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AURUM PACIFIC (CHINA) GROUP LIMITED
奧 栢 中 國 集 團 有 限 公 司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8148)

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

Reference is made to the annual results announcement (the "**Results Announcement**") and the annual report (the "**Annual Report**") of Aurum Pacific (China) Group Limited (the "**Company**") for the year ended 31 December 2021 (the "**Period**") at 23 March 2022 and 30 March 2022 respectively. Capitalised terms used in this announcement shall adopt the same meanings as defined in Annual Report, unless the context requires otherwise.

The Board wishes to provide additional information in relation to the money lending business of the Group (the "**Money Lending Business**") and the impairment loss on the loan receivable recognised by the Company for the Period.

MONEY LENDING BUSINESS AND THE IMPAIRMENT LOSS

The Money Lending Business was carried out by a wholly owned subsidiary of the Company under money lenders license granted by the licensing court in Hong Kong pursuant to the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). The Money Lending Business targeted both small and unsecured personal loan and sizable loan. The Group decided in September 2021 to cease operating the Money Lending Business segment upon the expiry of the money lender's license on 2 June 2021.

As stated in the Annual Report, the Company recognised a provision for impairment loss of approximately HK$99.8 million on loan and interest receivable (the "**Impairment Loss**") as at 31 December 2021. Save as disclosed in the Annual Report, further information and update regarding the loan and interest receivable of the Group and the Impairment Loss is set out below:

As at 31 December 2021, there were a total of 126 outstanding loans, out of which 18 loans are sizeable loans with principal amount exceeds HK$100,000 which were granted between 2015 and 2020. All debtors, and its ultimate beneficial owner (if applicable), of the outstanding loans are independent third parties (as defined in the GEM Listing Rules) of the Group. The aggregate principal amount of outstanding loans are approximately HK$94.5 million, out of which approximately HK$47.3 million was secured by personal guarantee, approximately HK$5.0 million was secured by mortgage and the remaining of approximately HK$42.2 million was unsecured. Loans to the top borrower and top 5 borrowers constituted approximately 26% and 51% of the Group's loans receivable balance respectively as at 31 December 2021. The majority of outstanding loans were granted during the year of 2018 and 2019. The interest rate of the outstanding loan are ranged 10.0% to 58.8%.

Methodology and basis adopted in determining the Impairment Loss

The Group recognized the Impairment Loss under HKFRS 9 expected credit loss ("**ECL**") model on loans and interests receivables for the Period which has reviewed by the auditor of the Company. The ECL model is a probability-weighted estimate of credit losses, which are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flow due to the Group in accordance with the contract and the cash flows that the Group expects to receive), discounted at original effective interest rate, where the effect of discounting is material.

When estimating the ECL on loan and interest receivable, the Group has considered the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis by comparing the risk of default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. The Group has also taken into account forwarding-looking information including actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparties' ability to meet its obligations.

Under the general approach of the ECL model, the assumptions underpinning the Group's for the loans and interest receivables are set out below:

Category	**Definition of category**	**Basis for recognition of ECL provision**
Stage 1	Exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired upon origination.	Portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised.
Stage 2	Exposures where there has been a significant increase in credit risk since initial recognition but are not credit-impaired.	Lifetime expected losses (i.e. reflecting the remaining lifetime of the financial asset) is recognised.
Stage 3	Exposures are assessed as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred.	Lifetime expected losses is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of provision) rather than the gross carrying amount.

Practically, in setting the stage for the loans and interest receivables, the Group will consider the characteristic of the loans and interest receivables and recognise the ECL provision according to the respective accounting practice of the Group. All Impairment Loss has been categorised as Stage 2.

Up to the date of discontinued operation of the money lending business, the Group rebutted the presumption of default under ECL model for loans and interest receivables over 90 days past due based on continuous business with the Group. In accordance with the accounting principal, they were assessed individually based on their probability of default and exposure of default with reference to historical credit loss experience, adjusted by current and forward-looking factors. In practice, save for exceptional circumstances, considering, *inter alia*, the loans have been past due at the end of the reporting period (i.e. 31 December 2021) without any repayment of principal and/or interest further, reflecting a significant increase in credit risk, all loans and interest receivable were impaired.

The Board are of the view that the above-mentioned methodology and the basis applied were common and widely used in the market and such approach in measuring the ECL on loan and interest receivable is consistent with practice adopted by Group since the financial year ended 31 December 2020. The Board consider such methodology and the basis applied are fair and reasonable.

