform sample check on the loan files to ensure that loan approval procedures are strictly complied with and documentations are properly recorded. For loans with collateral, the Credit Committee will identify possible irregularities in the credit quality of the loan portfolio. If the collateral ratio, if applicable, is increased to or above a pre-determined accepted level, the borrower may be required to deposit additional collateral or partially repay the outstanding loan balance in order to bring the collateral ratio below the accepted level.

In cases where the borrower requests a restructuring of the repayment schedule, approval has to be obtained from the Credit Committee on a case-by-case basis. The approved restructured loans will be monitored on an on-going basis and reviewed by the risk control department to ensure timely repayment.

Impairment review has been performed by management to assess impairment loss on loans receivable from customers. Below sets out the details of the assessment model adopted by the Group:

Management would assess the following variables when performing impairment review:

(1) Probability of Default;

(2) Loss Given Default (the "**LGD**") i.e. the magnitude of the loss if there is a default; and

(3) Exposure at Default.

The assessment of the probability of default and LGD is based on historical data adjusted by forward-looking information.

(ii) Loans receivable

The Group applies a general approach in measuring loss allowance for ECL on loans receivable.

In assessing default risk of loan receivables, the following factors have been taken into consideration:

(1) the borrower's repayment ability, including the borrower's cash flow, financial condition, non-financial factors that affect the repayment ability;

(2) the borrower's repayment records, including the borrower's repayment records with financial institutions such as banks;

(3) the borrower's willingness to repay;

(4) the validity of debt guarantees;

(5) the legal liability for debt repayment;

(6) internal risk management (if the client is a corporate client);

(7) overdue time; and

(8) the condition of the collateral.

Management classifies the risk levels of the loan receivables based on the following:

Stage 1: For exposures where there have not been a significant increase in credit risk since initial recognition and that are not credit-impaired upon origination.

Stage 2: For exposures where there have been a significant increase in credit risk since initial recognition but are not credit-impaired. Below are indicators of significant increase in credit risks:

(a) No delay in repayment of loan by borrower. However, there are some difficulties that may adversely affect repayment ability;

(b) Collateral ratio (if any) have reached alarming level; and

(c) Responsiveness to the Group's request.

Stage 3: Exposures are assessed as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. Below are events indicating that the balance is credit-impaired:

(a) Borrowers' ability to repay their loans is significantly impaired. The Group makes liquidation call to borrowers to liquidate their securities collateral (if any) to settle the outstanding balances;

(b) The borrower is not responsive to the Group's request; and

(c) The Group loses contact with the borrowers.

Based on the above impairment assessment, the following tables set out further details and circumstances of the top six clients with the highest amounts of the Impairments (the "**Relevant Clients**"):

	Name of Relevant Client	Relationship (either existing or prior) with the Company and its connected person	Principal business engaged by the Relevant Client	Means of introduction to the Group	Type of loan	Term of the loan	Maturity date	Principal amount *(RMB)*	Interest rate
1.	Relevant Client A	Independent third party	Sales of flower and related products	By referral	Credit loan	24 months	4 January 2021	2,900,000	12% p.a.
2.	Relevant Client B	Independent third party	Renewable energy	By referral	Credit loan	24 months	4 January 2021	2,900,000	12% p.a.
3.	Relevant Client C	Independent third party	Services related to skills and production	By referral	Credit loan	12 months	23 April 2021	2,890,000	10% p.a.
4.	Relevant Client D	Independent third party	Solar power generation	By referral	Credit loan	24 months	4 January 2021	2,800,000	12% p.a.
5.	Relevant Client E (an individual)	Independent third party	Executive	By referral	Pledged loan	36 months	18 September 2021	3,000,000	9% p.a.
6.	Relevant Client F (an individual)	Independent third party	Executive	By referral	Pledged loan	36 months	29 September 2021	3,000,000	9% p.a.

