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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)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2022

The board (the “**Board**”) of directors (the “**Directors**”) of Aceso Life Science Group Limited (the “**Company**”) hereby announces the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 March 2022 (the “**Year**”) together with the comparative figures for the corresponding period for the year ended 31 March 2021 (the “**Previous Year**”) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2022

	<i>Notes</i>	2022 <i>HK\$’million</i>	2021 <i>HK\$’million</i>
Revenue	3	315	346
Cost of revenue		(153)	(133)
Gross profit		162	213
Other income	4	28	52
Fair value (losses)/gains:		(396)	(101)
— investment properties		85	10
— financial assets at fair value through profit or loss (“ FVTPL ”)		(510)	(157)
— financial liabilities at FVTPL		29	46
Other gains/(losses), net	5	24	(2)
Administrative expenses		(146)	(155)
Reversal/(provision) of impairment losses:		13	(382)
— property, plant and equipment		2	(70)
— intangible assets		2	(28)
— financial assets (expected credit losses)		9	(284)

	<i>Notes</i>	2022 <i>HK\$'million</i>	2021 <i>HK\$'million</i>
Share-based payment expenses		(7)	(49)
Share of results of associates		(44)	196
Share of results of joint ventures		(30)	92
Finance costs	6	<u>(159)</u>	<u>(187)</u>
Loss before taxation	7	(555)	(323)
Income tax expense	8	<u>(41)</u>	<u>(25)</u>
Loss for the year		<u>(596)</u>	<u>(348)</u>
Other comprehensive income after tax:			
<i>Items that will not be reclassified to profit or loss:</i>			
Fair value gain on investments in equity instruments at fair value through other comprehensive income (“FVTOCI”)		41	5
<i>Items that may be reclassified to profit or loss:</i>			
Share of associates’ exchange differences on translating foreign operation		11	–
Exchange differences on translating foreign operations		<u>(26)</u>	<u>95</u>
Other comprehensive income for the year, net of tax		<u>26</u>	<u>100</u>
Total comprehensive loss for the year		<u>(570)</u>	<u>(248)</u>
Loss for the year attributable to:			
Owners of the Company		(370)	(376)
Non-controlling interests		<u>(226)</u>	<u>28</u>
		<u>(596)</u>	<u>(348)</u>
Total comprehensive loss for the year attributable to:			
Owners of the Company		(341)	(279)
Non-controlling interests		<u>(229)</u>	<u>31</u>
		<u>(570)</u>	<u>(248)</u>
Loss per share	10		
Basic (HK\$ cents per share)		<u>(5.14)</u>	<u>(5.73)</u>
Diluted (HK\$ cents per share)		<u>(5.55)</u>	<u>(6.33)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022

	<i>Notes</i>	2022 <i>HK\$'million</i>	2021 <i>HK\$'million</i>
Non-current assets			
Property, plant and equipment		254	258
Right-of-use assets		29	33
Investment properties		1,625	1,603
Intangible assets		158	156
Interests in associates		1,308	1,341
Interests in joint ventures		80	114
Financial assets at FVTOCI		441	466
Loan receivables	<i>11</i>	16	89
Finance lease receivables		2	3
Deferred tax assets		53	69
Pledged bank deposits		21	5
Other receivables and deposits		10	2
		<hr/>	<hr/>
Total non-current assets		3,997	4,139
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current assets			
Inventories		6	88
Properties under development		368	370
Trade receivables	<i>12</i>	149	135
Other receivables, deposits and prepayments		124	42
Financial assets at FVTPL		522	588
Loan receivables	<i>11</i>	331	516
Finance lease receivables		4	4
Corporate note receivables	<i>13</i>	471	69
Trusted and segregated bank accounts		96	16
Cash and cash equivalents		195	198
		<hr/>	<hr/>
Total current assets		2,266	2,026
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total assets		6,263	6,165
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	<i>Notes</i>	2022 <i>HK\$'million</i>	2021 <i>HK\$'million</i>
Current liabilities			
Lease liabilities		12	11
Bank and other borrowings	<i>14</i>	1,734	511
Corporate note payables		390	272
Financial liabilities at FVTPL		–	113
Trade payables	<i>15</i>	6	4
Other payables, deposits received and accruals		289	164
Income tax payables		20	21
Total current liabilities		2,451	1,096
Net current (liabilities)/assets		(185)	930
Total assets less current liabilities		3,812	5,069
Non-current liabilities			
Lease liabilities		17	18
Deferred tax liabilities		111	90
Bank and other borrowings	<i>14</i>	188	915
Corporate note payables		40	380
Convertible note payables		–	24
Financial liabilities at FVTPL		629	628
Total non-current liabilities		985	2,055
NET ASSETS		2,827	3,014
EQUITY			
Share capital	<i>16</i>	74	69
Reserves		1,928	2,313
		2,002	2,382
Non-controlling interests		825	632
TOTAL EQUITY		2,827	3,014

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

1. GENERAL INFORMATION

Aceso Life Science Group Limited (the “**Company**” together with its subsidiaries, the “**Group**”) is an exempted limited liability company incorporated in the Cayman Islands. Its immediate and ultimate holding company is Asia Link Capital Investment Holdings Limited, which is incorporated in the British Virgin Islands (“**BVI**”), and the ultimate controlling shareholder is Ms. Li Shao Yu. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY-1111, Cayman Islands. The principal place of business in Hong Kong is Rooms 2501–2509, 25/F, Shui On Centre, 6–8 Harbour Road, Wanchai, Hong Kong. The ordinary shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The Company is an investment holding company and the principal activities of the Group include: (i) money lending; (ii) securities investment; (iii) provision of commodities, futures, securities brokerage and financial services; (iv) asset management; (v) rental and trading of construction machinery; (vi) provision of repair and maintenance and transportation service; (vii) property development; and (viii) property leasing.

These consolidated financial statements are presented in Hong Kong Dollars (“**HK\$**”) and rounded to the nearest million (“**million**”), unless otherwise stated.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) that are relevant to its operations and effective for its accounting year beginning on 1 April 2021. HKFRSs comprise Hong Kong Financial Reporting Standards (“**HKFRS**”); Hong Kong Accounting Standards (“**HKAS**”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current year and prior years.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

3. REVENUE AND SEGMENT INFORMATION

(a) Description of segments and principal activities

The Group has identified six reportable segments of its business:

- (i) Rental and sale of construction machinery and spare parts business: The Group offers crawler cranes of different sizes, other mobile cranes, aerial platforms and foundation equipment in its construction machinery rental fleet in Hong Kong. The Group also sells construction machinery and spare parts in Hong Kong and Macau.
- (ii) Provision of repair and maintenance and transportation service business: The Group provides repair and maintenance service for construction machinery, in particular the crawler cranes, in Hong Kong. The Group also provides transportation services which include local container delivery, construction site delivery and heavy machinery transport in Hong Kong.

- (iii) Money lending business: The Group holds money lending licenses and offers mortgaged loan and personal loan businesses in Hong Kong.
- (iv) Provision of asset management, securities brokerage, commodities, futures and other financial service business: The Group holds Securities and Future Commission licenses for conducting type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance and provides a wide range of financial services in Hong Kong.
- (v) Property leasing business: The Group holds a commercial property in London, the United Kingdom (the “UK”), for leasing.
- (vi) Property development business: The Group holds properties under development in Malaysia through a subsidiary and in Cambodia through an associate.

