力世紀有限公司
WE SOLUTIONS LIMITED

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 860)

SUPPLEMENTAL ANNOUNCEMENT TO ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2019

Reference is made to (i) the announcement of the Company dated 23 December 2019 (the "**Annual Results Announcement**"); and (ii) the annual report of the Company published on 23 January 2020 (the "**Annual Report**") in relation to the audited consolidated results of the Company and its subsidiaries for the year ended 30 September 2019. Capitalised terms used herein shall have the same meanings as those defined in the Annual Report unless the context requires otherwise.

The Company would like to supplement the Annual Results Announcement and the Annual Report with the following information in relation to the impairment of goodwill and the impairment of loans receivables for the year ended 30 September 2019.

IMPAIRMENT OF GOODWILL

Basis for goodwill impairment assessment for the year ended 30 September 2019

Accounting basis for impairment

In accordance with Hong Kong Accounting Standard 36 "Impairment of Assets" ("**HKAS 36**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and as set out in note 2.4 "Summary of Significant Accounting Policies" to the consolidated financial statements of the Group for the year ended 30 September 2019 (the "**Financial Statements**") contained in the Annual Report, goodwill is tested for impairment annually and the Group performs its annual impairment test of goodwill as at 30 September.

As set out in note 16 to the Financial Statements, at the end of the reporting period, the Group had goodwill acquired through a business combination allocated to an electric vehicle cash generating unit (the "**Electric Vehicle CGU**") of the Group (primarily representing the business operations and undertakings of GLM, a subsidiary of the Group).

As detailed in note 16 to the Financial Statements, for the purpose of the annual impairment test of goodwill for the year ended 30 September 2019, the recoverable amount of the Electric Vehicle CGU has been determined based on a fair value less costs of disposal calculation using discounted cash flow projections in accordance with HKAS 36 (the "**Cash Flow Projections**").

Impact of the challenging external environment and changes in policies and regulations on the impairment testing of goodwill arising from the acquisition of GLM in prior years

In 2017, the Group completed the acquisition of 85.5% equity interest in GLM (the "**GLM Acquisition**"). Upon the GLM Acquisition, GLM was principally engaged in the manufacturing and sales of EV and the provision of EV engineering solutions in Japan. The Company was of the view that due to the increasing concern about air pollution problems and the supportive policies introduced by governments from various countries on enhancing environmental protection, the development and usage of EV had become a global trend for the automobile industry. However, as further detailed in note 16 to the Financial Statements, the challenging external environment and the changes in certain policies and regulations of relevant markets in the second half of the financial year ended 30 September 2019, the overall effect of which became more apparent after the strategic planning and forecasting process that underpinned the year end impairment review, resulted in an impairment of goodwill for the year of approximately HK$199.3 million based on the recoverable amount of the Electric Vehicle CGU as at 30 September 2019 of approximately HK$1,572.7 million.

Challenging external environment

During the financial year ended 30 September 2019, the trade tension and conflicts between China and the United States continued to escalate and the consequential downward pressure on the Chinese domestic economy and relevant industries continued to increase (the "**challenging external environment**"). Such conflicts and uncertainties could have significant consequential impacts on and cause disruptions to the global supply chain and related ecosystems, especially those in Mainland China (being one of the key geographical expansion markets of GLM and some of its business partners and customers). Some of such impacts have already been reflected in China's Gross Domestic Product ("**GDP**") growth rate. According to the National Bureau of Statistics of China, the preliminary GDP growth rate of China for the first three quarters of 2019 published in October 2019 was only 6.2%. The external environment became more challenging in the second and third quarters of 2019, which led to a further reduction in China's GDP growth rate in the second and third quarters of 2019 to 6.2% and 6.0%, respectively, with the latter being the slowest quarterly growth rate in recent years. In October 2019, International Monetary Fund ("**IMF**") downgraded China's GDP estimated growth rate to 6.1% in 2019 and 5.8% in 2020. The GDP growth rate of other countries might have also been directly or indirectly affected by the situation.