	Name of Relevant Client	Outstanding amount as at 31 December 2021 *(RMB)*	Amount of Impairments during the year ended 31 December 2021 *(RMB)*	Classification in the Group's accounts (including both principal and interest)	Guarantee/security	Due diligence performed by the Group	Reasons for the Impairments
1.	Relevant Client A	2,900,000	1,479,000	Loan receivable	–	Full know your client ("**KYC**") procedures including obtaining financial information, business registration information, address proof, etc.	When Relevant Client A failed to repay the loan upon maturity in January 2021
2.	Relevant Client B	2,900,000	1,479,000	Loan receivable	–	Full KYC procedures including obtaining financial information, business registration information, address proof, etc.	When Relevant Client B failed to repay the loan upon maturity in January 2021
3.	Relevant Client C	2,890,000	1,474,000	Loan receivable	–	Full KYC procedures including obtaining financial information, business registration information, address proof, etc.	When Relevant Client C failed to repay the loan upon maturity in April 2021
4.	Relevant Client D	2,800,000	1,428,000	Loan receivable	–	Full KYC procedures including obtaining financial information, business registration information, address proof, etc.	When Relevant Client D failed to repay the loan upon maturity in January 2021
5.	Relevant Client E (an individual)	3,000,000	780,000	Loan receivable	Pledged a property located in the PRC with a market value of approximately RMB4,300,000 as at 31 December 2021	Full KYC procedures including obtaining information as to source and amount of income, ID copy, address proof, property ownership certificate to be pledged, etc.	When Relevant Client E failed to repay the loan upon maturity in September 2021
6.	Relevant Client F (an individual)	3,000,000	780,000	Loan receivable	Pledged a property located in the PRC with a market value of approximately RMB4,300,000 as at 31 December 2021	Full KYC procedures including obtaining information as to source and amount of income, ID copy, address proof, property ownership certificate to be pledged, etc.	When Relevant Client F failed to repay the loan upon maturity in September 2021

	Name of Relevant Client	The Group's assessment and monitoring on credit risk
1.	Relevant Client A	Taking into account the current financial position and business development of Client A, the Group rejected the extension application of Client A and issued a demand letter to demand immediate repayment of the principal and interest of the loan. The Group is considering to engage legal advisers to take further legal actions such as litigation and property preservation to recover the loan. Given that Client A is still in normal operation without being filed with liquidation or being included in the list of dishonest persons subject to enforcement, the Group believed that the loan is still likely to be recovered and the risk level is at the stage 3.
2.	Relevant Client B	Taking into account the current financial position and business development of Client B, the Group rejected the extension application of Client B and issued a demand letter to demand immediate repayment of the principal and interest of the loan. The Group is considering to engage legal advisers to take further legal actions such as litigation and property preservation to recover the loan. Given that Client B is still in normal operation without being filed with liquidation or being included in the list of dishonest persons subject to enforcement, the Group believed that the loan is still likely to be recovered and the risk level is at the stage 3.
3.	Relevant Client C	Taking into account the current financial position and business development of Client C, the Group rejected the extension application of Client C and issued a demand letter to demand immediate repayment of the principal and interest of the loan. The Group is considering to engage legal advisers to take further legal actions such as litigation and property preservation to recover the loan. Given that Client C is still in normal operation without being filed with liquidation or being included in the list of dishonest persons subject to enforcement, the Group believed that the loan is still likely to be recovered and the risk level is at the stage 3.
4.	Relevant Client D	Taking into account the current financial position and business development of Client D, the Group rejected the extension application of Client D and issued a demand letter to demand immediate repayment of the principal and interest of the loan. The Group is considering to engage legal advisers to take further legal actions such as litigation and property preservation to recover the loan. Given that Client D is still in normal operation without being filed with liquidation or being included in the list of dishonest persons subject to enforcement, the Group believed that the loan is still likely to be recovered and the risk level is at the stage 3.

	Name of Relevant Client	The Group's assessment and monitoring on credit risk
5.	Relevant Client E	The Group is currently considering to issue demand letters to it and the collateral owners and engage legal advisers to take further legal actions such as litigation and property preservation to recover the loans. Client E has provided property pledge, despite the recent sign of decline in value of properties in the real estate market. Client E has not been included in the list of dishonest persons subject to enforcement, and no other right holders have raised claims on the pledged properity. The Group believed that the loan may suffer certain losses but still has recoverability, and the risk level is at the stage 3.
6.	Relevant Client F	The Group is currently considering to issue demand letters to it and the collateral owners and engage legal advisers to take further legal actions such as litigation and property preservation to recover the loans. Client F has provided property pledge, despite the recent sign of decline in value of properties in the real estate market. Client F has not been included in the list of dishonest persons subject to enforcement, and no other right holders have raised claims on the pledged properity. The Group believed that the loan may suffer certain losses but still has recoverability, and the risk level is at the stage 3.

Although the Impairments were made during FY2021, the Group reserves its rights to take all necessary measures to recover such outstanding amounts due from the Relevant Clients to safeguard the interests of the Group and the shareholders of the Company.

Save as disclosed above, all other information and contents set out in the Annual Report remain unchanged.

By order of the Board
Kong Sun Holdings Limited
Mr. Jin Yanbing
Executive Director

Hong Kong, 7 September 2022

As of the date of this announcement, the Board comprises two executive Directors, Mr. Jin Yanbing and Mr. Qin Hongfu, one non-executive Director, Mr. Jiang Hengwen, and three independent non-executive Directors, Mr. Lang Wangkai, Ms. Wu Wennan and Mr. Xu Xiang.