(b) Segment profit or loss

The segment profit or loss for the reportable segments provided to the chief operating decision maker and reconciliation to loss before taxation for the years ended 31 March 2022 and 2021 are as follows:

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

	2022						
	Rental and sale of construction machinery and spare parts <i>HK\$'million</i>	Provision of repair and maintenance and transportation service <i>HK\$'million</i>	Money lending <i>HK\$'million</i>	Provision of asset management, securities brokerage, commodities, futures and other financial services <i>HK\$'million</i>	Property leasing <i>HK\$'million</i>	Property development <i>HK\$'million</i>	Total <i>HK\$'million</i>
Segment revenue							
External revenue	177	10	41	16	71	–	315
Segment results before the following items:	60	5	26	12	142	–	245
— Depreciation and amortisation	(50)	–	–	–	–	–	(50)
— Reversal/(provisional) of impairment losses:							
— property, plant and equipment	2	–	–	–	–	–	2
— intangible assets	2	–	–	–	–	–	2
— financial assets (expected credit losses)	(7)	–	6	(2)	1	–	(2)
— Finance costs	(5)	–	(1)	–	(27)	–	(33)
Segment results	2	5	31	10	116	–	164

2022							
Rental and sale of construction machinery and spare parts <i>HK\$'million</i>	Provision of repair and maintenance and transportation service <i>HK\$'million</i>	Money lending <i>HK\$'million</i>	Provision of asset management, securities brokerage, commodities, futures and other financial services <i>HK\$'million</i>	Property leasing <i>HK\$'million</i>	Property development <i>HK\$'million</i>	Total <i>HK\$'million</i>	
Unallocated:							
— Other income							23
— Fair value losses							(481)
— Other gains							25
— Administrative expenses							(90)
— Reversal of impairment losses:							
— financial assets							
(expected credit losses)							11
— Share-based payment expenses							(7)
— Share of results of associates							(44)
— Share of results of joint ventures							(30)
— Finance costs							(126)
Loss before taxation							<u>(555)</u>

2021							
Rental and sale of construction machinery and spare parts <i>HK\$'million</i>	Provision of repair and maintenance and transportation service <i>HK\$'million</i>	Money lending <i>HK\$'million</i>	Provision of asset management, securities brokerage, commodities, futures and other financial services <i>HK\$'million</i>	Property leasing <i>HK\$'million</i>	Property development <i>HK\$'million</i>	Total <i>HK\$'million</i>	
Segment revenue							
External revenue	141	8	117	11	69	—	346
Segment results before the following items:							
— Depreciation and amortisation	48	4	62	1	63	—	178
— Impairment losses:	(39)	—	—	(1)	—	—	(40)
— property, plant and equipment	(48)	—	—	—	—	—	(48)
— intangible assets	(28)	—	—	—	—	—	(28)
— financial assets	4	—	(28)	(2)	(1)	—	(27)
(expected credit losses)	(3)	—	(3)	—	(26)	—	(32)
— Finance costs	(3)	—	(3)	—	(26)	—	(32)
Segment results	<u>(66)</u>	<u>4</u>	<u>31</u>	<u>(2)</u>	<u>36</u>	<u>—</u>	<u>3</u>

2021							
	Rental and sale of construction machinery and spare parts <i>HK\$'million</i>	Provision of repair and maintenance and transportation service <i>HK\$'million</i>	Money lending <i>HK\$'million</i>	Provision of asset management, securities brokerage, commodities, futures and other financial services <i>HK\$'million</i>	Property leasing <i>HK\$'million</i>	Property development <i>HK\$'million</i>	Total <i>HK\$'million</i>
Unallocated:							
— Other income							35
— Fair value losses							(124)
— Other losses							(1)
— Administrative expenses							(41)
— Impairment losses:							
— property, plant and equipment							(22)
— financial assets (expected credit losses)							(257)
— Share-based payment expenses							(49)
— Share of results of associates							196
— Share of results of joint ventures							92
— Finance costs							(155)
Loss before taxation							(323)

No segment assets and liabilities are presented as the chief operating decision maker does not regularly review segment assets and liabilities.

(c) Geographical information

The geographical information about the Group's revenue from external customers by location of operations and the non-current assets other than financial instruments and deferred tax assets in which the assets are physically located is detailed below:

	Revenue		Non-current assets <i>(note)</i>	
	For the year ended 31 March		As at 31 March	
	2022	2021	2022	2021
	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>
Hong Kong	243	275	449	383
UK	71	69	1,625	1,603
The People's Republic of China (the "PRC")	—	—	261	403
Macau	1	2	—	—
Cambodia	—	—	1,127	1,116
	<u>315</u>	<u>346</u>	<u>3,462</u>	<u>3,505</u>

Note:

Non-current assets excluded financial assets at FVTOCI, loan receivables, financial lease receivables, deferred tax assets, pledged bank deposits and financial assets included in other receivables and deposits.

(d) Information about major customers

There is no external customer over 10% of the total revenue of the Group.

(e) Revenue summary

	2022	2021
	<i>HK\$'million</i>	<i>HK\$'million</i>
Revenue from contracts with customers (<i>note</i>):		
— Sale of construction machinery and spare parts	49	41
— Repair and maintenance and transportation service income	10	8
— Commission income generated from asset management, securities brokerage, commodities, futures and other financial services	9	7
	<u>68</u>	<u>56</u>
Revenue from other sources:		
— Rental income generated from construction machinery	128	100
— Rental income generated from leasing of investment properties	71	69
— Interest income generated from money lending	41	117
— Interest income generated from margin financing	7	4
	<u>247</u>	<u>290</u>
	<u>315</u>	<u>346</u>

Note:

Disaggregated revenue from contract with customers

For the year ended 31 March 2022

	Sale of construction machinery and spare parts <i>HK\$'million</i>	Provision of repair and maintenance and transportation service <i>HK\$'million</i>	Provision of asset management, securities brokerage, commodities, futures and other financial services <i>HK\$'million</i>	Total <i>HK\$'million</i>
Sale of construction machinery and spare parts	49	–	–	49
Repair and maintenance and transportation service income	–	10	–	10
Commission income generated from asset management, securities brokerage, commodities, futures and other financial services	–	–	9	9
	<u>49</u>	<u>10</u>	<u>9</u>	<u>68</u>
Timing of revenue recognition				
At a point in time	49	–	9	58
Over time	–	10	–	10
Total	<u>49</u>	<u>10</u>	<u>9</u>	<u>68</u>

For the year ended 31 March 2021

	Sale of construction machinery and spare parts <i>HK\$'million</i>	Provision of repair and maintenance and transportation service <i>HK\$'million</i>	Provision of asset management, securities brokerage, commodities, futures and other financial services <i>HK\$'million</i>	Total <i>HK\$'million</i>
Sale of construction machinery and spare parts	41	–	–	41
Repair and maintenance and transportation service income	–	8	–	8
Commission income generated from asset management, securities brokerage, commodities, futures and other financial services	–	–	7	7
	<u>41</u>	<u>8</u>	<u>7</u>	<u>56</u>
Timing of revenue recognition				
At a point in time	41	–	7	48
Over time	–	8	–	8
	<u>–</u>	<u>8</u>	<u>–</u>	<u>8</u>
Total	<u>41</u>	<u>8</u>	<u>7</u>	<u>56</u>

4. OTHER INCOME

	2022 <i>HK\$'million</i>	2021 <i>HK\$'million</i>
Interest earned on:		
— corporate note receivables	19	30
— bank deposits	2	2
Government grant	1	7
Rental income	3	4
Others	3	9
	<u>28</u>	<u>52</u>

5. OTHER GAINS/(LOSSES), NET

	2022 <i>HK\$'million</i>	2021 <i>HK\$'million</i>
Extinguishment gain/(loss) on early principal redemption of convertible note payables	9	(1)
Foreign exchange gain	14	1
Gain/(loss) on disposal of property, plant and equipment	1	(2)
	<u>24</u>	<u>(2)</u>

6. FINANCE COSTS

	2022 <i>HK\$'million</i>	2021 <i>HK\$'million</i>
Interest expenses arising from:		
— bank and other borrowings	97	47
— corporate note payables	55	135
— convertible note payables	1	8
— lease liabilities	1	1
Exchange difference on borrowings	5	(4)
	<u>159</u>	<u>187</u>

7. LOSS BEFORE TAXATION

This is stated at after charging/(crediting) the following:

	2022 <i>HK\$'million</i>	2021 <i>HK\$'million</i>
Amortisation of intangible assets	–	2
Auditor's remuneration	2	2
Cost of inventories sold	44	32
Depreciation of:		
— property, plant and equipment	57	51
— right-of-use assets	11	10
Direct operating expenses from investment properties	40	47
(Gain)/loss on disposal of items of property, plant and equipment	(1)	2
Staff costs (including director's remuneration):		
— Salaries, bonuses and allowances	97	96
— Retirement benefit scheme contributions	2	2
— Share based payments	7	10
	<u>106</u>	<u>108</u>

8. INCOME TAX EXPENSE

	2022 <i>HK\$'million</i>	2021 <i>HK\$'million</i>
Current income tax		
— Current year		
— Hong Kong	2	20
— UK	6	2
— Over-provision in prior years	(6)	(10)
	<u>2</u>	<u>12</u>
Deferred tax		
— Current year	39	(7)
— Under-provision in prior years	–	20
	<u>39</u>	<u>13</u>
	<u>41</u>	<u>25</u>

9. DIVIDENDS

No dividend has been paid or declared by the Company during the year ended 31 March 2022 (2021: Nil).