Changes in policies and regulations

During the financial year ended 30 September 2019, the China Ministry of Finance, Ministry of Industry and Information Technology, Ministry of Science and Technology and the National Development and Reform Commission jointly issued the "Notice on Further Improving the Financial Subsidies for the Promotion and Application of New Energy Automobiles" (the "**Notice**"). According to the Notice, the NEV subsidies are to be reduced in stages with a transition period ended in late June 2019. After the transition period, the subsidy rate has been further reduced and overall subsidies will be eventually reduced by more than 50%, with local government subsidies for NEVs to be cancelled. Moreover, tighter technical requirements on range and battery density of NEVs mean that certain NEVs are no longer eligible for subsidies. The Company expects the China NEV industry would gradually change from policy-driven to market-driven to stimulate innovation and induce consolidation. This is mainly to align with the Chinese government's NEV Development Planning Roadmap, pursuant to which the support for the China NEV industry is to be gradually converted to non-subsidised policies. In the short term, the Company considers such reduction in NEV subsidies would contribute to profit pressure on related companies and might affect the purchase sentiment of NEVs in Mainland China if the profit pressure would translate into a corresponding increase in selling price of NEVs. However, in the medium to long term, the Company holds a view similar to certain major NEV industry players that such policy changes would help to optimise the competition landscape by encouraging industry consolidation, improving product structure, stimulating the industry to be market-oriented and further promoting the stable and healthy development of the industry. It is predicted by a leading NEV industry player that, in the future, advanced technology, excellent quality and good reputation will be crucial for the incremental market share.

Notwithstanding the potential challenges in the short to medium term, the long-term outlook of the China NEV industry continues to be positive from the Chinese government perspective. Pursuant to the Ministry of Industry and Information Technology's draft proposal for the development of the NEV sector released in late 2019, China will keep developing electric vehicle battery technologies, and improve infrastructure for hydrogen fuel cell vehicles and connected vehicles, and it was hoped that NEV sales can reach around 25% of all car sales in 2025, up from a target of "over 20 per cent" laid out in a 2017 planning document of the Chinese government.

Change in long term strategy

During the year ended 30 September 2019, there was a change in the management teams of the Group and GLM. The new management teams have brought along substantial market and industry experience, insights and expertise, as well as new ideas and initiatives. In view of the challenging external environment and changes in policies and regulations, the long-term strategies of the Group and GLM have been formulated with the involvement of the new management teams, resulting in the establishment of certain new strategic plans, joint venture and other initiatives. All these, to a large extent, aimed to exploit the core competence and strategic position of GLM in the NEV sector in specific markets and to address the dynamic, high-growth and innovative nature of such sector, as well as to address the challenging external environment and the changes in certain policies and regulations of relevant markets during the year. Some of these new developments, initiatives and changes have been disclosed in the Financial Statements and/or elsewhere in the Annual Report of the Company, including, inter alia, the formation of a joint venture (the "**GLM JV**") by GLM, the Company and Jiangsu Jemmell New Energy Automobile Company Limited ("**Jemmell**") (a related company of Jiangsu Jinpeng Group Company Limited ("**Jinpeng**")). GLM is expected to contribute its right to use the technology, development resources and brand resources to the GLM JV and it is expected that the GLM JV, together with related synergies and benefits to other projects and strategic plans of GLM, will have significant contributions to the cash flows of GLM in the coming years. All these changes, new developments, strategies and initiatives, and their consequential impact on the future prospects of GLM, have been reflected in the Cash Flow Projections.

Impact on impairment testing of goodwill arising from the acquisition of GLM in prior years

The aforementioned challenging external environment and changes in policies and regulations have highlighted certain geopolitical risks and regulatory-driven changes that might have significant impacts on the future development of the Group. In view of these and the new strategies and business plans formulated by the new management team in the second half of the financial year, the new management team reflected on its current estimates and assumptions in the business forecast and Cash Flow Projections that underpinned the year end impairment review.

Due to the interconnected nature of some of the underlying factors affected by challenging external environment and changes in policies and regulations, the impact of each factor could not be reliably and individually quantified. However, when preparing the Cash Flow Projections, management has taken into account all relevant factors and assumptions that have significant impact on such projections and assessed as a whole their impact on the Cash Flow Projections.

