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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)

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

Reference is made to the annual report of Aceso Life Science Group Limited (the “**Company**”) for the year ended 31 March 2022 published on 28 July 2022 (the “**Annual Report**”). Unless otherwise defined in this announcement or the context requires, capitalised terms used herein shall have the same meanings as those defined in the Annual Report.

In addition to the information provided in the Annual Report, the board of directors of the Company (the “**Board**”) would like to provide additional information regarding the disclosure with respect to the money lending business of the Group in Hong Kong as below:

(a) The size and diversity and sources of its clients, and source of funding of the money lending business

As at 31 March 2022, the Group had granted 10 mortgage loans to 9 individuals and 1 corporation with carrying amounts ranging from approximately HK\$0.5 million to approximately HK\$7 million and personal loans to 5 individuals and 4 corporations with carrying amounts ranging from approximately HK\$2 million to approximately HK\$33 million. As at 31 March 2022, there are a total number of 19 borrowers (14 individuals and 5 corporations) under the Company’s Loan portfolio. The Company provides its mortgage financing service and personal loans to individual and corporation clients of different backgrounds, including home owners and companies investing in residential properties mainly in Hong Kong, who are referred to it by sales executives.

The source of funds for the money lending business is funded by the internal resources of the Group.

(b) Credit risk assessment policy

The Company's money lending business offers both secured and unsecured loans to borrowers comprising individuals and corporations. The Company has adopted a credit risk policy and put in place loan approval procedures to manage its money lending business which includes compliance with all applicable laws and regulations, credit assessment on potential borrower and his/its assets, the credibility of the potential borrower, the necessity in obtaining collaterals, assessment of the use of proceeds and the source of repayment. Details of such policy and procedures are all consolidated in an Internal Control Manual which governs the operations of our money lending business and relevant staff are required to abide by in conducting their behaviours and delivering their target performance. In granting loans to clients, documents such as loan application, proof of identity, employer/income verification, proof of address and any relevant credit reports of potential borrowers. The scope of money lending services provided by the money lending business generally includes personal loans, business loans on general working capital. The Company tries to diversify the loan portfolio by providing to different borrowers to lower the concentration risk. The Company does not have preference for specific types of borrowers for loan acceptance (e.g. job/business nature of borrower). The credit risk assessment was made in case-by-case basis and the Company generally looks at the 5 Cs in assessment of credit risk of borrowers, the 5 Cs are credit history, capacity to repay, capital, the loan's condition and associated collaterals. These includes but not limited to reviewing the financials of borrowers, considering the borrower's repayment history and evaluating whether the borrowers are in bankruptcy, receivership or liquidation. Within a loan category, the interest rates, the duration of the loan and repayment terms of the loan vary and is determined by factors such as background and credibility of borrowers, their business plans and present and projected operation performance, the collateral security to be made available by these borrowers, and their repayment track records (if the loan is sought by existing borrowers and previous borrowers). The determination of the loan terms reflects the risk level of the provision of loan and ensure the risk is at a controllable level.

(c) Key internal controls

Credit approval before granting loans to potential borrowers, the Company performs credit assessment process to assess the potential borrowers' credit quality individually, such as their identity and background, assessment on their creditability, financial background of the borrowers (again, factors such as background and credibility of borrowers, their business plans and present and projected operation performance, the collateral security to be made available by these borrowers, and their repayment track records (if the loan is sought by existing clients) are considered), as well as the value and characteristics of the collaterals to be pledged. The loan proposals will be prepared by the designated loan officer and review by risk management department of money lending business. Risk management department of money lending business will discuss on case specific issues in relation to the factors described above to determine if they have been thoroughly considered back and forth with loan officer to fine tune its loan proposal and risk management department will make official comments on the submission draft. The loan proposal together with the comments from risk management department will then be sent to the approver(s), who are Director(s) designated with such role and function for approval through physical meeting or emails. Approver(s)

may also comment, add pre-conditions and improve the terms and conditions during this process. The relevant department head(s) and approver(s) will sign off the proposals once approval is obtained for proper record.