10. LOSS PER SHARE

(a) Basic

Basic loss per share was calculated by dividing the loss for the year attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2022	2021
Loss for the year attributable to the owners of the Company (<i>HK\$'million</i>)	(370)	(376)
Weighted average number of ordinary shares in issue (<i>million shares</i>)	<u>7,203</u>	<u>6,559</u>
Basic loss per share (<i>HK\$ cents</i>)	<u><u>(5.14)</u></u>	<u><u>(5.73)</u></u>

(b) Diluted

	<i>Notes</i>	2022	2021
Adjusted loss for the year attributable to owners of the Company used to determine the diluted loss per share (<i>HK\$' million</i>)	<i>(i)</i>	(413)	(444)
Weighted average number of ordinary shares in issue (<i>million shares</i>)	<i>(ii)</i>	<u>7,439</u>	<u>7,014</u>
Diluted loss per share (<i>HK\$ cents</i>)		<u><u>(5.55)</u></u>	<u><u>(6.33)</u></u>

Notes:

- (i) Adjusted loss for the year attributable to owners of the Company used to determine the diluted loss per share is calculated as follows:

	2022 <i>HK\$'million</i>	2021 <i>HK\$'million</i>
Loss for the year attributable to the owners of the Company	(370)	(376)
Adjustments for:		
— Assumed exercise of call option	(35)	(67)
— Assumed conversion of convertible note payables	(8)	—
— Assumed grant of share awards by Hao Tian International Construction Investment Group Limited (“HTICI”)	<u>—</u>	<u>(1)</u>
Adjusted loss for the year attributable to owners of the Company used to determine the diluted loss per share	<u><u>(413)</u></u>	<u><u>(444)</u></u>

- (ii) Weighted average number of ordinary shares for the purpose of diluted loss per share is calculated as follows:

	2022 <i>million share</i>	2021 <i>million share</i>
Weighted average number of ordinary shares for the purpose of basic loss per share	7,203	6,559
Adjustment for:		
— Assumed exercise of call option	181	455
— Assumed conversion of convertible note payables	55	—
	<u>7,439</u>	<u>7,014</u>
Weighted average number of ordinary shares for the purpose of diluted loss per share	<u>7,439</u>	<u>7,014</u>

11. LOAN RECEIVABLES

	2022 <i>HK\$'million</i>	2021 <i>HK\$'million</i>
Non-current		
Secured fixed-rate loan receivables	20	92
Less: Allowance for expected credit losses	(4)	(3)
	<u>16</u>	<u>89</u>
Current		
Secured fixed-rate loan receivables	89	133
Unsecured fixed-rate loan receivables	400	590
Less: Allowance for expected credit losses	(158)	(207)
	<u>331</u>	<u>516</u>
	<u>347</u>	<u>605</u>

12. TRADE RECEIVABLES

	2022 <i>HK\$'million</i>	2021 <i>HK\$'million</i>
Trade receivables		
Rental income from construction machinery business	66	46
Provision of other financial services	—	3
Securities brokerage	82	78
Rental income from leasing of investment properties	24	23
	<u>172</u>	<u>150</u>
Less: Allowance for expected credit losses	(23)	(15)
	<u>149</u>	<u>135</u>

Notes:

- (a) The Group allows an average credit period of 0–30 days to its trade customers arising from construction machinery and sales of construction materials business. The credit period provided to customers can be longer based on a number of factors including the customer’s credit profile and relationship with the customers. Before accepting any new customer, the Group assesses the potential customer’s credit quality and defines credit limits by customer. Limits attributed to customers are reviewed regularly. The Group has a policy for allowance for expected credit losses which is based on the evaluation of the collectability and aging analysis of accounts on every individual trade debtor basis and on the management’s judgement including creditworthiness and the past collection history of each customer.

For those commodities, futures and securities trading clients, it normally takes two to three days to settle after trade date of those transactions. These outstanding unsettled trades due from clients are reported as trade receivables from clients.

The margin clients of the commodities, futures and securities brokerage business are required to pledge their investments to the Group for credit facilities for commodities, futures and securities trading. The settlement terms of trade receivables from clearing houses are usually one to two days after the trade date.

- (b) The aging analysis by invoice date of trade receivables (other than rental income from leasing of investment properties) before allowance for expected credit losses is as follows:

	2022 <i>HK\$’million</i>	2021 <i>HK\$’million</i>
0–30 days	27	91
31–60 days	22	13
61–90 days	16	3
91–180 days	19	7
181–365 days	32	5
Over 365 days	32	8
	<u>148</u>	<u>127</u>

13. CORPORATE NOTE RECEIVABLES

	2022 <i>HK\$’million</i>	2021 <i>HK\$’million</i>
Imperial Pacific International Holdings Limited	262	262
CISI Investment Limited	167	167
Nanshan Capital Holding Limited	360	–
Central Wealth Group Holdings Limited	51	–
Less: Allowance for expected credit losses	<u>(369)</u>	<u>(360)</u>
	<u>471</u>	<u>69</u>

14. BANK AND OTHER BORROWINGS

	2022 <i>HK\$'million</i>	2021 <i>HK\$'million</i>
Bank borrowings	654	91
Loans from other financial institutions	1,228	1,275
Loans from a director of subsidiaries	40	60
	<u>1,922</u>	<u>1,426</u>
Representing:		
Current	1,734	511
Non-current	188	915
	<u>1,922</u>	<u>1,426</u>
The borrowings are repayable as follows:		
On demand or within one year	1,734	511
Between 1 and 2 years	174	54
Between 2 and 5 years	14	861
	<u>1,922</u>	<u>1,426</u>
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(1,734)</u>	<u>(511)</u>
Amount due for settlement after 12 months	<u>188</u>	<u>915</u>

Notes:

- (a) The average interest rates at 31 March were as follows:

	2022	2021
Bank borrowings	3.50%	3.88%
Loans from other financial institutions	5.18%	4.90%
Loans from a director of subsidiaries	3.00%	3.00%

- (b) Borrowings arranged at fixed interest rates and expose the Group to fair value interest rate risk are as follows:

	2022 <i>HK\$'million</i>	2021 <i>HK\$'million</i>
Bank borrowings	593	12
Loans from other financial institutions	1,234	1,272
Loans from a director of subsidiaries	40	60
	<u>1,867</u>	<u>1,344</u>

Other borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

- (c) The directors estimate the fair value of the Group's borrowings approximate the carrying value of the borrowings.

- (d) Bank and other borrowings of HK\$1,864 million (2021: HK\$1,341 million) are secured. As at 31 March 2022, the carrying amounts of financial and non-financial assets pledged as security for certain bank borrowings and loans from other financial institutions are as follows:

	2022 <i>HK\$'million</i>	2021 <i>HK\$'million</i>
Investment properties	1,625	1,603
Corporate note receivables	358	–
Property, plant and equipment	114	108
Financial assets at FVTPL	24	–
Pledged bank deposits	21	5
Loan receivables	–	54
	<u>2,142</u>	<u>1,770</u>
Total assets pledged as security	<u>2,142</u>	<u>1,770</u>

- (e) Certain bank and other borrowings of the Group are secured by equity interest of certain subsidiaries.