As a result of the formulation of new strategy and business plans for GLM by the new management team in the second half of the financial year ended 30 September 2019, the focus has been switched to adopt and focus on business plans, arrangements or projects ("**business plans**") which could leverage on the existing resources, networks and infrastructure of relevant business and venture partners, with GLM contributing its technical know-how, innovative research and development capabilities and industry competences to the underlying arrangement and plan, as appropriate, instead of business plans that require GLM to contribute significant capital and resources (i.e. capital or resource intensive NEV manufacturing or similar model contemplated in prior period), that might need to rely on cash subsidies from relevant governments, especially for business plans in Mainland China.

Management has reflected in the Cash Flow Projections their current strategy to position GLM to become a leading mobility technology solution provider, while leveraging the strengths of relevant parties to the relevant arrangements.

The projections reflect the specific nature of each underlying business plan, including expected timelines and key milestones, based on inputs from relevant business partners and available industry or historical data, as appropriate. The projections also take into consideration the current status of the relevant markets and progression of GLM's underlying business plans, while building in potential delay in certain business plans due to the aforementioned external challenges and changes in policies and regulations as well as the lead time to adopt the new strategy and business plans and related arrangements.

Other than the macroeconomic factors affecting Mainland China (which is GLM's major market contributor for the purpose of the Cash Flow Projections), which management currently considers might have certain impact on the timing of the roll out of GLM's business plans, management considers the macroeconomic factors of other geographic markets would not have significant impact on the Cash Flow Projections as (i) the business partners relevant to GLM's business plans are large multinational corporations or well established enterprises in Japan or Taiwan and therefore, the expected arrangements with them are not expected to be significantly and adversely affected by the above geopolitical risks; and (ii) such business plans do not rely significantly on government subsidies.

Such challenge and changes in external environment which arose during the financial year ended 30 September 2019 and their impact on expected economic conditions and market development, which would not have been anticipated by the Group or market participants reliably in the prior year, and the consequential impact on the goodwill impairment assessment resulted in the recognition of an impairment loss of goodwill of approximately HK$199.3 million during the financial year ended 30 September 2019. In the opinion of the Directors, the magnitude of the impairment as determined based on the requirements of relevant accounting standards (which accounted for less than 13% of the carrying amount of the goodwill attributable to GLM after exchange realignment but before impairment during the Year) is not very significant and it is not unreasonable given the specific (and potentially volatile) nature of the NEV sector and related markets, which could be significantly affected by policy and regulatory changes and external environment as detailed above, and the early stage of development of GLM and related markets.

Determination of fair value and key assumptions and estimates

The Group has engaged Vision Appraisal and Consulting Limited ("**VAC**"), independent professionally qualified valuers, to assist in the determination of the fair value less costs of disposal of the Electric Vehicle CGU as at 30 September 2019 using discounted cash flow projections under the income approach.

The Cash Flow Projections of the Electric Vehicle CGU were prepared with reference to the significant accounting policies of the Group which were adopted in the preparation of the Financial Statements, which also conform with applicable Hong Kong Financial Reporting Standards. Taking into account the lifecycle of the relevant technologies, management's current expected economic, industry and market developments of the relevant markets, communications with certain relevant stakeholders, technology and resources of the Group and available market and industry data and forecast, management considers the financial estimates of the Cash Flow Projections as reasonable.

Terminal growth rate

Cash flows beyond the five-year period are extrapolated using an estimated long-term growth rate of 3% (the "**terminal growth rate**"). The Company estimated the terminal growth rate with reference to certain economic data of certain key markets relevant to the Electric Vehicle GGU's as the Electric Vehicle CGU. As the Electric Vehicle GGU's long term plan is to focus on Mainland China and other relevant markets in Southeast Asia, the Company considers it to be reasonable to estimate the terminal growth rate with reference to the long term expected average consumer price inflation rates (as forecasted by the IMF of Mainland China (being 3%) and Southeast Asia (close to 3%), which will have significant contributions to the Electric Vehicle GGU's projected cash flows. Accordingly, the Company considers the adoption of a 3% terminal growth rate for the Cash Flow Projections, which does not exceed the long-term growth rate of Mainland China and Southeast Asia as forecasted by IMF, as reasonable.