The Company has the designated loan officer to closely monitor its loan portfolio, include regular communication with the borrowers of their financial position together with other measure such as monthly assessment of valuation of collateral (if any), repayment track record of borrower(s), change of profile of borrower(s) (such as change of employment and if there is additional liabilities on the part of the borrower(s), through which the Company will be able to keep updated with the latest credit profile and risk associated with each individual borrower and could take appropriate actions for recovery of a loan at the earliest time. Also, risk management department, which comprised of officers with background in finance, auditing and experience in money lending business will review the risk level of each of the loans on a daily basis and report to the senior management which includes Chief Executive Officer, Financial Controller and the Board in some cases regularly on their recommendation. From time to time, risk management department of the money lending business will alert the senior management on certain events (e.g. failed repayment) and advise the Company to take appropriate actions. The accounts department of the money lending business will also keep track of the repayment schedule constantly and make alerts to senior management the Financial Controller and Chief Executive Officer in case of failed or late repayment.

(d) Recoverability and collection

At each month end, the designated loan officer will check if there is overdue balances or late payment and risk management department as described above will perform an independent review on the loans portfolio and closely monitor the status and report to the senior management. Usually there would be internal discussions on a case-by-case basis on what recovery actions to be taken so that the Company could recover the most in a timely fashion. Means like phones calls, seizure of collaterals, statutory demand letter and further legal actions would be discussed. Reminder letter and statutory demand letter will be issued to the borrower when considered appropriate if there is overdue repayment. Where appropriate, legal action will be initiated against the borrower for the recovery of the amount due and taking possession of the collateral pledged. Actions in seizure of collaterals and realization of underlying collaterals would also be taken if necessary. Where appropriate, the Company will also petition to the court for winding-up of the borrower and/or guarantor. Again, the recovery and collection decisions and processes are included in the monthly risk management report to the senior management.

The Director who operates and oversees the money lending business have vast experiences and knowledge in the industry. The risk management department which includes a senior financial management of the Company's money lending business and holds a bachelor's degree in Business and an Associated Degree in Psychology, and has more than 15 years' experience in the money lending industry. The Company's management team, which includes the chief executive officer, chief financial officer of the Company and the Company's financial controller and the company secretary, also possesses over 10 years of experience in the corporate and banking industry and the

field of accounting and auditing. Additionally, most of the Board members also possess extensive experience in corporate financing, investments and banking and financial advisory services.

(e) Compliance with Chapter 14 and/or 14A of the Listing Rules

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

(f) Amount of loan receivables secured by pledge of collaterals and guarantees, and nature of the collaterals

	31 March 2022 <i>HK\$'million</i>
Hong Kong money lending business	
— Secured only by corporate notes, shares and properties	81
— Secured only by personal guarantees	40
— Secured only by corporate notes and properties and personal guarantees	40
— Unsecured and no guarantee	42
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(g) Maturity profile of loan receivables

	31 March 2022 <i>HK\$'million</i>
Hong Kong money lending business	
Due within 1 year	187
Due within 2 to 5 years	7
Due over 5 years	9
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(h) The mortgage loan interest rate is ranging from 8% to 18% per annum. The personal loan interest rate is ranging from 10% to 16% per annum.

(i) Reasons for the movements in impairment provisions in the year

The impairment recognized in the consolidated statement of profit and loss for year ended 31 March 2021 and 2022 are HK\$43 million and HK\$13 million, respectively. The decrease of the impairment was because of the reduction of the loan portfolio size from HK\$605 million at 31 March 2021 to HK\$347 million at 31 March 2022.

The Company adopted the requirements in respect of ECL assessment set forth in HKFRS 9 issued by the HKICPA in determining the impairment loss allowance for its loan receivables. The details of the accounting policies in respect of the impairment assessment of financial assets are set out under Page 131 of the Annual Report to the consolidated financial statements of the Group in the Annual Report. The Company has taken into account the following factors on the impairment assessment for the outstanding loans and unlisted debt securities due from the connected parties and independent third parties in accordance with the HKFRS 9: (i) the probability of default and the likelihood that the borrowers may fail to pay back the loans. The Company will perform due diligence on the financial statements and consider the macro-environment and the latest announcements of the borrowers. The repayment history of the borrowers will also be taken into account; (ii) the loss given default and the expected cash shortfall between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive. The Company will consider the value of the collaterals pledged for the loans, if any; and (iii) forward-looking market data such as gross domestic product will also impact on the recoverability of the loans. The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Up to the date of this announcement, total subsequent settlement of approximately HK\$181 million was received.

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

Hong Kong, 24 February 2023

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Xu Hai Ying, Dr. Zhiliang Ou, JP (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.