15. TRADE PAYABLES

The aging analysis of trade payables, based on the date of receipt of goods, is as follows:

	2022 <i>HK\$'million</i>	2021 <i>HK\$'million</i>
Within 30 days	2	1
31 to 60 days	2	2
61 to 180 days	2	1
	<u>6</u>	<u>4</u>

16. SHARE CAPITAL

	Number of shares ('million)	<i>HK\$'million</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
As at 1 April 2020, 31 March 2021, 1 April 2021 and 31 March 2022	<u>50,000</u>	<u>500</u>
Issued and fully paid:		
As at 1 April 2020	6,092	61
Issue of placement shares	400	4
Issue of subscription shares	200	2
Issue of shares on conversion of convertible note payables	240	2
	<u>6,932</u>	<u>69</u>
As at 31 March 2021 and 1 April 2021	6,932	69
Exercise of call option	455	5
	<u>7,387</u>	<u>74</u>
As at 31 March 2022	<u>7,387</u>	<u>74</u>

17. EVENTS AFTER THE REPORTING PERIOD

(1) Disposal of 15% equity interest in a subsidiary

On 11 May 2022, Victory Bright Limited (the “**Vendor**”) and Alcott Global Limited (the “**Target Company**”), both are indirect non-wholly owned subsidiary of the Company, and Glaring Sand Holdings Limited (the “**Purchaser**”) entered into a sale and purchase agreement, pursuant to which the Vendor conditionally agreed to sell 15 issued shares of the Target Company, representing 15% of the entire issued share capital of the Target Company at a consideration of US\$20 million (equivalent to approximately HK\$157 million). The transaction was completed on 16 May 2022.

(2) Issuance of fixed coupon notes

The Company issued fixed coupon notes with principal amount of HK\$370 million (the “**Fixed Coupon Notes**”) in June 2022. The Fixed Coupon Notes is due in September 2023.

(3) Purchase of bonds

On 22 June 2022, True Well Limited, an indirect non-wholly owned subsidiary of the Company, executed an order with Shanghai Commercial Bank for a bond purchase at the consideration of US\$45,225,000 (equivalent to approximately HK\$355,016,250).

(4) Disposal of an associate

On 23 June 2022, Victor Ocean Developments Limited, an indirect non-wholly owned subsidiary of the Company, executed an agreement for the disposal of 49% equity interest in Triple Blessing International Limited, an associated of the Group at a consideration of HK\$44 million.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Impact of COVID-19

2021 was another challenging year as the global and local pandemic of COVID-19 continued to disrupt all types of activities. Amid major economies gradually resumed economic activities due to the roll out of various vaccination programs, the global economy was still affected by the new COVID-19 variants, heightened geo-political tension and global supply chain mismatches due to the pandemic. The Hong Kong economy has remained vulnerable as economic recovery was uneven in different sectors, stringent measures of quarantine for travelers continues and global economy recover remains uncertain. The Group remained resilient and focused on its existing businesses.

Though operations of the construction industry in Hong Kong have been affected as a consequence of COVID-19. Due to the relatively stable undertaking of government infrastructure projects, the Group managed to record an increase in the i) sales of construction machinery and spare parts, and ii) rental income generated from construction machinery during the Year. The occupancy rate for the rental machineries kept at approximately 85%.

To manage the impact of COVID-19, the Group maintained its operation and put in place precautionary and risk mitigation measures, including suitably deploying remote work arrangements, periodic deep cleaning and sanitisation for both our warehouse and offices, provision of facemasks or other personal protection equipment for all employees, daily COVID-19 Antigen Test and body temperature measurement for all personnel at workplaces, and proper record keeping of work schedule and contact history for tracing.

During the Year, the Group continued to pursue a long-term business strategy of diversifying into financial services business, property leasing, property development business, and construction machinery business. The Group's principal activities include: (i) money lending; (ii) securities investment; (iii) provision of commodities, futures, securities brokerage and financial services; (iv) asset management; (v) rental and trading of construction machinery; (vi) provision of repair and maintenance and transportation service; (vii) property development; and (viii) property leasing.

Construction machinery business

The Group offers crawler cranes of different sizes, other mobile cranes, aerial platforms and foundation equipment in its construction machinery rental fleet. The Group procures these construction machinery mainly through the manufacturers of construction machinery located in Western Europe, Japan and China as well as traders of used construction machinery around the world. The Group has maintained approximately 185 units of construction machinery in the rental fleet during the Year. In order to maintain a modern fleet of construction machinery with a greater variety of models, the Group has been replacing portions of its fleet of construction machinery from time to time. The Board will continue to monitor the daily operations and review the expansion plan of the rental fleet and the capital requirements of the Group regularly. The Group may reschedule such expansion plan according to the operation and needs, the preference of the target customers and prevailing market conditions if necessary. To satisfy customers' needs, the Group also sells spare parts for maintenance purposes or upon request.

Financial services business

The Group holds licenses for conducting type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance (the “SFO”). The Group provides a wide range of financial services.

The revenue for the Year of the financial services business (including provision of asset management, securities brokerage, commodities, futures and other financial services) was approximately HK\$16 million (2021: approximately HK\$11 million), represented approximately 5% (2021: approximately 3%) of the total revenue of the Group and a segment profit of approximately HK\$10 million (2021: approximately HK\$2 million loss). The increase in revenue was mainly due to increase in the value and volume of transactions in securities brokerage.

In the course of preparing the financial statements for the Year, the Company had engaged an independent qualified valuer to determine the recoverable amount of the trading right of the business carrying on the regulated activities of Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 9 (asset management) as defined under the SFO. The recoverable amount of the trading right has been determined by fair value less cost of disposal, which is primarily making reference to similar transactions in the market. During the Year, no impairment loss (2021: nil) on the trading right was recognised.

Money lending business

The Group holds money lender licenses under the Money Lenders Ordinance and the money lending business was conducted through its subsidiaries to grant loans to individuals and enterprises. The Group strived to adhere to a set of comprehensive policy and procedural manual in respect of loan approval, loan renewal, loan recovery, loan compliance, monitoring and anti-money laundering.

As at 31 March 2022, the Group had loans receivable with carrying amount (after expected credit loss) of approximately HK\$347 million (2021: HK\$605 million). HK\$398 million of the loan receivables and interest income receivables was received from borrowers during the Year. The Group recorded interest income from loans receivable of approximately HK\$41 million for the Year (2021: HK\$117 million).

During the Year, the Group granted three loans to independent third parties. As at 31 March 2022, 20 loans with amount of approximately HK\$309 million were overdue, 20 loans are supported by personal guarantee and/or collateral, interest rate ranging from 8% to 18% per annum. The subsequent settlement from year end date to the date of this announcement amounted to approximately HK\$78 million.

As at 31 March 2022, the carrying amount outstanding from the five largest borrowers of the Group totaling to HK\$220 million (representing 63% to the total loans receivable of the Group) while the carrying amount outstanding from the largest borrower amounted to HK\$77 million (representing approximately 22% to the total loans receivable of the Group).

As at 31 March 2022, the management had engaged an independent qualified valuer to determine the expected credit losses of the Group's loans receivable (the "loans receivable ECL"). In assessing the loans receivable ECL of the Group, a credit rating analysis of the underlying debtors was adopted by reviewing the historical accounting information to estimate the default risk. The Group applied different expected loss rates to different classes of receivables according to their respective risk characteristics. In determining the default risk, factors including but not limited to, the ageing analysis of the receivables, the Group's internal assessment of the debtors' credit worthiness, historical and forecast occurrence of event of default, existence and valuation of the collaterals, the relevant regulatory framework and government policies in Hong Kong and global economic outlook in general and the specific economic condition of Hong Kong would be considered. The rate of loans receivable ECL ranged from 4% to 58% depending on the nature, probability of default and loss of the loans receivable.

The Group has adopted a credit policy to manage its money lending business which includes compliance with all applicable laws and regulations, credit assessment on potential borrowers and their assets, the credibility of the potential borrowers, the necessity in obtaining collaterals and determination of suitable interest rate to reflect the risk level of the provision of loan.

The Group has performed background and credit risk assessment on the potential borrowers before granting the loans by (a) searching on their identity and background; (b) reviewing and assessing their financial information; and (c) performing an assessment on their creditability.

The Group also assesses and decides the necessity and the value of security/collateral for granting of each loan, whether to an individual or enterprise, on a case by case basis considering factors, including but not limited to, the repayment history, results of public search towards the borrower, the value and location of the assets owned by the borrower and the financial condition of the borrower.

