貝森金融集團
Bison Finance Group

BISON FINANCE GROUP LIMITED
貝森金融集團有限公司
(Incorporated in Bermuda with limited liability)
(Stock code: 888)

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

References are made to the annual report (the “**Annual Report**”) of Bison Finance Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) for the year ended 31 December 2022. Unless otherwise defined, capitalised terms used in this announcement shall bear the same meanings as those defined in the Annual Report.

The Board would like to provide additional information in relation to the Annual Report.

Impairment Assessment

As disclosed in the Annual Report, the Company made a provision for impairment loss on the (i) right-of-use asset and (ii) intangible assets of approximately HK$20.5 million and HK$23.4 million for the year ended 31 December 2022, respectively (the “**Impairment**”).

The Group’s right-of-use assets mainly represented the leased office premises located at 6/F., 18 King Wah Road, North Point, Hong Kong whilst the intangible assets represented the licenses granted to the Group’s subsidiary by the Securities and Futures Commission (“**SFC**”) and customer relationship in the Group’s Financial Services Business. Together, cash flows generated by these assets are allocated to the investment advisory services and fund management services business (“**Affected Business**”) cash-generating unit (“**Affected Business CGU**”) for Impairment assessment.

According to Hong Kong Accounting Standard 36 – *Impairment of Assets* (“**HKAS 36**”), an entity shall assess at the end of each reporting period whether there is any indication that an asset may be impaired and the entity shall estimate the recoverable amount of the asset if any such indication exists. In assessing the value-in-use (“**VIU**”), being the recoverable amount, of the Affected Business CGU for the Group’s Impairment assessment, the Group engaged an independent valuer for each of the financial year ended 31 December 2021 (“**FY2021**”) and 31 December 2022 (“**FY2022**”).

The Valuation

In performing the Impairment assessment in respect of the Affected Business CGU, the valuations (the "**Valuation(s)**") for both FY2021 and FY2022 adopted the discounted cash flow approach, as allowed under HKAS 36, to derive the VIU. The input used in the Impairment assessment includes projected revenue and cash inflow generated from the Affected Business.

The following sets out the key inputs and assumptions adopted in the Valuation for FY2021 and FY2022:

	FY2021	FY2022
Percentage of revenue growth	Nil to 5%	-4% to 9%
Period of cashflow forecast	8 years	5 years
Terminal growth rate	2.50%	2.80%
Post-tax weighted average cost of capital	12.49%	16.64%

(a) Income from external assets management ("EAM") business

Inputs for forecasting the income from EAM business	Based on the actual figure of income from EAM business of approximately HKD40.0 million for FY2021 multiplied by the percentage of revenue growth.	Based on the actual figure of asset-under-management ("**AUM**") of the EAM business of approximately HKD3.81 billion as at 31 December 2022, multiplied by (i) the percentage of revenue growth and (ii) 0.72% to derive the income from EAM business from the projected AUM. The rate of 0.72% was determined based on the ratio of EAM business income to the AUM for the preceding 3 years ended 31 December 2022.
Percentage of revenue growth	5% for the first 5 years of the forecasted period ending 31 December 2026 ("**FY2026**").	10% for the years ending 31 December 2023 ("**FY2023**") and 31 December 2024 ("**FY2024**"); 5% for the remaining forecasted period ending 31 December 2027.
Basis and assumptions	The management of the Company (the "**Management**") estimated that the global economy would gradually recover from the COVID-19 pandemic from FY2023 onwards, and therefore expect that there will be 5% income growth generated from EAM business for the first 5 years of the forecasted period. Such rate was based on the 4-year historic average growth rate which was around 5%.	The Management expected that the economy will resume normal in FY2023, and expected that the growth rate for the AUM would be 10%. The rate adopted was consistent with a similar research conducted by the SFC. In addition, the Management is actively pursuing a plan to launch a new investment fund to expand the scale of asset management business. In light of the above, the Management expects that the AUM growth rate for FY2024 would be 10%.

(b) Income from fund management business

Number of funds recognised in revenue forecast	2 funds(*Note*)	2 funds(*Note*)
Basis and assumptions	Based on the agreed % on NAV / committed contribution	Based on the agreed % on NAV / committed contribution

*Note: The Management has assessed the ability and intention to pay for the remaining funds based on the past repayment history and recent net asset value ("**NAV**") position. Therefore, the cashflow forecast only considered those funds with positive NAV as at 31 December 2022.*

(c) Period of cashflow forecast

Period of cashflow forecast	8 years	5 years
Basis and assumptions	The VIU was derived from (1) the present value based on the 5-year forecast, (2) the present value for the 6th to 8th year with a constant growth rate of 2.5%, and (3) the terminal value based on the terminal growth rate at 2.5%.	The VIU was derived from (1) the present value based on the 5-year forecast; and (2) the terminal value based on the terminal growth rate at 2.8%.

