民銀資本控股有限公司

CMBC CAPITAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1141)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO ANNUAL REPORT 2021

Reference is made to the annual report of the Company for the year ended 31 December 2021 (the "**Annual Report**") published on 29 April 2022, with respect to, amongst other things, the consolidated results of the Group. Capitalised terms used herein shall have the same meanings as defined in the Annual Report, unless the context requires otherwise.

The Board would like to provide the following clarification and additional information to the Shareholders regarding the Group's finance provision business.

(a) Finance Provision Business

The Group engages in financing and loan provision business in the capacity of an "exempted person" as defined under the Money Lenders Ordinance (Cap. 163, Laws of Hong Kong) which does not require a licence under the Money Lenders Ordinance. The Group conducts the relevant business by relying on the said exemption by virtue of China Minsheng Bank being a bank, i.e. an authorised institution, which holds a valid banking licence under the Banking Ordinance (Cap. 155, Laws of Hong Kong).

(b) Funds for the Group's finance provision business

The Group's finance provision business has been conducted using the unsecured loan from CMBCI with a term of 3 years. The interest rate is determined according to the market interest rate. Specifically, at each quarter of the Reporting Year, the interest rate was determined with reference to the applicable HIBOR/LIBOR rate plus a reasonable margin and funding cost of CMBCI. The interest rates for the period from 1 January 2021 to 30 September 2021 and the period from 1 October 2021 to 31 December 2021 were 3.5% and 2.5%, respectively.

(c) Factors taken into account in the assessment of the Group's potential customers for finance provision business

As a general principle, the Group chooses customers with good financial position and steady business operation which enable them to pay loan interest and repay the loan principal in accordance with the proposed repayment schedule, as assessed by the Group before granting them the loans. There is no quantitative benchmark.

In deciding whether to grant the loan to corporate customers, the Group does not have any specific requirements on the industry, business operation location, minimum amount of revenue and profit in the last 12 months, minimum amount of total assets, financial benchmarks or operation history. Each application is considered on a case-by-case basis. As a general principle, the Group will take into account factors such as whether the credibility of the customers can match the amount of loans to be granted, whether the securities to be provided by the customers are sufficient in value and whether they are liquid, and whether the proposed term and interest rate of the loans can match the overall credibility of and securities to be provided by such customers.

In relation to individual customers, the Group currently does not have any specific requirements on the age group, occupation, minimum monthly income or minimum amount of assets. Each application is considered on a case-by-case basis. As a general principle, the Group will take into account factors such as the customers' credit history, assets, the quality and liquidity of the securities provided, and the size and terms of the loan. During the Reporting Year, the Group had not granted loans to individual customers.

(d) Major terms of loans granted

As at the end of the Reporting Year, loans were granted to 9 market players (the "**Borrowers**") in various industries ranging from sports, technology, real estate, education and finance. All the loans were secured by real property mortgage(s) or pledge(s) over shares of private or listed companies and a majority of them was also guaranteed by the respective ultimate beneficial owner(s) of the Borrowers.

All of the Borrowers and their ultimate beneficial owners are independent third parties of the Group and had no past business or dealing with the Group. They were sourced by the Group's deal teams via market information and were not referred by the senior management of the Group. The Group did not have any agreement, arrangement, understanding or undertaking (whether formal or informal and whether express or implied) with any connected person of the Group with respect to the granting of loans to the Borrowers.

The loan terms were determined with reference to factors including the cost of funding, customers' requirements, credit assessment on customers (including income of customers), value, liquidity and enforceability of collaterals, prevailing market interest rates for similar loans, prevailing market condition, the term of the loan and the use of proceeds.

The principal amount of loans as at the end of the Reporting Year were in the range from US$5,000,000 to US$30,000,000, either denominated in US$ or HK$. The proposed usages of the loan proceeds were financing acquisitions, financing existing indebtedness or financing general working capital of the Borrowers. The interest rates charged to the Borrowers for loans were in the range from 3% to 12% per annum, payable either quarterly or semi-annually, with the maturity profile from around 3 to 12 months.

The aggregate amount of loan receivables of the Group for the Reporting Year was approximately HK$894,441,000, among which:-

(i) The amount of loan receivables due from the largest Borrower was approximately HK$198,662,000 which amounted to approximately 22% of the total loan receivables of the Group;

(ii) The amount of loan receivables due from the five largest Borrowers was approximately HK$703,796,000 which amounted to approximately 79% of the total loan receivables of the Group;

(iii) The amount of loan loss allowance made for the loan receivables was approximately HK$53,281,000 which was determined by expected credit loss model (the "**ECL Model**") or valuation prepared by independent professional valuer.

