Asia-Pac Financial Investment Company Limited

亞 太 金 融 投 資 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8193)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2022 AND 2023

Reference is made to the annual report of Asia-Pac Financial Investment Company Limited (the "**Company**", and together with its subsidiaries, the "**Group**") for the year ended 31 March 2022 ("**2022 Annual Report**") and year ended 31 March 2023 ("**2023 Annual Report**"). Unless otherwise defined herein, capitalised terms herein shall have the same meanings as those defined in the 2022 Annual Report and 2023 Annual Report.

FINANCIAL SERVICES BUSINESS

In addition to the information disclosed in the section headed "MANAGEMENT DISCUSSION AND ANALYSIS" in the 2022 Annual Report and 2023 Annual Report, the Company would like to add additional information in relation to the Group's financial services business.

The Group holds a money lenders license under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). The service consists of the provision of financial credit services such as personal loans and commercial loans to individuals and corporations. The Company did not set specific target for customer of any background or industry or operation history. The source of customers of the Company were mainly via the referrals from customers or advertisements or business networks of the senior management of the Company. For the Group's loan portfolio as at 31 March 2022 and 2023, all the outstanding loan receivables were due from individual customers. The source of funds for the financial services business is generally funded by the internal resources of the Group.

As at 31 March 2022 and 2023, the Group had 37 and 35 individual borrowers respectively. The following table sets forth the distribution of the remaining maturity of loan receivables as at 31 March 2022 and 2023:

	2023	2022
	HK$'000	*HK$'000*
Within one year	**74,485**	71,315
More than one year but not exceeding two years	**3,278**	19,033
	77,763	90,348

Key Internal Controls

With regards to the Group's internal controls for financial services business, there are the following monitoring mechanisms and measures adopted by the Group:

Loan application and approval

In progress of loan applications, internal credit assessments would be performed to decide the proposed loan size and interest rate charged. The internal credit assessment included but not limited to:

– verification and background checking, such as the identity documents and statutory records (i.e. identity card, address proof, business registration certificate, latest annual return, etc.);

– obtain income or asset proof of the borrower and guarantor, such as share certificates, bank statements and security statements, etc.;

– the valuation documents of the collaterals (if any); and

– the verification of the authenticity of the information provided.

Furthermore, the Group would perform public search towards the borrower and guarantor (if any) to ensure compliance with the relevant requirements and regulations of anti-money laundering and counter-terrorist financing ("**AML & CTF**"). For each loan application, rather than a pre-set minimum amount of income/revenue/profit/total asset/net asset level, the management would determine and approve the loan amount and interest rates based on the relevant financials, repayment ability and the overall quality of borrowers/guarantors and the respective collaterals, subject to business negotiations and market conditions. The loan approval will be further subject to the judgement of the management, where certain factors may also be considered in loan assessment as additional factors that would greatly affect the likelihood of the loan recoverability, such as the credit history, career profile, business or family background of the borrower/guarantor and the purpose of the borrowing.

Recovery and collection of loan receivables

Upon granting the loan, the Group would keep track of the repayment records and loan portfolio on an on-going basis and conduct recoverability review, in particular for any past due loan accounts. The Group would follow the review procedure as follow: (i) obtain and review the repayment records of every loan and interests repayment to ensure every repayment is repaid on schedule and at the appropriate amount; (ii) communicate actively with the customers for past due repayment; and (iii) conduct legal action when considered necessary. The Group would further obtain the updated financial information from the borrowers when late repayment records were noted to assess the recoverability of loan. Different procedures and effort are put onto the loan recovery, appropriate actions, such as sending legal demand letter, legal proceedings arrangement, etc., would be considered by the Group, subject to the recovery situation of the loans and negotiation with customers.

As at 31 March 2022, the Group maintained a net loan portfolio of approximately HK$90.3 million with loans to individual borrowers ranging from HK$0.3 million to HK$10.0 million with terms ranging from 1 year to 3 years. The loans receivables were unsecured and carry interest at fixed effective rate ranged from 6% to 15% per annum. The management of the Group are of the view that the composition is reasonable and in the interests of the shareholders as a whole, considering that a relatively higher interest yield could be associated with an unsecured loan, given that the borrower can fulfill the Group's loan approval requirements as mentioned above. As at 31 March 2022, the net amounts of loan receivables from the largest borrower and the five largest borrowers in aggregate amounted to approximately HK$7.3 million and HK$34.4 million, respectively, which accounted for approximately 8.0% and 38.1% respectively of the loan receivables of the Group. As at 31 March 2023, the Group maintained a net loan portfolio of approximately HK$101.4 million with loans to individual borrowers ranging from HK$0.3 million to HK$8.0 million with terms ranging from 1 year to 3 years. The loans receivables were unsecured and carry interest at fixed effective rate ranged from 6% to 15% per annum. The management of the Group are of the view that the composition is reasonable and in the interests of the shareholders as a whole, considering that a relatively higher interest yield could be associated with an unsecured loan, given that the borrower can fulfill the Group's loan approval requirements as mentioned above. As at 31 March 2023, the net amounts of loan receivables from the largest borrower and the five largest borrowers in aggregate amounted to approximately HK$7.9 million and HK$40.9 million, respectively, which accounted for approximately 7.8% and 40.4% respectively of the loan receivables of the Group.

