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

CLARIFICATION ANNOUNCEMENT

FURTHER DETAILS RELATING TO THE ACTUAL USE OF PLACING PROCEEDS AND THE IMPAIRMENT LOSS IN THE COMPANY'S ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2015

The board ("**Board**") of directors ("**Directors**") of Ban Loong Holdings Limited (the "**Company**") refers to the announcements of the Company dated 4 and 19 November 2014 in relation to the placing of new shares under general mandate (the "**2014 Share Placing**") and the annual report of the Company (the "**2014/15 Annual Report**") containing the consolidated financial results of the Company and its subsidiaries (the "**Group**") for the year ended 31 March 2015. Unless otherwise defined, capitalized terms used in this announcement shall have the same meanings as those defined in the 2014/15 Annual Report.

The purpose of this clarification announcement is to provide shareholders of the Company ("**Shareholders**") and the investing public with further details on the 2014/15 Annual Report regarding the use of proceeds of the 2014 Share Placing and the impairment loss on the intangible assets in relation to the technical knowhow in relation to QDK encryption techniques owned by the Group (the "**Technical Knowhow**") through its 60% equity holding in POMP International Limited ("**POMP**") during the year ended 31 March 2015.

ACTUAL USE OF PROCEEDS OF THE 2014 SHARE PLACING

As disclosed in the Company's announcement dated 4 November 2014, on 4 November 2014, the Company and KGI Capital Asia Limited (the "**Placing Agent**") entered into the placing agreement, pursuant to which the Company conditionally agreed to place, through the Placing Agent, on a best efforts basis, a maximum of 331,069,440 placing shares to not less than six placees at a price of HK$0.114 per placing share. Completion of the 2014 Share Placing took place on 19 November 2014, whereby a total of 331,068,000 placing shares were successfully placed. The net proceeds of the 2014 Share Placing was intended to utilize (i) as to approximately HK$9.57 million for general working capital; (ii) as to approximately HK$7.5 million for repayment of a short-term bank loan of a subsidiary; and (iii) as to approximately HK$20 million for financing the newly set up money lending business of the Group.

The Company wishes to update our Shareholders and the investing public that the net proceeds of the 2014 Share Placing were utilized as to approximately HK$13.07 million for general working capital and as to approximately HK$24 million to finance the Group's money lending business. In particular, general working capital in the approximate amount of HK$13.07 million was utilized: (i) as to approximately HK$4.8 million for financing the Group's trading business in China; (ii) as to approximately HK$4.4 million for the Group's staff costs, including directors' fees; and (iii) as to approximately HK$3.87 million for other administration costs and overheads of the Group.

The Company wishes to draw attention of our Shareholders and the investing public that there was a difference between the intended use and the actual use of the net proceeds of the 2014 Share Placing. The net proceeds of the 2014 Share Placing were not utilized to repay a short term bank loan amounted to HK$7.5 million as originally intended, due to ongoing negotiation with the lender on the loan tenor at the relevant time.

FURTHER DETAILS ON THE IMPAIRMENT LOSS

By way of background, the Technical Knowhow in relation to QDK encryption techniques was acquired by the Group upon completion of the acquisition by the Company of 60% equity interest in POMP on 30 April 2014. As disclosed in the 2014/15 Annual Report, intangible assets relating to the Technical Knowhow in the amount of HK$107,444,950 was initially recognized in the Group's consolidated financial statements on 30 April 2014, based on a valuation report prepared by Roma Appraisal Limited ("**Roma**") dated 26 November 2014 on the Technical Knowhow (the "**Initial Valuation Report**").

As disclosed in the 2014/15 Annual Report, the Technical Knowhow was amortized on a straight line basis on the estimated useful life of 4 years pursuant to Hong Kong Accounting Standard 38 – Intangible Assets. Accordingly, amortization of approximately HK$25 million was charged to the consolidated statement of profit or loss of the Group during the year ended 31 March 2015. In addition, the Company has appointed Roma to prepare a valuation report dated 29 June 2015 on the Technical Knowhow (the "**2014/15 Valuation Report**") pursuant to Hong Kong Accounting Standard 36 – Impairment of Assets, which valued the Technical Knowhow as at 31 March 2015 at approximately HK$29 million. As a result, an impairment loss of approximately HK$55 million was charged to the Group's consolidated statement of profit or loss for the year ended 31 March 2015.