Discount rate

A discount rate of 25% as determined by reference to a weighted average cost of capital ("**WACC**") reflecting the specific risks of GLM (including, inter alia, its stage of development and other relevant factors), with reference to certain external data was adopted in the Cash Flow Projections.

The WACC has been determined with reference to the following parameters:

(a) Cost of debt — adopting the prime lending rate of Japan and the statutory corporate tax rate of Japan given GLM's main operations (including its research and development centre) are in Japan.

(b) Cost of equity — derived with reference to a number of factors including, inter alia, relevant risk-free rate (determined with reference to the interest rate of the relevant government bonds), country risk premium (determined with reference to "Country Default Spreads and Risk Premiums" published by Professor Aswath Damodaran, a distinguished expert on valuation) and size premium (determined with reference to the research data published by Duff & Phelps Corporation, an independent firm of professional valuers).

(c) WACC being the sum of the cost of debt and cost of equity each multiplied by the corresponding weight of debt and equity, such weighting was derived with reference to financial statements of comparable public companies.

The Company considers the discount rate of 25% is reasonable as it is within the applicable range for the rates of return expected by venture capital investors provided by certain publication as referenced in AICPA Accounting and Valuation Guide — "Valuation of Privately Held Company Equity Securities Issued as Compensation".

Other key assumptions

In view of the challenging external environment and the changes in policies and regulations in Mainland China as detailed above, the Company considers the relevant markets and/or the relevant business plans might potentially need a longer time to adapt to such challenges and changes, or potentially longer lead time might be required to prepare and roll out certain specific business plans under GLM's new strategy. The Company considers it is appropriate for the purpose of the Cash Flow Projections to defer the commencement date and therefore the cash flows of certain business plans for certain potential period based on the nature and relevant markets of those business plans, as appropriate. Accordingly, the Company does not reflect sizable revenue and related cash flows in the Cash Flow Projections of GLM for 2020.

Set out below are other key assumptions:

(i) There will be no major changes in existing legislation and regulations which will materially affect GLM's strategy and business plans.

(ii) There will be no material unexpected fluctuation in inflation rates, exchange rates or interest rates, which will materially affect GLM's results or cash flows in the Cash Flow Projections period.

(iii) There will be no material change in the relevant bases or rates of taxation.

(iv) GLM's operations and businesses will not be materially affected or interrupted by any force majeure events, unforeseeable factors or any unforeseeable reasons that are beyond control of GLM, including, but not limited to, the occurrence of natural disasters, epidemics and serious accidents.

(v) GLM can substantially maintain the relationship with its major business and venture partners, customers, suppliers and other relevant stakeholders.

The recoverable amount of the Electric Vehicle CGU as at 30 September 2019 was determined based on a fair value less costs of disposal calculation using discounted cash flow projections. The carrying amount of the Electric Vehicle CGU as at 30 September 2019 included goodwill on acquisition of GLM and other non-financial assets of the Electric Vehicle CGU subject to impairment assessment under HKAS 36, including property, plant and equipment of the Electric Vehicle CGU. An impairment loss is recognised when the recoverable amount of the Electric Vehicle CGU is below its carrying amount.

