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**GBA HOLDINGS LIMITED**

**GBA集團有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 00261)**

## **SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2022**

Reference is made to the annual report of GBA Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) for the year ended 31 December 2022 published by the Company on 26 April 2023 (“**2022 Annual Report**”).

### **SUPPLEMENTAL INFORMATION IN RELATION TO THE FINANCE BUSINESS OF THE GROUP**

In addition to the relevant information disclosed in the 2022 Annual Report, the Board wishes to provide additional information with respect to the finance business of the Group (the “**Finance Business**”), as follows:

#### **Business model**

The Finance Business was conducted by the Group through its wholly owned subsidiary, CCT Land Finance Limited (“**CCT Finance**”), to provide money lending services to its customers. CCT Finance holds a money lenders license in Hong Kong pursuant to the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) and provide loan facilities primarily to corporate customers. The source of customers of CCT Finance was mainly dependent on the business networks of the senior management of the Company. For the Group’s loan portfolio as of 31 December 2022, outstanding principal amount of loan receivables before certain impairment was approximately HK\$80 million, all of which are due from four corporate customers. The source of funds for the Finance Business is generally funded by the internal resources of the Group.

## Key internal controls

The Group has adopted and followed a series of internal control procedures to regulate the Finance Business to ensure comprehensive risk assessment, so as to safeguard the interests of the Company and the shareholders of the Company.

Before granting any loans to potential borrowers of the Finance Business, the Group would conduct know-your-client procedures in obtaining the background information and understanding the purposes of financing by the potential borrower who wishes to obtain financing from the Group. For individual borrowers, potential borrowers would be required to submit their identity documents and valid proof of addresses. For corporate borrowers, potential borrowers would be required to submit the relevant secretarial and financial records.

Furthermore, the Group would review the income or asset proof of such potential borrower such as bank statements, financial statements, so as to evaluate and assess the borrower's credit risk, repayment ability and financial status. The Group would also perform public search towards the potential borrower to ensure compliance with the relevant requirements and regulations of anti-money laundering and counter-terrorist financing. After obtaining the requested documents from the potential borrower, the Group will generate a credit assessment report.

The credit approval would be considered on a case-by-case basis by a credit committee ("**Credit Committee**") to determine the amount of the loan to be granted, the relevant interest rate, the repayment period, and other terms and conditions. For each loan application, the relevant person-in-charge would be required to prepare a credit proposal ("**Credit Proposal**") in accordance with the credit proposal guidelines ("**Credit Proposal Guidelines**"), which must adequately and properly set forth information including, but not limited to (i) the principal amount of loan; (ii) loan interest and other returns; (iii) market value of security (if security is provided); (iv) total assets of the potential borrower and guarantor (if any); (v) ratio of loan amount to security/value of assets; (vi) employment and/or principal business of the potential borrower; (vii) public search results; and (viii) information in relation to any interested party or related party for the transaction. The Credit Proposal will be submitted to the Credit Committee for review and approval.

For each loan application, rather than a fixed set of parameters, the Credit Committee will take into account factors such as whether or not security has been provided, net assets and total assets of the potential borrower, repayment ability of the potential borrower, general economic environment, on a case-by-case basis. The Credit Committee will make necessary adjustments and/or impose additional safeguards, such as imposing higher interest rate, as compensation for additional risks that may arise. The Credit Committee will also set a loan limit for each loan if required.

Each loan application and the relevant documents of the Credit Committee meetings will be circulated to the risk management committee of the Company (the “**Risk Management Committee**”) in order to keep the Risk Management Committee updated of the loan portfolio of the Finance Business.