As (i) all the Borrowers and their ultimate beneficial owners are independent third parties of the Group, and (ii) all applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the each of the loans granted to the Borrowers were less than 5%, each of the loans was not subject to disclosure requirements set out in Chapter 14 and/or Chapter 14A of the Listing Rules.

(e) Internal Control

The Group has in place practice guidelines for controlling the overall credit and operation risk, loan recoverability monitoring and loan collection. After loan advancement, the business team and risk department of the Group together monitor the financial conditions of the customers and the collaterals or the guarantors (if any) on a regular basis and take appropriate follow-up action with the transaction counterparties including follow up calls and site visits where the financial condition of the transaction counterparties deteriorates or the value of the collaterals decreases dramatically.

As at 31 December 2021, the composition of the business team, risk department and investment committee was as follows:

(i) The business team consists of 6 members. Each of them has sufficient years of experience (ranging from 5 years to 11 years, averaging at 7.3 years) in the financial industry and possesses postgraduate degree.

(ii) The risk team consists of 5 members. 4 of them have sufficient years of experience (ranging from 3 years to 14 years, averaging at 8.3 years) in the financial industry. 3 of the members possess postgraduate degrees and the other 2 possess bachelor degrees.

(iii) The investment committee consists of 8 members. 7 of them have many years of experience (ranging from 11 years to 17 years, averaging at 13.6 years) in the financial industry and all members possess postgraduate degrees.

The Group monitors the revenue, profit and cash flows, as well as asset quality of the borrowers and guarantors (collectively, "**Obligors**") to assess their financial conditions. In particular, the Group assesses the Obligors' capability to generate steady profit and cash flows. Further, the Group reviews the business development of the Obligors and assesses whether their financial performance meets the expectations, and whether their milestones (if any) are completed as scheduled. In addition, the Group monitors the size of other debts of the Obligors and their repayment schedules (if obtainable), and assesses whether the Obligors have the corresponding repayment ability. Further, the Group monitors whether the Obligors are able to cover their capital expenditures with operating cash flows and external funding. The Group also pays attention to the news and other public information of the Obligors. Where the customer is a listed company, the Group monitors its announcements and the financial information disclosed to the public.

For the collaterals, the Group values the collaterals regularly on a semi-annual or annual basis. If the collaterals are listed shares, the Group monitors the market performance and price movement on daily basis. Where the collateral is a real property, the Group requires a professional third-party valuer to issue a valuation report.

The Group holds monthly meetings for each of the outstanding loan projects. During the meetings, the business team reports to the risk team and the management in charge on the Obligors' progress of loan repayment, completion of any milestone events, as well as discuss the Obligors' latest operating condition, financial status and relevant market and industry information.

Where an Obligor is in default, the Group takes necessary action(s) to safeguard its interests which includes but not limited to, issuing demand letters, enforcing the loan collaterals, negotiating for settlement plans, and/or commencing legal proceedings. Prior to conducting any such actions, the investment committee normally convenes a meeting to consider and approve the necessary action(s). To the extent necessary, the Group also seeks advice from third party advisors such as receivers, legal advisors and valuers.

The Group has established the ECL Model to measure the credit losses and impairment of the loans that reflects the changes in credit risk of the underlying assets. The management has the overall responsibility for the Group's credit policies and oversees the credit quality of the Group's receivables and loans portfolio. In addition, the management assesses the recoverable amount of loan receivables individually and incorporate them into the Group's ECL Model which is reviewed or audited by the Group's auditors at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts.

The above supplemental information does not affect other information contained in the Annual Report and saves as disclosed above, all other information in the Annual Report remains unchanged.

By order of the Board
CMBC Capital Holdings Limited
Ding Zhisuo
Executive Director

Hong Kong, 4 November 2022

As at the date of this announcement, the executive Directors are Mr. Ding Zhisuo and Mr. Ng Hoi Kam; the non-executive Directors are Mr. Yang Kunpeng and Mr. Li Wenshi; and the independent non-executive Directors are Mr. Lee, Cheuk Yin Dannis, Mr. Wu Bin and Mr. Wang Lihua.