Internal Control Procedure

The Group had revised and updated its money lending policy and manuals of the Group (the "**Manuals**") for both sizeable loan and small and unsecured personal loan to cope with the changing regulatory requirements from time to time, including the procedures in relation to the implementation of Anti Money Laundering and Counter-Terrorist Financing System.

The Group has adopted and followed a series of strict credit assessment procedure to regulate the Money Lending Business operation to ensure a comprehensive risk management so as to safeguard the Group's and, most importantly, the Shareholders' interest.

In general, each loan application must go through three stages before granting to the borrower, namely (i) document collection and verification; (ii) credit risk assessment; and (iii) approval. The Manuals had set out, among others, (i) a list of documents and information required for each loan application; (ii) the general framework of the credit assessment process including but not limited to the factors to be considered such as the applicant's background, financial and repayment abilities, credit worthiness and intended use of the loan; and (iii) the approval authorisation for each type of loan application.

All loans being granted should be approved, on a case-by-case basis, by the majority of the loan approval committee (the "**Committee**") of the Group, where the members of the Committee included the Directors who were designated to handle and/or monitor the Money Lending Business and procedure of the Group. The Committee, upon receiving loan application, should perform a set of standardised know-your-customer procedures and due diligence process. During the process, the Committee should obtain and verify the income proof/cash flow proof of the applicant, and if securities/collateral involved, the asset proof.

The Manuals further provide the guideline for dealing with loan and interest repayment of default for both sizeable loan and small and unsecured personal loan. Generally, the designated officer of the Group shall first remind the borrower prior to the due date of the loan. Should the borrower fail to repay the loan and interests promptly, the Manuals set out the loan collection procedure to monitor the recoverability of the loan on an ongoing basis.

For sizeable loan, (i) on the day immediate after the due date, the Group shall serve the first overdue notice to the borrower stating that the borrower should repay the outstanding amount within 15 days or on a specific date; (ii) on the fifteenth (15^{th}) day after the due date, the Group shall serve the second overdue notice stating that the borrower should repay the outstanding amount within 14 days and, if the borrower fails to do so, the Group reserve the right to charge late interest and take legal proceedings against the borrower; (iii) the Group may request an external lawyer to issue the first and second legal letter to the borrower on the thirtieth (30^{th}) and forty-fifth (45^{th}) days after the due date; (iv) on the sixtieth (60^{th}) after the due date, the Group may request an external lawyer to issue the third legal letter to the borrower explaining the legal proceedings to process the relevant legal actions in respect of the collateral for secured loan or petition bankruptcy for non-secured loan; and (v) the Group may request an external lawyer to issue the writ to the borrower and may petition for petition for borrower's bankruptcy without further notice on the seventy-fifth (75^{th}) day after the due date.

For small and unsecured loan, (i) the designated officer of the Group shall contact the borrower on a daily basis; (ii) two weeks after due date, the loan manager should report to the Committee, and the Committee should decide, whether to engage external legal loan collection agents or dispose the loans to independent third party(ies) at normal commercial terms; and (iii) the Group may institute legal proceedings against the borrower should the Group fail the retrieve the outstanding amount after internal and external loan collection actions.

Action taken by the Company on loan and interest receivable

The Directors, upon their appointment, had reviewed the operation of the Money Lending Business and obtained relevant documents to assess its performance. The Directors had performed all necessary measures to recover the outstanding loans including but not limited to (i) concluding settlement plans with debtors; (ii) issuing demand letters; (iii) engaging external debt collector; and (iv) taking legal proceedings. As at the date of this announcement, a minor portion of the loans and interest receivables has been recovered subsequent to the last reporting period. The Board shall take all necessary measures to protect the interest of the Company and the Shareholders as a whole.

By order of the Board
Aurum Pacific (China) Group Limited
Chung Man Lai
Executive Director

Hong Kong, 27 June 2022

As at the date of this announcement, the Board comprises the following Directors:

Executive Directors
Mr. Chung Man Lai
Mr. Choi Pun Lap

Independent non-executive Directors
Mr. Tai Man Tai
Ms. Lam Yuen Man Maria
Mr. Fu Yan Ming

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited（the "Stock Exchange"）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 Stock Exchange's website at www.hkex.com.hk for at least 7 days from the date of its publication and on the website of the Company at www.aurumpacific.com.hk.