The key inputs and assumption affecting the recoverable amount of the Affected Business CGU for FY2022 when compared to that of FY2021 were the decrease in projected revenue from the Group's EAM business which was based on the forecast prepared by the Management in respect of FY2022. Such decrease was mainly attributable to the material decrease in the actual revenue generated from the EAM business for FY2022 due to (i) the unfavorable business environment caused by the heightening of the global interest rate following the decision of the raise in interest rates by the Federal Reserve of the United States starting from early 2023 and increasing geopolitical tensions (especially the Sino-US tension and war in Ukraine) during FY2022 which resulted in the significant decrease in global indices and market price for various financial products and in turn the decrease in value of AUM of clients of EAM business, causing the clients under the EAM business to be more risk averse to protect their portfolios in a recessionary environment and lowering their trade frequency and volume ; and (ii) the city lock-downs caused by resurgence of COVID-19 confirmed cases in the PRC in FY2022, which limited the Group's opportunities to reach out to new clients and explore new sources of income to compensate the impact from the decline in income from existing clients of the EAM business; however, such decrease was partially set-off by the percentage increase in the forecasted revenue growth rate for the EAM business for FY2023 and FY2024, as the result of the Management's expectation that the recovery of the global and local economy will speed up after the relaxation of preventive and crowd-controlling measures and traveling restrictions to prevent the spreading of COVID-19. As a result, the overall growth rate in revenue for the Affected Business as a whole changed from the range of 0% to 5% to the range of -4% (taking into account the actual decrease in revenue for FY2022) and 9% (being the average of (i) the 10% growth rate for forecasted income from EAM business for FY2023 and FY2024 due to the Management's expectation that the recovery of economy starting from FY2023, the basis of which was determined on a similar research conducted by the SFC and (ii) the nominal growth rate for the forecasted income from fund management business which the Management expected to remain relatively stable since FY2023).

Nonetheless, despite the provision for the Impairment loss made on the intangible assets for FY2022, coupled with (i) the cessation of operating loss of the Group's media business; (ii) the reduction in the provision for impairment losses on non-current assets and (iii) the reduction in provision for impairment losses on financial assets (net) as disclosed in the Company's annual results announcement for FY2022 which was published on 29 March 2023, the overall loss attributable to owners of the Company for FY2022 decreased when compared to that for FY2021.

Enhanced Internal Control Measures in relation to the Audit Qualification

As disclosed in the Annual Report, the fair value of the Investment Fund amounted to approximately HK$29.5 million as at 31 December 2022 and the net unrealised fair value loss arising from the Investment Fund of approximately HK$36.8 million was recognised in the consolidated statement of profit or loss for FY2022. The underlying investments held under the Investment Fund as at 31 December 2022 are constituted of two unsecured redeemable bonds issued by a private company Emerge Ventures Limited ("**EV**") (the "**EV Bond**") and a company listed on the Stock Exchange A Metaverse Company ("**AMC**") (the "**AMC Bond**"), and shares of AMC listed on the Stock Exchange (the "**AMC Shares**", together with the EV Bond and the AMC Bond, the "**Underlying Investments**").

Despite having access to the financial statements and regular updates from the Investment Fund to evaluate and monitor the financial and business performance of the Underlying Investments and conducting valuations to ascertain the fair value of the Underlying Investments as at 31 December 2022, the Group was unable to provide the auditor with sufficient and appropriate audit evidence to support the Management's assessment on the fair value of the Underlying Investments in the absence of audited financial statements and publicly assessible financial information of EV and AMC (due to the audited financial statements for FY 2021 and FY2022 not being published and the suspension in trading of the AMC Shares on the Stock Exchange) despite the Group's effort. Given such limitation, the external auditor of the Company expressed a qualified opinion in relation to (i) the carrying value of the Investment Fund as at 31 December 2021 and 2022, and (ii) the net unrealised fair value gain/loss arising from the Investment Fund attributable to the Group for the years ended 31 December 2021 and 2022 (the "**Audit Qualification**"). For details please refer to the section headed "Other Investments" in the Annual Report 2022.

Given that the Group did ensure that it would have access to sufficient financial information of the Investment Fund, engaged in early discussion with the auditors prior to the financial year end for audit planning and endeavored to obtain additional audit evidence pursuant to auditor's request to support the Management's assessment on the fair value of the Underlying Investments, the Group considered that there are no deficiency in its internal control procedures and policies having considered the circumstances leading to the Audit Qualification.

Nonetheless, with the view to prevent similar incidents from occurring in the future, the Company shall adopt the following additional measures to enhance its internal control procedure:

(a) During the due diligence process and prior to the signing of the transaction documents, the Company shall continue to make sure due diligence has been conducted to support, inter alia, the financial track record and the value of the underlying assets and/or investments involved and the consideration. In particular, in the absence of sufficient financial track record, the Company shall ensure there would be sufficient protection (which shall be determined on a case-by-case basis based on the transaction) for the interests of the Company and its shareholders as a whole, including additional securities from counterparty(ies).

(b) Prior to the entering into of the proposed transactions, the Company will engage in discussion with the auditors on the audit evidence and supporting required and explore any alternative procedure at the early stage to ensure any additional audit evidence required (to the extent possible) are reflected in the transaction document(s).

(c) During the term of the investment, the Company shall continue to update the auditors from time to time when it received any updated information that might affect the accounting treatment for the target, underlying assets and/or investments, and specifically discuss with the auditors and the investees (to the extent possible) on obtaining additional audit evidence that would be required pursuant to such update.

(d) During the term of the investment, the Company shall engage with more frequent communication with the investees to at least once every quarter, inter alia, to understand the status of the underlying assets and/or investments and identify if there are any increasing or increased risks (e.g. risk of recoverability of the investments) or material changes anticipated that would impact the financial, business and/or operational performance of the target, underlying assets and/or investments, to ensure remedial actions can be undertaken by the Company timely.

By order of the Board
Bison Finance Group Limited
ZHU Dong
Executive Director

Hong Kong, 21 September 2023

As at the date of this announcement, the Board comprises Mr. XU Peixin, Mr. SUN Lei (Chairman) and Mr. ZHU Dong as executive Directors; and Dr. QI Daqing, Mr. CHEN Yigong and Mr. FENG Zhonghua as independent non-executive Directors.