Valuation amount of approximately HK$1,572.7 million represented 100% recoverable amount of the Electric Vehicle CGU. However, the Group had only approximately 88.5% equity interest in GLM as at 30 September 2019 and the carrying amount of goodwill allocated to the Electric Vehicle CGU was approximately HK$1,455.5 million[a] (before adjusting for foreign exchange realignment and any impairment during the Year) as at 30 September 2019. According to HKAS 36.C4, given the Group measured non-controlling interests as their proportionate interest in the net identifiable assets of GLM at the acquisition date, rather than at fair value, goodwill attributable to non-controlling interests was included in the recoverable amount of the related cash-generating unit used for goodwill impairment testing purpose but was not recognised in the Group's consolidated financial statements. To enable a like-for-like comparison, HKAS 36 requires the carrying amount of the Electric Vehicle CGU (being non-wholly-owned by the Company) to be notionally adjusted by grossing up the carrying amount of goodwill allocated to the

Electric Vehicle CGU to include the amount of goodwill attributable to the approximately 11.5% non-controlling interests amounting to approximately HK$199.7 million. This notionally adjusted carrying amount of the Electric Vehicle CGU of approximately HK$1,797.8 million (including the full notionally adjusted goodwill of approximately HK$1,736.6 million and the carrying amount of other non-financial assets of the Electric Vehicle CGU subject to HKAS 36 impairment assessment (including property, plant and equipment of the Electric Vehicle CGU) of approximately HK$61.2 million) was then compared with its total recoverable amount of approximately HK$1,572.7 million. The total impairment loss so determined of approximately HK$225.1 million was allocated to the Group and the non-controlling interest on the basis of percentage of equity interests in GLM. Accordingly, the Group was allocated approximately 88.5% of the impairment loss amounting to approximately HK$199.3 million and recognised such amount as goodwill impairment loss for the Year (HKAS 36.C8). Thus, the net carrying amount of goodwill attributable to the Group (after recognising impairment loss and positive exchange realignment during the Year of approximately HK$199.3 million[(b)] and approximately HK$77.5 million[(c)], respectively) was approximately HK$1,333. 8 million[(d)] as at 30 September 2019, as detailed below.

	Goodwill allocated to GLM attributable to the Group
	HK$'000
Net carrying amount at 1 October 2018	1,455,538[(a)]
Impairment during the Year	(199,257)[(b)]
Exchange realignment	77,472[(c)]
Net carrying amount at 30 September 2019	1,333,753[(d)]

As further detailed in note 16 to the Financial Statements, the fair value of the Electric Vehicle CGU as at 30 September 2018 was determined using company transaction method under the market approach (a generally accepted valuation approach that uses prices and other relevant information generated by market transactions), with the assistance from certain independent professionally qualified valuers.

Based on the inputs of the valuers appointed to assist in the determination of the fair value less costs of disposal of the Electric Vehicle CGU as at 30 September 2018, management considered the company transaction method under the market approach with reference to applicable transaction price of the underlying entity's equity instruments received from an independent third party to be an appropriate method for determining the fair value of the Electric Vehicle CGU as at 30 September 2018 based on the then available relevant information. The price received from the independent third party (the "**purchaser**") was considered an indicator of fair value at the measurement date, as it was a recent arm's length transaction, and therefore the purchaser should have taken into account the then market condition, which should have been reflected in the price paid. Under the fair value framework of Hong Kong Financing Reporting Standard ("**HKFRS**") 13 "Fair Value Measurement" ("**HKFRS 13**"), only when the quoted price in an active market for an identical asset and other observable inputs (inputs that are developed using market data, as further explained in HKFRS 13) (collectively, the observable prices) were not available, an entity could measure fair value using another valuation technique.

However, for the annual goodwill impairment test as at 30 September 2019, such price paid in the prior year could no longer be used for the determination of fair value of the Electric Vehicle CGU as at 30 September 2019 due to the time gap since such transaction to 30 September 2019 and the change in market conditions and the business plans (including some of the underlying project plans and timelines) of the Electric Vehicle CGU during that period. Nevertheless, if observable prices are not available, HKFRS 13 allows the use of other valuation technique to estimate fair value, such as using discounted cash flow projections under the income approach, that is appropriate in the circumstances and for which sufficient data are available to estimate fair value. Accordingly, discounted cash flow method under the income approach has been used for the determination of the fair value of the Electric Vehicle CGU as at 30 September 2019, as discussed in detail under the section headed "Impairment of goodwill — Basis for goodwill impairment assessment for the year ended 30 September 2019" above.

