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貝森金融集團
Bison Finance Group

BISON FINANCE GROUP LIMITED
貝森金融集團有限公司
(Incorporated in Bermuda with limited liability)
(Stock code: 888)

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

References are made to the annual report (the "**Annual Report**") of Bison Finance Group Limited (the "**Company**", together with its subsidiaries, the "**Group**") for the year ended 31 December 2021 (the "**FY2021**"). Unless otherwise defined, capitalised terms used in this announcement shall bear the same meanings as those defined in the Annual Report.

The Board would like to provide additional information in relation to the Annual Report.

PROVISION FOR EXPECTED CREDIT LOSSES IN RELATION TO LOAN RECEIVABLES

As set out in the Annual Report, the Group recognised provision for expected credit losses of (a) approximately HK$22.7 million for FY2021 in relation to the loan receivables in the aggregate amount of approximately HK$24.5 million (after provision was made) as at 31 December 2021 due from three independent third parties (the "**Third Party Loan Receivables**") and (b) approximately HK$0.4 million for FY2021 in relation to the loan receivables in the aggregate amount of approximately HK$5.7 million (after provision was made) as at 31 December 2021 due from a related company (which is not a connected person under the Listing Rules (the "**2021 Loan Receivables**", together with the Third Party Loan Receivables as the "**Loan Receivables**")(collectively, the "**Impairment Loss**") for FY2021. The balance due from the top borrower, which is an independent third party, accounted for 36% of the total outstanding loan receivables as at 31 December 2021.

Loan Receivables

For the two financial years ended 31 December 2018 and 2019, one of the major business of the Group was BUS-BODY advertising, BUS-INTERIOR advertising, BUS-SHELTER advertising, BILLBOARDS advertising, and provision of integrated marketing solutions services in Hong Kong (the "**Media Business**").

From mid-2018 to early 2019, the Company, through the business network of Mr. Xu Peixin (an executive Director) ("**Mr. Xu**") in the film, television and media-related industry, was presented with opportunities to expand the Group's business network by participating in projects related to film and television industry in China. Prior to the grant of the Third Party Loan Receivables, the Group performed various due diligence and credit assessment work on each of the borrowers, which include (i) obtaining of the latest management financial statements, statutory records and indicative timetable of the underlying investment projects to assess the background and financial position of the borrowers; and (ii) considering the key terms by referencing the prevailing market interest rate and the financial position of the borrowers to compensate the associated credit risk (the "**Credit Risk Assessments**"). The Group, having considered that such loan advancement to the borrowers of the Third Party Loan Receivables would be beneficial to the Group by introducing additional source of interest income having utilise its idle cash and creating synergetic effect with the Group's existing Media Business, decided to advance the Third Party Loan Receivables for a loan period ranging from 2 to 2.5 years at interest rate ranging from 5% p.a. to 12% p.a. based on the results of the Credit Risk Assessments.

Further, Mr. Xu was approached by one of his business acquaintances for a short-term loan granted by the Group in early 2021. The Group performed the Credit Risk Assessments on the borrower of the 2021 Loan Receivables, and considered it represented an opportunity for the Group to utilise the idle cash in the PRC to generate additional interest income for the Group with a proposed interest rate higher than the applicable annual interest rate of the People's Bank of China for fixed bank deposits. The Group therefore decided to advance the 2021 Loan Receivables for a loan period of one year at interest rate of 10% p.a.

Impariment Loss and key value of inputs used and assumptions adopted in valuation

The Company has engaged an independent valuer (the "**Valuer**") to conduct a valuation in relation to impairment assessment over the Loan Receivables as at 31 December 2021 (the "**Valuation**").

The Valuer adopted the Expected Credit Loss Model under general approach (the "**ECL Model**") to measure the expected credit losses ("**ECL**") of the Loan Receivables. The ECL Model was adopted in accordance with Hong Kong Financial Reporting Standards 9. Major inputs of the ECL Model include (i) probability of default (the "**PD**") of the borrowers based on internal credit rating guidance which in turn affecting the credit specific factor by, inter alia, assessing the loss stages and checking forward-looking assumptions involved; (ii) loss given default; (iii) exposure at default; and (iv) discount factor reflecting time value of money.

In applying the ECL Model, the Valuer assumed that the financial statements of each of the borrowers in relation to the Loan Receivables as at 31 December 2021 were able to reasonably reflect its financial status as at the date of the Valuation.

The expected credit loss rate (the "**ECL rate**") for loan receivables was relatively high in FY2021 was due to significant increase in credit risks of certain borrowers since initial recognition. Due to (i) the adverse impact the COVID-19 pandemic has on the local and global economy causing delays in investments returns of projects undertaken by the borrowers of the Loan Receivables and (ii) the borrowers of the Third Party Loans sought extension during FY2021 for additional approximately 1.5 to 2.5 years, the credit rating of the borrowers were downgraded to CCC according to Moody's Standard & Poor's Fitch Ratings amid the unfavourable outlook of the economies and industries in which they operated. As such, the credit specific factor of the relevant loan receivables increased from the range of 0.680% - 4.640% for the financial year ended 31 December 2020 ("**FY2020**") to the range of 22.593% - 33.517% for FY2021, while the loss given default increased from 45% for FY2020 to the range of 45% - 50% for FY2021.

In addition, as the result of the delays in investments returns of projects undertaken by the borrowers and deteriorating credit status amid the COVID-19 pandemic, certain of the Third Party Loan Receivables were assigned with a maximum default probability of 100%, which leads to an increase in net allowance for the ECL during FY2021.

Based on the above, as at 31 December 2021 and 2020, the Group provided the following ECL provision against loan receivables:

	ECL rate	Gross carrying amount *HK$'000*	ECL provision *HK$'000*	Gross carrying amount (net of provision of loss allowances) *HK$'000*
2021				
Loan receivables	**48.48%**	**47,528**	**(23,042)**	**24,486**
2020				
Loan receivables	0.45%	87,105	(389)	86,716

As at the date of the Announcement, there are no subsequent changes to the valuation method as referred to above following its adoption.

By order of the Board
Bison Finance Group Limited
ZHU Dong
Executive Director

Hong Kong, 20 September 2022

As at the date of this announcement, the Board comprises Dr. MA Weihua as the Chairman and non-executive Director; Mr. XU Peixin, Mr. SUN Lei and Mr. ZHU Dong as executive Directors; and Dr. QI Daqing, Mr. CHEN Yigong and Mr. FENG Zhonghua as independent non-executive Directors.