Our Group is required to and has, at all times, strictly complied with all relevant laws and regulations. In the opinion of our Directors, in addition to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), the Money Lenders Ordinance constituted a major governance on our Group's money lending business.

During the Year, we did not receive any objection from and was not investigated by the Registrar of Money Lenders (presently performed by the Registrar of Companies) nor the Commissioner of Police regarding the renewal of the money lenders license.

Securities investment business

The Group had various securities in its investment portfolio such as listed equity securities, unlisted equity securities, unlisted funds, unlisted debts, etc. A fair value loss of approximately HK\$510 million was recorded during the Year (2021: fair value loss of approximately HK\$157 million).

During the Year, in relation to fair value loss in FVTPL of approximately HK\$510 million, a total of approximately HK\$227 million and HK\$262 million were related to investment in HT Riverwood Multi-Growth Fund (formerly known as Riverwood Multi-Growth Fund) (“**Riverwood Fund**”) and Tisé Opportunities SPC, respectively.

For Riverwood Fund, investment with fair value of approximately HK\$195 million at 31 Mar 2021 (original cost of approximately HK\$122 million) was redeemed during the Year at approximately HK\$101 million. A fair value loss of approximately HK\$94 million was recorded from this redemption, where approximately HK\$22 million represents an actual loss and approximately HK\$72 million represents a reversal of fair value gain recognised in previous years. At 31 March 2022, there is a further adjustment to fair value loss of approximately HK\$133 million.

In April 2021, the Group entered into a share purchase agreement with an independent third party to acquire 49% equity interests in Kingdom Future Limited (“**KFL**”). KFL, through its interests in a segregated portfolio of Tisé Opportunities SPC, held shares of New Gains Group Limited (“**NGG**”), a subsidiary of China Evergrande Group (“**CEG**”), which owns Fangchebao Group Co. Ltd.* (房車寶集團股份有限公司). The consideration of the acquisition was settled by the allotment and issue of approximately 867 million shares of HTICI, the indirect non-wholly owned subsidiary of the Company. The transaction was completed on 20 May 2021 and the closing market trading price is at HK\$0.37 per share which made the fair value of this investment at approximately HK\$321 million. This investment was treated as a financial asset at fair value through profit or loss on the consolidated statement of financial position.

Pursuant to the announcement of CEG dated 29 March 2021, a number of investors (including Tisé Opportunities SPC, acting for and on behalf of Tisé Equity SP-1) have entered into an investment agreement with CEG where if NGG has not completed a qualified IPO on or before 12 months after the completion date, investors (including Tisé Opportunities SPC) is entitled to require CEG and other relevant obligors (jointly and severally) to repurchase the original investment paid by Tisé Opportunities SPC together with a 15% premium.

On 30 June 2021, CEG further announced that the terms of the original investment agreement have been amended so that when the relevant investor exercises its right and request the repurchase of its interests in NGG, CEG or its designated entity has the right to elect (i) to repurchase all the interests held by the relevant investor in NGG at the repurchase price (equivalent to 1.15 times of the total consideration paid by the relevant investor); or (ii) not to exercise such repurchase right, and in such case, Mr. Hui Ka Yan, the controlling shareholder of CEG shall agree to fulfill such repurchase obligation and pay the relevant investor the repurchase price.

On 12 April 2022 and 25 April 2022, Tisé Opportunities SPC has sent a repurchase request and reminder to CEG and Mr. Hui Ka Yan for the original investment cost plus 15% premium.

Following the outbreak of CEG financial crisis in the 2nd half of 2021, with due care and diligence, the Company has been closely monitoring the ongoing situation of the crisis and assessing the financial impact to our Group. The Company had engaged an independent qualified valuer to determine the recoverable amount of this investment. The recoverable amount has been determined by fair value less expected credit loss, which is primarily making reference to the information available in the market. During the Year, a fair value loss of HK\$262 million was recognised. The Company has and will continue to use its best endeavors to minimise losses to the Group.

Leasing business

During the Year, the rental income derived from 55 Mark Lane contributed revenue of approximately HK\$71 million (2021: approximately HK\$69 million) and the fair value gain on investment property was approximately HK\$85 million (2021: approximately HK\$10 million).

Property development business

The Group has property development projects in Cambodia and Malaysia. In Cambodia, the Council of Ministers approved the project company to establish a special economic zone with a size of 17,252,519 square meters at Koh Kong Province, Cambodia. The project company shall have the sole and exclusive right to develop the special economic zone with all the necessary land use rights, including those for residential, industrial and commercial development purposes. The project was still in its preliminary stage during the Year because of the impact of COVID-19 in Cambodia.

The Group has another property development project in Malaysia. The project is a residential and commercial mixed property development project located at Port Dickson, Negeri Sembilan, Malaysia comprising 267,500 square meters (or 2,879,343 square feet). The property is held from the government for a lease term of 99 years expiring on 8 February 2097 for residential and commercial building uses. The project was still in its preliminary stage during the Year because of the impact of COVID-19 in Malaysia.

FINANCIAL REVIEW

The Group had incurred a loss of approximately HK\$596 million for the Year (2021: approximately HK\$348 million). Such loss was mainly attributable to the net fair value losses in financial assets at fair value through profit or loss of approximately HK\$510 million (2021: approximately HK\$157 million).

Revenue

During the Year, the total revenue was approximately HK\$315 million (2021: approximately HK\$346 million), representing a decrease by approximately HK\$31 million, or approximately 9%. Such decrease was mainly attributable to the decrease in revenue generated from money lending.

Sales of construction machinery and spare parts, rental income from construction machinery and repair and maintenance and transportation service income

During the Year, the sales of construction machinery and spare parts, rental income generated from construction machinery and repair and maintenance and transportation service income were approximately HK\$49 million (2021: approximately HK\$41 million), approximately HK\$128 million (2021: approximately HK\$100 million) and approximately HK\$10 million (2021: approximately HK\$8 million), respectively. The increase in revenue for sales of construction and spare parts was mainly attributable to the increased demand in bored piling accessories. The increase in rental income was mainly attributable to the increase in government projects which lead to improved utilisation rate of our rental fleets.

Money lending, asset management, securities brokerage, commodities, futures and other financial services

During the Year, the revenue from money lending, asset management, securities brokerage, provision of commodities, futures and other financial services decreased by HK\$71 million, or 55%. Such decrease was mainly attributable to the decrease in loan receivable business.

Fair value losses on financial assets at fair value through profit or loss (“FVTPL”), net

The details of the Group’s securities investments and the net fair value losses recognised for the Year are set out as follows:

Name/(Stock Code)	(Notes)	Number of	Percentage of	Number of	Percentage of	Fair value at	Fair value at	Fair value	Percentage of
		shares held at 31 March 2021	shareholdings at 31 March 2021	shares held at 31 March 2022	shareholdings at 31 March 2022	31 March 2021 HK\$'million	31 March 2022 HK\$'million	(losses)/gains for the Year HK\$'million	total assets of the Group at 31 March 2022
China Shandong Hi-Speed Financial Group Limited (412)		12,000	0.00%	12,000	0.00%	–	–	5	–
International Alliance Financing Leasing Company Limited (1563)	2	–	–	27,566,336	1.84%	–	91	15	1.45%
Carnival Group International Limited (996)		90,610,000	9.56%	3,624,400	0.38%	8	–	(8)	–
Imperial Pacific International Holdings Limited (1076)	3	4,062,000,000	2.84%	203,100,000	1.91%	41	13	(29)	0.21%
Far East Holdings International Limited (36)		4,983,000	0.46%	4,983,000	0.46%	1	1	–	0.02%
Beijing Properties (Holdings) Limited (925)		8,140,000	0.12%	8,140,000	0.12%	1	1	–	0.02%
Haitong International Securities Group Limited (665)		2,962,000	0.05%	–	–	7	–	(1)	–
Virtual Mind Holding Company Limited (formerly known as, CEFC Hong Kong Financial Investment Company Limited) (1520)	4	–	–	283,994,000	15.86%	–	82	37	1.30%
Bank of Qingdao Company Limited (3866)	5	–	–	13,467,500	0.23%	–	51	(10)	0.81%