Impairment provisions

The Company adopted estimated credit loss allowances ("**ECLs**") according to the requirements of Hong Kong Financial Reporting Standard ("**HKFRS**") 9 issued by the Hong Kong Institute of Certified Public Accountants. The Group made impairment provision on loan and interest receivables primarily based on the future macroeconomic conditions and borrowers' creditworthiness (e.g. the likelihood of default by customers). Such assessment has taken regard of quantitative and qualitative historical information and also, the forward-looking analysis.

After assessments based on the repayment and financial status of the borrowers and forward looking factors, impairment on certain loan receivables of approximately HK$25.9 million and HK$17.4 million was recognised during the year ended 31 March 2022 and 2023 given the economic downturn and the uncertainties of the economic outlook. To ensure the adequacy of allowance for ECL on loan receivables, the Group engaged an independent firm of professional valuers to conduct a valuation on the allowance for ECL on loan receivables recognised for the year ended 31 March 2022 and 2023.

Key value of inputs used and assumptions adopted in valuation

The valuer adopted the probability-weighted loss default model (the "**PD Model**") to measure the expected credit loss allowance of the loan receivables. Major inputs of the PD Model include (i) probability of default; (ii) loss given default; (iii) exposure at default; and (iv) discount factor reflecting time value of money. The key value of inputs of the valuation as at 31 March 2022 ("**FY2022**") and 31 March 2023 ("**FY2023**") are set out as follows:

	FY2022	**FY2023**
Probability of default	0.10%-100.00%	1.71%-100.00%
Loss given default	0.00%-100.00%	61.26%-100.00%
Exposure at default	117,084,000	101,401,000
Discount rate	5%	6%-15%

The key assumptions adopted in the valuation include the following:

- expected loss rates have been adjusted for forward-looking factors by taking into account any observable change in future economic conditions, events and environment;

- the adopted loss rates and/or default probabilities are representative to reflect the impact from multiple repayment scenarios of the debtors based on the historical credit status information provided by the management of the Company and sourced from public sources;

- according to the management of the Company, historical loss pattern does not vary significantly across the customer groups and there is no expectation of such changes over the expected collection period of the receivables outstanding at the period end. Consequently, all receivables are combined into one or more portfolios for the purpose of measuring the expected credit loss; and

- discount effect due to time value of money on receivables which will be matured in less than one year from the date of the valuation is considered to be immaterial.

There were no changes in valuation method and significant changes in the value or inputs and assumptions compared to previous year. The Company's debtors were affected by the overall downturn of the economy and the recoverability of the corresponding loan receivables were undermined. The credit risk and default risks of loans would inevitably increase. It led to more default cases on repayments and such more receivables were assigned with a maximum default probability of 100%, which resulting in an increase in net allowance for the ECL. During the year ended 31 March 2022 and 2023, 3 loans with total balance of approximately HK$20.2 million and 2 loans with total balance of approximately HK$15.2 million were classified as stage 3, respectively, which was arrived at after considering late repayment, increase in loan balances and clean loan in nature. The Group has issued demand letters and is also negotiating with several borrowers for settlement of the respective loans. The Group will continue to negotiate with the respective borrowers for the settlement of the loans and will consider taking legal action to recover the loans.

The Group has complied with requirements set out in Chapter 19 and 20 of the GEM Listing Rules when it granted the loans to each of the respective borrower whose loan was still outstanding as at 31 March 2022 and 2023.

To the best of the Directors' knowledge, information and belief based on internal records, the Group does not have any agreement, arrangement, understanding or undertaking (whether formal or informal and whether express or implied) with a connected person with respect to the grant of loans to each of the respective borrower whose loan was still outstanding as at 31 March 2022 and 2023.

The above information does not affect the information disclosed in the 2022 Annual Report and 2023 Annual Report. Save as disclosed in this announcement, all other information in the 2022 Annual Report and 2023 Annual Report remains unchanged.

By order of the Board
Asia-Pac Financial Investment Company Limited
Ip Kwok Kwong
Executive Director and Managing Director

Hong Kong, 21 July 2023

As at the date of this announcement, the Board comprises Mr. Ip Kwok Kwong (Managing Director) and Mr. Wu Di as executive Directors; and Mr. Sek Wai Kit, Mr. So Kwok Yun and Mr. Tang Wai Kee as independent non-executive Directors.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the "Latest Listed Company Announcements" page of the website of Stock Exchange (www.hkexnews.hk) for at least 7 days from the date of publication and on the website of the Company at www.gca.com.hk.