An analysis of the movement of the value of the Technical Knowhow as at 31 March 2015 was summarized below:

	HK$ million
Initial recognition at acquisition of POMP	107
Accumulated amortization	(25)
Impairment loss	(55)
Exchange realignment	2
Carrying amount as at 31 March 2015	29

As disclosed in the 2014/15 Annual Report, the Technical Knowhow had a carrying value of HK$29 million, net of accumulated impairment loss and accumulated amortization of HK$55 million and HK$25 million respectively. The auditors had issued a qualified opinion arising from limitation of audit scope concerning the value of the Technical Knowhow and its possible effect on the consolidated financial statements of the Group for the year ended 31 March 2015. As stated in the auditors' report contained in the 2014/15 Annual Report, there were no practical alternative audit procedures that the auditors could perform to satisfy themselves that the carrying amount of the Group's Technical Knowhow as at 31 March 2015 and the impairment loss recognized for the year ended 31 March 2015 were free from material misstatement. Any adjustment found to be necessary to the carrying amount of the Technical Knowhow as at 31 March 2015 would affect the Group's net assets as at 31 March 2015 and the Group's loss for the year then ended and the related note disclosures to the consolidated financial statements.

Subsequent to the publication of the 2014/15 Annual Report, on 24 March 2016, the Company disposed of its entire equity interest in POMP for a consideration of HK$4 million. Details of the POMP disposal are more particularly set out in the Company's announcement dated 24 March 2016.

The Company wishes to provide the following additional information in relation to the 2014/15 Valuation Report:

(a) In both the Initial Valuation Report and the 2014/15 Valuation Report, the discounted cash flow method under the income approach was adopted. The Company believe that the approach is the most appropriate to the valuation of the Technology Knowhow since there was no available market information related to the fair value of the similar Technical Knowhow. As such, market approach might not be appropriate and income approach was used instead. The changes in the methodology for the 2014/15 Valuation Report, as compared with the Initial Valuation Report, are more particularly set out in paragraphs (b) and (c) below. Both valuation reports are based on discounted cash flow method under the income approach.

(b) The Initial Valuation Report was modeled on the assumptions that (1) the initial commercial launch was expected to take place in the second quarter of 2015; (2) the revenue for the year ended 31 March 2015 was projected to be HK$56 million, and the revenue growth rate for the subsequent nine years ranged from 305% initially to 3% eventually; (3) cash flow projection of ten years of useful life of technology are taken into account into the valuation; and (4) a pre-tax discount rate of 28.11% was adopted for the future cash flow, which was high as compared to other industries but was considered reasonable in the light of the uncertainties and risks related to technology development.

(c) In the 2014/15 Valuation Report, it was assumed that (1) the initial commercial launch would be delayed until the first quarter of 2016, as a result of the delay in the obtaining of necessary licenses in China; (2) the pre-tax discount rate of cash flow was adjusted to 29.12%, for the reasons set out in paragraph (d) below; (3) the useful life of technology and the number of years of cash flow projection was reduced from ten years to four years commencing in April 2014, to reflect the speedy phasing-out of mobile technology; and (4) the revenue for three years ending 31 March 2016, 2017 and 2018 were projected to be approximately HK$32 million, HK$152 million and HK$229 million, respectively.

(d) Pre-tax discount rates were calculated based on capital assets pricing model with comparable PRC listed companies in the similar industry or business. The change in pre-tax discount rates over the Initial Valuation Report and the 2014/15 Valuation Report reflected the change in market risk premium over the two different valuation dates. Comparable companies used in the Initial Valuation Report and the 2014/15 Valuation Report were largely the same.

By order of the Board
Ban Loong Holdings Limited
Chow Wang
Chairman and Executive Director

Hong Kong, 14 July 2016

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

Executive Directors:
Mr. Chow Wang *(Chairman)*
Mr. Cheung Wai Shing

Non-executive Director:
Mr. Fong For

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