Name/(Stock Code)	(Notes)	Number of	Percentage of	Number of	Percentage of	Fair value at	Fair value at	Fair value	Percentage of
		shares held at	shareholdings	shares held at	shareholdings	31 March	31 March	(losses)/gains	total assets of
		31 March	at 31 March	31 March	at 31 March	31 March	31 March	for the Year	the Group
		2021	2021	2022	2022	2021	2022		at 31 March
						HK\$'million	HK\$'million	HK\$'million	2022
Wealthking Investments Limited (1140)	6	–	–	27,900,000	0.69%	–	17	(6)	0.27%
Grand Ocean Advanced Resources Company Limited (65)		–	–	68,600,000	4.56%	–	12	–	0.19%
IBO Technology Company Limited (2708)		–	–	1,120,000	0.19%	–	3	(2)	0.05%
DTXS Silk Road Investment Holdings Company Limited (620)		–	–	1,732,000	0.26%	–	3	(4)	0.05%
Power Financial Group Limited (397)		–	–	8,000,000	0.29%	–	1	–	0.02%
Tencent Holdings Limited (700)		–	–	–	–	–	–	1	–
HT Riverwood Multi-Growth Fund	7	N/A	N/A	N/A	N/A	456	129	(227)	2.06%
Atlantis China Fund	8	N/A	N/A	N/A	N/A	36	23	(12)	0.37%
Riverwood Umbrella Fund		N/A	N/A	N/A	N/A	19	12	(6)	0.19%
Tisé Equity SP-1	9	N/A	N/A	N/A	N/A	–	59	(262)	0.94%
Unlisted debt instrument		N/A	N/A	N/A	N/A	15	20	(1)	0.32%
Convertible note receivable		N/A	N/A	N/A	N/A	4	4	–	0.06%
						588	522	(510)	8.33%

Notes:

1. The percentage of shareholdings is calculated with reference to the monthly return of equity issuer on movements in securities for the month ended 31 March 2022 of the issuers publicly available on the website of the Stock Exchange.

2. International Alliance Financing Leasing Company Limited (“**International Alliance**”) and its subsidiaries (collectively “**International Alliance Group**”) were principally engaged in offering finance lease service.

Pursuant to International Alliance Group’s annual report for the year ended dated 31 December 2021, International Alliance Group recorded revenue of approximately RMB232 million and total comprehensive income of approximately RMB78 million.

The Group acquired approximately 28 million shares and disposed approximately 1 million shares of International Alliance during the Year.

3. Imperial Pacific International Holdings Limited (“**Imperial Pacific**”) and its subsidiaries (collectively “**Imperial Pacific Group**”) were principally engaged in the gaming and resort business, including the development of an integrated resort on the Island of Saipan, Commonwealth of the Northern Mariana Islands.

Pursuant to Imperial Pacific Group’s annual report for the year ended dated 31 December 2021, Imperial Pacific Group recorded revenue of nil and total comprehensive loss of approximately HK\$1,087 million.

The Group have approximately 4,062 million shares of Imperial Pacific as at 31 March 2021, and a share consolidation of 20 to 1 was effective from 16 September 2021. The Group held approximately 203 million shares as at 31 March 2022.

4. Virtual Mind Holdings Company Limited (“**Virtual Mind**”), formerly known as CEFC Hong Kong Financial Investment Company Limited, and its subsidiaries (collectively “**Virtual Mind Group**”) were principally engaged in the design, manufacturing and trading of apparels and provision of money lending services.

Pursuant to Virtual Mind Group’s annual report for the year ended 31 December 2021, Virtual Mind Group recorded revenue of approximately HK\$140 million and total comprehensive loss of approximately HK\$46 million.

The Group acquired approximately 284 million shares of Virtual Mind during the Year.

5. Bank of Qingdao Company Limited (“**Bank of Qingdao**”) and its subsidiaries (collectively “**Bank of Qingdao Group**”) were principally engaged in the provision of corporate and personal deposits, loans and advances, settlement, financial market business, financial leasing, wealth management and other services.

Pursuant to Bank of Qingdao annual report for the year ended 31 December 2021, Bank of Qingdao Group recorded revenue of approximately RMB 11,138 million and total comprehensive income of approximately RMB 3,707 million.

The Group acquired approximately 17 million shares of Bank of Qingdao Group and disposed of approximately 3 million shares during the Year.

6. Wealthking Investments Limited (“**Wealthking**”) and its subsidiaries (collectively “**Wealthking Group**”) has a principal investment objective to achieve earnings in the form of medium to long term capital appreciation through investing in a diversified portfolio of global investments in listed and unlisted enterprises.

Pursuant to Wealthking Group’s annual report for the year ended 31 March 2022, Wealthking Group recorded revenue of approximately HK\$271 million and total comprehensive income of approximately HK\$258 million.

The Group acquired approximately 28 million shares of Wealthking during the Year.

7. Riverwood Fund mainly invests in listed equities of companies located in the Greater China Region (which includes Mainland China, Hong Kong, Macau and Taiwan) or deriving income and/or assets from the Greater China Region. Riverwood Fund may invest in Exchange-Traded Funds (ETFs), U.S. Treasury securities and derivative products.
8. Atlantis China Fund (the “**Atlantis Fund**”) may invest in a wide range of listed securities issued by listed companies established in or whose principal place of business is located in the PRC and Hong Kong, including but not limited to listed equities, preferred stocks, convertible securities, notes and other financial products. Atlantis Fund may hold ancillary liquid assets, denominated principally in Hong Kong Dollars, Renminbi and United States Dollars, including cash deposits and money market instruments.
9. Tisé Equity SP-1 is a segregate portfolio of Tisé Opportunities SPC, an exempted company incorporated with limited liability and registered as a segregated portfolio company under the laws of the Cayman Islands in March 2021, with an investment objective to provide its investors with long-term capital appreciation.

The Group had various securities in its investment portfolio such as listed equity securities, unlisted equity securities, unlisted funds, unlisted debts, etc. A fair value loss of approximately HK\$510 million was recorded during the Year (2021: fair value loss of approximately HK\$157 million)

During the year, in relation to fair value loss in FVTPL of approximately HK\$510 million. A total of HK\$227 million and HK\$262 million was related to investment in Riverwood Multi-Growth Fund and Tisé Opportunities SPC.

Impairment losses on property, plant and equipment

During the Year, the Group reversed impairment of approximately HK\$2 million (2021: losses of approximately HK\$70 million) on certain corporate assets included in the property, plant and equipment, as a result of reversal of impairment loss recognised in respective cash-generating units.

Fair value gain on investment properties

During the Year, a fair value gain of approximately HK\$85 million (2021: approximately HK\$10 million) was recognised for property investment of the Group.

Allowance for expected credit losses on financial assets

During the Year, the Group reversed allowance for expected credit losses on financial assets of approximately HK\$9 million (2021: allowance of approximately HK\$284 million recognised). The decrease in the amount was mainly attributable to the settlement of loan receivables received during the year. The Group has engaged an independent professional valuer for assessing the allowance for expected credit losses on financial assets.

Administrative expenses

During the Year, the administrative expenses were approximately HK\$146 million (2021: approximately HK\$155 million), representing a decrease of approximately 6% as compared with the Previous Year. Among the administrative expenses incurred during the Year, approximately HK\$24 million was related to depreciation and non-cash in nature; while the remaining expenses of approximately HK\$58 million were mainly related to staff costs. The decrease in administrative expenses was mainly attributable to effective implementation in cost-saving plans.

Share of results of associates

During the Year, the share of losses of associates of approximately HK\$44 million (2021: approximately HK\$196 million, gain). In the Previous Year, the amount mainly represented the share of results arising from the excess of net fair value of identifiable assets over costs of investments for newly acquired associates of approximately HK\$215 million and the post-acquisition loss of approximately HK\$19 million.

Share-based payment expenses

The expense of approximately HK\$7 million was related to the share awards and emolument shares granted to certain directors and employees.

