信銘生命科技集團有限公司

Aceso Life Science Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00474)

SUPPLEMENTAL ANNOUNCEMENT TO THE ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2020

Reference is made to the annual report for the year ended 31 March 2020 published by Aceso Life Science Group Limited (the "**Company**", together with its subsidiaries, collectively the "**Group**") on 29 July 2020 (the "**2019/2020 Annual Report**").

As disclosed in the 2019/2020 Annual Report, there was impairment loss of approximately HK$86 million on goodwill recognised in the consolidated income statement for the year ended 31 March 2020 for the construction machinery rental and trading business and related services, referred to as the Crawler Krane Business. The Company would like to provide supplemental information in relation to the circumstances leading to the said impairment.

The Group prepared the annual impairment test on goodwill according to the Hong Kong Accounting Standard 36 "*Impairment of Assets*". The key assumptions used for the post-tax cash flow projections of the Crawler Krane Business are as follows:

	2020	**2019**
Sales growth rates in the forecasted period *(Note)*		
— Trading business	-13~11%	10%~20%
— Rental business	7~11%	10%~20%
Gross profit margin in the forecasted period *(Note)*	25~41%	20~34%
Discount rates	11.55%	10.7%

Note: The forecasted period means a five-year period starting from the end of each financial year.

As of 31 March 2020, the fair value of the Crawler Krane Business, as prepared by an independent professional valuer, dropped by approximately 37% as compared to the previous year, resulting in an impairment of approximately HK$86 million on goodwill was recognised for the year ended 31 March 2020. The significant decrease in fair value of the Crawler Krane Business in 2020 was mainly attributable to the decline in the estimated future sales in the forecasted period.

The downward adjustments on sales forecast were mainly due to the following reasons:

(i) Competition from cranes manufactured in China

The Group is a crane dealer for a Japanese brand for its trading business. According to the statistics for applying Non-road Mobile Machinery from the Hong Kong Environmental Protection Department in 2019, more cranes manufactured in China were used in the local market as their prices are more competitive. Having considered the increasing competition for its cranes trading business, the Group thus adjusted the future sales forecast in early 2020.

(ii) Outbreak of social incidents

Having seriously affected by the social unrest in the second half of 2019, the local economy deteriorated with contraction of economic activities. The approval of major infrastructure projects in the Legislative Council of the Hong Kong SAR was delayed. Due to the uncertainties in the overall business environment of the construction industry, the Group had lowered the growth rate of forecasted sales revenue for the Crawler Krane Business.

(iii) Outbreak of COVID-19

Construction industry in Hong Kong has been affected as a consequence of COVID-19, which affected the operations of the construction projects. Social distancing measures and occasional lockdown at construction sites, resulted in delay in construction and increased costs. Due to the uncertainties for the financial impact, the Group had lowered the growth rate of its revenue for the Crawler Krane Business.

(iv) Impact on project scandals of major customer

Leighton Contractors (Asia) Ltd ("**Leighton Asia**") has been our long-term customer since 2001 and one of our top five customers over the past ten years. Leighton Asia was involved in litigation with the Hong Kong SAR Government for a high profile construction project, the Hung Hom station extension of the Sha Tin to Central Link. The litigation against our major customer was expected to have an adverse impact on the number of construction projects, and the Group became aware of such factor in June 2020 from public news and had then lowered the growth rate of its sales for rental business.

There were no other significant changes in the valuation of inputs and assumptions from those previously adopted.

By order of the board of directors of
Aceso Life Science Group Limited
Fok Chi Tak
Executive Director

Hong Kong, 8 November 2021

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Xu Haiying, Dr. Zhiliang Ou, J.P. (Australia) and Mr. Fok Chi Tak; and three independent non-executive Directors, namely Mr. Chan Ming Sun Jonathan, Mr. Lam Kwan Sing and Mr. Mak Yiu Tong.