### **Ongoing monitoring of loan recoverability and loan collection**

Upon granting the loan, a case file for each loan will be maintained and updated periodically for any changes in status. The Group would follow the review procedures as follows:

- (i) corporate borrowers are required to submit semi-annual management accounts and cash flow statements within 90 days from the end of the relevant quarter, as well as an audited account within 6 months from the financial year end for review. Regular review of the financial performance of each corporate borrower will be conducted based on the audited consolidated accounts or management accounts on a semi-annual basis. In cases where the audited consolidated accounts are not available, regular review will be conducted based on the audited accounts or management accounts of the main operating unit;
- (ii) background searches (including legal and bankruptcy searches) will be performed annually on borrowers and guarantors (if any);
- (iii) the Credit Committee will categorise the credit standing of each borrower every six months to identify early symptoms of problematic loan accounts and to implement actions to recover loans in a timely manner; and
- (iv) internal audit will be conducted annually to ensure that the internal controls and the credit proposal guidelines have been complied with.

In the event that the loans advanced to borrowers are not timely repaid, the Group would adopt the following procedures:

- (i) the Group would review the repayment history of such borrower;
- (ii) the Group would then issue repayment note to such borrower to remind the repayment of the loan, or for full repayment of principal sum and interests within a specified period of time;
- (iii) the Group would report the overdue case to the Credit Committee who shall closely monitor the situation and communicate with the borrower for such overdue amount; and

- (iv) in the case where a loan remains unpaid despite the issuance of repayment notice and the repeated communications with the borrower, the Group may consider engaging external debt collector and/or commencing legal actions against such borrower and such other debt recovery actions after seeking legal advice.

### **Major terms of transactions, size and diversity of clients and concentration of transactions on major customers**

As at 31 December 2022, there were a total of four borrowers whose loans were outstanding, of which all of the borrowers were corporation, with the principal amount per loan ranging from approximately HK\$1.5 million to approximately HK\$70 million. As at 31 December 2022, all the loans receivables of the Group were unsecured loans, with interest rate of approximately 7% to 8% per annum with maturity profile ranging from 12 to 24 months.

As at 31 December 2022, the loan principal to the top customer and top five customers of the Finance Business amount to approximately HK\$70 million and HK\$80 million, representing 87.5% and 100% of the total outstanding loan principal, respectively.

The Group has complied with the requirements set out in Chapter 14 and/or Chapter 14A of the Listing Rules when it granted the loans to each of the respective borrowers whose loan was still outstanding as at 31 December 2022.

### **Loss impairment**

The Group adopted estimated credit loss allowances (“ECL”) according to the requirements of Hong Kong Financial Reporting Standard 9 issued by the Hong Kong Institute of Certified Public Accountants. The Group adopted the general approach to assess the ECL of the loan and interest receivables in which the loss rates of the loan and interest receivables are derived from (i) probability of default; (ii) loss given default; (iii) exposure at default; and (iv) forward-looking adjustments.

As set out in the 2022 Annual Report, during the year ended 31 December 2022, provision of approximately HK\$4 million was recognized as at 31 December 2022 in respect of the ECL for the loan and interest receivables (31 December 2021: nil) based on the assessment of the above factors. The impairment was mainly attributable to the term loan advanced by CCT Finance to CCT Fortis Holdings Limited (“**CCT Fortis**”), the top customer of the Finance Business and a former substantial shareholder of the Company, which remained outstanding and has yet to be repaid as at 31 December 2022. During the year ended 31 December 2022, the Group did not record any (i) bad debt; and (ii) written off of loans receivable. For details of the Group’s loan to CCT Fortis, please refer to the announcement of the Company dated 1 June 2021.

The procedures performed by the Group in calculating the ECL disclosed in page 62 of the 2022 Annual Report.

The above information does not affect the information disclosed in the 2022 Annual Report.

By order of the Board  
**GBA HOLDINGS LIMITED**  
**Ong Chor Wei**  
*Chairman and Executive Director*

Hong Kong, 18 July 2023

*As at the date of this announcement, the executive Directors are Mr. Ong Chor Wei, Mr. Yuk Kai Yao and Ms. Lam Ka Lee; and the independent non-executive Directors are Ms. Wu Wai Shan, Mr. Lau Yik Lok and Mr. Leung Gar-gene, Vincent.*