Finance costs

During the Year, the finance costs were approximately HK\$159 million (2021: approximately HK\$187 million), representing a decrease of approximately HK\$28 million as compared with the Previous Year. The decrease was mainly attributable to (i) the reduction in interest expenses of approximately HK\$80 million arising from corporate note payables and (ii) additional interest expenses of approximately HK\$50 million arising from the increase in bank and other borrowings.

Taxation

During the Year, the net income tax expense was approximately HK\$41 million (2021: approximately HK\$25 million). The increase in the amount was mainly attributable to the deferred tax of approximately HK\$16 million on capital gain tax in relation to the investment properties in the UK.

Fair value gains on financial assets at fair value through other comprehensive income (“FVTOCI”)

The details of the listed securities investments and the fair value gains recognised during the Year are set out below:

Name	Notes	Percentage of	Percentage of	Fair value at	Fair value at	Fair value	Percentage of
		shareholdings at 31 March 2021	shareholdings at 31 March 2022	31 March 2021 HK\$'million	31 March 2022 HK\$'million	gains for the Year HK\$'million	total assets of the Group at 31 March 2022
Goodwill International (Holdings) Limited	a	7.54%	7.54%	8	5	(3)	0.08%
Co-Lead Holdings Limited	b	1.13%	1.05%	32	24	(8)	0.38%
Quan Yu Tai Investment Company Limited	c	15%	15%	306	373	67	5.96%
Oshidori International Holdings Limited (622)	d	3.07%	1.27%	120	39	(15)	0.62%
				<u>466</u>	<u>441</u>	<u>41</u>	<u>7.04%</u>

Notes:

- Goodwill International (Holdings) Limited (“**Goodwill Int'l**”) invested in a number of property investment projects in Hong Kong and the PRC. The properties would be sold to market upon completion of each projects, and investors (including Goodwill Int'l) would receive dividend.
- Co-lead Holdings Limited is principally engaged in trading of securities, provision of finance and holding of investments in financial services industry.

- c. Quan Yu Tai Investment Company Limited holds 90% equity interest in He Ying Tung Investments Company Limited (“**He Ying Tung**”). He Ying Tung, through its various indirect wholly-owned or non-wholly owned subsidiaries, is principally engaged in property development in the PRC. He Ying Tung principally has 3 property projects under development located in the municipalities of Changsha, Chenzhou and Hengyang of Hunan Province, the PRC, mainly consisting of large-scale residential complex projects and integrated commercial complex projects, as well as apartments, offices, shopping arcades, cinemas and other supporting facilities.
- d. Oshidori International Holdings Limited (“**Oshidori**”) principally engages in investment holdings, trading and investment in securities, and the provisions of (i) securities brokerage services, (ii) placing and underwriting services, (iii) corporate finance advisory services, (iv) money lending services, (v) investment advisory and asset management services, and (vi) margin financing services. Pursuant to Oshidori’s annual report for the year ended 31 December 2021, Oshidori recorded revenue of approximately HK\$(3,101) million and total comprehensive loss of approximately HK\$4,206 million.

The Group held 77,500,000 shares of Oshidori as at 31 March 2022 (31 March 2021: 187,500,000).

Liquidity, financial resources and capital structure

As at 31 March 2022, the Group’s current assets and current liabilities were approximately HK\$2,266 million (31 March 2021: approximately HK\$2,026 million) and HK\$2,451 million (31 March 2021: approximately HK\$1,096 million) respectively.

The Group has established a treasury policy with the objective of lowering cost of funds. Therefore, funding for all its operations have been centrally reviewed and monitored at the Group level. To manage the Group’s exposure to fluctuations in interest rates on project, appropriate funding policies will be applied including the use of bank and other borrowings, corporate note payables, convertible note payables and issue of placement shares. The management will continue its efforts in obtaining the most privileged rates and favourable terms to the Group for its financing.

Gearing ratio and indebtedness

The Group monitors its capital structure based on the gearing ratio. This ratio is calculated as net debts divided by total capital. Total capital is calculated as “equity” as shown in the consolidated statement of financial position plus net debts. The capital structure (including its gearing ratio) as at 31 March 2022 and 31 March 2021 was as follows:

	31 March 2022	31 March 2021
	<i>HK\$'million</i>	<i>HK\$'million</i>
	(audited)	(audited)
Bank and other borrowings	1,922	1,426
Corporate note payables		
— at amortised cost	430	652
— at FVTPL	629	628
Convertible note payables	—	24
	<hr/>	<hr/>
Total borrowings	2,981	2,730
Less: cash and cash equivalents	(195)	(198)
pledged bank deposits	(21)	(5)
	<hr/>	<hr/>
Net debts	2,765	2,527
Total equity	2,827	3,014
	<hr/> <hr/>	<hr/> <hr/>
Total capital	5,592	5,541
	<hr/> <hr/>	<hr/> <hr/>
Gearing ratio	49%	46%
	<hr/> <hr/>	<hr/> <hr/>

As at 31 March 2022, the maturity and currency profile for the Group’s bank and other borrowings and corporate note payables are set out as follows:

	Within 1 year	2nd year	3–5 years	Total
	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>
HK\$	102	17	14	133
US\$	583	157	—	740
GBP	1,049	—	—	1,049
	<hr/>	<hr/>	<hr/>	<hr/>
	1,734	174	14	1,922
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

As at 31 March 2022, approximately 97% of the Group’s borrowings are secured by (1) investment properties; (2) corporate note receivables; (3) property, plant and equipment; (4) financial assets; and (5) bank deposits.

The borrowings with aggregate amounts of approximately HK\$1,867 million were carried at fixed interest rates, approximately HK\$55 million were carried at floating interest rates.

As at 31 March 2022, cash and cash equivalents were denominated in the following currencies:

	<i>HK\$'million</i>
HK\$	92
GBP	49
RMB	34
US\$	15
JPY	4
EUR	1
	<hr/>
	195
	<hr/> <hr/>

Interest rate risk

The Group's pledged bank deposits and finance lease receivables bear fixed interest rates. The Group's cash at bank balances bear floating interest rates. The Group also has borrowings, obligation under finance leases. Exposure to interest rate risk exists on those balances subject to floating interest rate when there are unexpected adverse interest rate movements. The Group's policy is to manage its interest rate risk, working within an agreed framework, to ensure that there are no undue exposures to significant interest rate movements and rates are appropriately fixed when necessary.

Currency risk

The Group mainly operates in Hong Kong with most of the transactions denominated and settled in HK\$, US\$ and GBP. The Group's exposure to foreign currency risk primarily arises from certain financial instruments including trade receivables, bank balances and cash, trade payables, borrowings and obligation under finance leases which are denominated in US\$ and EUR. The Group does not adopt any hedging strategy in the long run but the management continuously monitors the foreign exchange risk exposure and might enter into foreign exchange forward contracts on a case-by-case basis. The Group has not used any hedging contracts to engage in speculative activities.

Credit risk and liquidity risk

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Year. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements.

Risk management

The Group has established and maintained sufficient risk management procedures to identify and control various types of risk within the organisation and the external environment with active management participation and effective internal control procedures in the best interest of the Group and its shareholders.

Major Post Balance Sheet Date Events

- (1) On 11 May 2022, Victory Bright Limited (the “**Vendor**”) and Alcott Global Limited (the “**Target Company**”), both are indirect non-wholly owned subsidiary of the Company, and Glaring Sand Holdings Limited (the “**Purchaser**”) entered into a sale and purchase agreement, pursuant to which the Vendor conditionally agreed to sell 15 issued shares of the Target Company, representing 15% of the entire issued share capital of the Target Company at a consideration of US\$20 million (equivalent to approximately HK\$157 million). The transaction was completed on 16 May 2022.

The major asset of the Target Company is 22% of the issued share capital of CESIZ (Cambodia) Co., Ltd. a company incorporated in Cambodia with limited liability which is principally engaged in investment in urban complex development project. It has obtained approval from the Council of Ministers to establish a special economic zone at Koh Kong Province, Cambodia.

- (2) The Company issued fixed coupon notes with principal amount of HK\$370 million (the “**Fixed Coupon Notes**”) in June 2022. The fixed Coupon Notes is due in September 2023.
- (3) On 22 June 2022, True Well Limited, an indirect non-wholly owned subsidiary of the Company, executed an order with Shanghai Commercial Bank for a bond purchase at the consideration of US\$45,225,000 (equivalent to approximately HK\$355,016,250).
- (4) On 23 June 2022, Victor Ocean Developments Limited, an indirect non-wholly owned subsidiary of the Company, executed an agreement for the disposal of 49% equity interest in Triple Blessing International Limited an associated of the Group at a consideration of HK\$44 million.

Contingent liabilities

As at 31 March 2022 and 2021, the Group had no material contingent liabilities.

Employees and remuneration policy

As at 31 March 2022, the Group had 166 staff (31 March 2021: 175). The Group generally recruits its employees from the open market or by referral and enters into employment contracts with its employees. The Group offers attractive remuneration packages to the employees. In addition to salaries, the employees would be entitled to bonuses subject to the Company's and employees' performance. The Group provides a defined contribution to the Mandatory Provident Fund as required under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for the eligible employees. The Group also adopted a share option scheme and share award scheme.

The operation staff consists of experienced machinery operators and mechanics. While such employees are highly demanded in the market, the Group manages to maintain a relatively stable workforce by continuous recruitment from the market or through referrals. New employees are required to attend induction courses to ensure that they are equipped with the necessary skills and knowledge to perform their duties. In order to promote overall efficiency, the Group also offers technical trainings to existing employees on the operation of more advanced construction machinery from time to time. Selected operation staff are required to attend external trainings which are conducted by the manufacturers of the construction machines to acquire up-to-date technical skills and knowledge on the products of the Group.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend to the shareholders of the Company for the Year (2021: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS DURING THE YEAR

(i) Acquisition of 49% equity interests in a target company and deemed disposal of interest in HTICI

In April 2021, the Group entered into a share purchase agreement with Mr. Su Junhao pursuant to which the Group acquired from Mr. Su 49% equity interests in KFL at the consideration of approximately HK\$321 million which was settled by way of allotment and issue of approximately 867 million shares of HTICI. KFL, through its interests in Tisé Equity SP-1, acquired shares of NGG. The acquisition was completed in May 2021.

The allotment and issue of the above-mentioned shares by HTICI resulted in the dilution of the Company's percentage shareholding in HTICI from approximately 53% to 47% and therefore constituted a deemed disposal of the Company under the Listing Rules. Following the completion of the said issue, HTICI remains as an indirect non-wholly owned subsidiary of the Company as the Board considered the Company still has sufficient power to direct relevant activities of HTICI having regard to the size of Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders.

(ii) Disposal of interest in HTICI

In July 2021, the Group entered into a sale and purchase agreement with Hundred Gain Industrial Investment Company Limited (“**Hundred Gain**”) pursuant to which the Group sold 637,500,000 shares in HTICI, representing approximately 8.44% of the then issued share capital of HTICI, to Hundred Gain at HK\$0.52 each for a total cash consideration of HK\$331,500,000. As of the date of this announcement, disposal of a total of 61,488,000 shares of HTICI was completed.

It was considered that the Group has de facto control over HTICI even though it has less than 50% of the voting rights. The Group is the majority shareholder of HTICI and the other vote holders of HTICI are dispersed. There is no history of other shareholders forming a group to exercise their votes collectively. As the said disposal will not result in Group’s loss of control over HTICI, HTICI will still remain as a subsidiary of the Company following the completion of the transaction.

Save as disclosed, the Group had not made any other material acquisition or disposal of subsidiaries and associates during the Year.

BUSINESS PROSPECTS

The past year was full of opportunities and challenges. The COVID-19 pandemic is affecting the pace of global economic recovery and adds uncertainties to the financial market. However, the Group implements prudent business strategies to establish a diversified business portfolio that can survive the uncertain market conditions while exploring high-quality asset investment opportunities to explore the growth potential of profit and capital value for shareholders and investors of the Company.

Looking ahead, the Group will remain cautious and sensibly uphold its risk management policies, strength its capital management and implement stringent cost control measures to uphold its profitability during downturn of economy.

Money lending and financial services business

The Group will continue to expand the clients base and establish a strong track record in order to strengthen the businesses of corporate financial advisory services, asset management services and streamline the client base of money lending services in the coming future. For the securities brokerage services business, the Group will explore the involvement in the share placement activities to enhance its revenue stream.

Property development business

Located in the Indo-China Peninsula, Cambodia is an important stop on the ancient Maritime Silk Road and an important location for China to promote the “One Belt, One Road” construction in the 21st century. Now Cambodia is also preparing an economic transformation, with many business opportunities emerging. Meanwhile, Cambodia has a decent investment environment and the market is highly liberalised and internationalised, attracting the attention and injection of global capital. While taking part in the development potential of the land development project, the Group is also exploring more business opportunities to invest in more business sectors in Cambodia and to share the development dividend of this high growing emerging market in the future.

At the same time, Malaysia is one of the most popular countries in Asia. In recent years, Malaysia’s GDP has continued to rise, which proves that Malaysia has strong investment potential. The Group is also deploying and looking for local high-quality projects, following the layout along the “One Belt, One Road” regions. Looking forward, the Group remains confident in its existing businesses and will continue to monitor the performance in order to maximise the returns to its shareholders.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining sound and well-established corporate governance practices and procedures that are consistent with the Corporate Governance Code (the “**CG Code**”) set out in Appendix 14 to the Listing Rules. The corporate governance principles of the Company emphasise on a quality board of directors, sound internal control, transparency and accountability to all shareholders of the Company.

The Company has applied the principles and complied with all relevant code provisions of the CG Code throughout the Year, save and except Code Provisions C.2.1 and the former Code Provision A.5.1:

- (i) under code provision C.2.1 of the CG Code, the roles of the chairman and chief executive should be separate and should not be performed by the same individual. The Company has neither appointed a board member as the chairman of the Board nor appointed a chief executive officer. Having considered the business operation of the Group at the material time, it is believed that the Board, which consists of experienced professionals, can function effectively as a whole, and the executive Directors along with other members of senior management of the Company are effective in overseeing the day-to-day operation of the Company under the strong corporate governance structure in place; and
- (ii) under the former code provision A.5.1 of the CG Code, the nomination committee should be chaired by an independent non-executive Director. The nomination committee of the Company (the “**Nomination Committee**”) was chaired by Dr. Zhiliang Ou, an executive Director. Having reviewed the structure and roles of the Nomination Committee and the implementation of new listing rules, with effect from 29 December 2021, Dr. Zhiliang Ou has ceased to be the chairman of the Nomination Committee and Mr. Mak Yiu Tong, an independent non-executive Director, has been appointed as the chairman of the Nomination Committee.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as its own code of conduct for Directors' securities transactions. The Company has made specific enquiry to all Directors and all Directors confirmed that they have fully complied with the Model Code for the Year.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Certain subsidiaries of the Company purchased 59,610,000 shares of the Company from the market during the Year. The total amount paid to acquire the shares was HK\$5 million and has been deducted from the shareholders' equity. The related weighted average price at the time of buy-back was HK\$0.08 per share. No share was cancelled during the Year.

AUDIT COMMITTEE

The Company established an audit committee on 16 May 2006 with reference to “A Guide for the Formation of an audit committee” published by the Hong Kong Institute of Certified Public Accountants. The terms of reference of the audit committee are consistent with the code provisions as set out in the CG Code and are available on the Company's website. The audit committee has reviewed the audited consolidated financial statements for the Year and this announcement of the Company.

SCOPE OF WORK OF THE AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the Year as set out in this announcement have been agreed by the Group's auditor to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by the auditor in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by the auditor on this announcement.

PUBLICATION OF THIS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the websites of the Company (www.acesogrouphk.com) and the Stock Exchange (www.hkex.com.hk). The 2021/22 annual report of the Company containing all information required by the Listing Rules will be despatched to shareholders of the Company and available on the same websites in due course.

APPRECIATION

The Board would like to take this opportunity to express its sincere gratitude to the management team and staff for their hard work and contributions, and to our shareholders, investors and business partners for their trust and support.

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

Hong Kong, 29 June 2022

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.

* *for identification purpose only*