IMPAIRMENT OF LOANS RECEIVABLES

Basis of the determination of impairment of loans receivable

As at 30 September 2018, the Group did not make any impairment allowance under HKAS 39's incurred loss model as the loans receivable were neither past due nor impaired and related to a number of borrowers for whom there was no recent history of default.

The Group adopted HKFRS 9 on 1 October 2018. HKFRS 9 requires the impairment of its loans receivable to be recorded based on expected credit loss ("**ECL**") model whereas impairment under HKAS 39 was recorded based on an incurred loss model. Under the general approach, ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is estimated based on the risk of default occurring on the financial instrument during its expected life (a lifetime ECL).

The Group engaged an external valuer to perform a measurement of the ECL of its loans receivable as at 1 October 2018 and 30 September 2019. The external valuer adopted a probability-weighted loss default model which took into account factors, including the probability of default, loss given default, exposure at default and discount factor of each loan.

An analysis of the gross carrying amount and the corresponding ECL allowance is set out in note 21 to the Financial Statements.

ECL assessment as at 1 October 2018

Upon adoption of HKFRS 9 on 1 October 2018, the Group recognised loss allowance for loans receivable in the aggregate amount of HK$129,965,000, of which HK$105,037,000 was recognised in respect of two loans (the "**PRC Loans**") of RMB120,000,000 each bearing interest at 12% per annum for a term of 36 months to 廣州寶長勝貿易有限公司 and 貴州國鼎金實礦業有限公司 (both being companies incorporated in the PRC and collectively referred to as "**Borrowers**") respectively, both of which were due on 28 September 2019.

As the PRC Loans were then not yet due nor in default, it was then considered that the credit risk had not increased significantly since initial recognition, and thus the PRC Loans were then classified as Stage 1 and the ECLs on the PRC Loans were then measured at an amount equal to 12-month ECL. Taking into consideration the then internal ratings for the Borrowers and forward-looking information, with reference to external data (such as research reports on corporate default rates and recovery rates published by credit rating agencies), the external valuer estimated that the loss allowance on the PRC Loans as at 1 October 2018 was HK$105,037,000.

Developments during the year ended 30 September 2019 and ECL assessment as at 30 September 2019

Pursuant to the relevant loan agreements, the repayment date of the PRC Loans was 28 September 2019. As such, the Group began to contact the Borrowers since mid July 2019 to discuss repayment arrangements. However, the Group failed to reach the Borrowers, and on 29 July 2019, the Company started to seek legal advice from a legal advisor in the PRC ("**PRC Legal Advisor**") in anticipation of a possible default.

After careful consideration of the situation, on 7 August 2019, the PRC Legal Advisor proposed the following steps for the Company to take if the PRC Loans were eventually defaulted after the repayment date on 28 September 2019:

1. attempting to contact the Borrowers through different means, including but not limited to, sending lawyers to their respective offices, approaching their respective shareholders to draw their attention to such upcoming loan repayments and reporting the situation to the local government to exert pressure on the Borrowers;

2. launching arbitration against the Borrowers in accordance with the loan agreements. The Company can apply for the injunction to freeze the Borrowers' assets and equity interest in their subsidiaries with a view to securing the enforcement of the arbitral award and/or give the Borrowers pressure to discuss a possible settlement; and

3. applying to the local court for the enforcement of the arbitration. The Company can apply restrictive measures against the legal representative and/or senior management of the Borrowers.

The PRC Legal Advisor completed step 1 above in attempt to establish a dialogue with the Borrowers but failed.

At 30 September 2019, the Group assessed whether the credit risk on the loans receivable has increased significantly since initial recognition. When making the assessment, the Group compared the risk of a default occurring on the loans receivable as at 30 September 2019 with the risk of default occurring on the loans receivable as at the date of initial recognition and considered reasonable and supportable information that was available without undue cost or effort, including historical and forward-looking information.

Since the PRC Loans were in default at 30 September 2019 and the Borrowers were unreachable, the Group considered the receipt of the underlying principal and interest very unlikely to happen and thus classified the PRC Loans to stage 3 for the purpose of ECL measurement. Taken into account the latest available financial information of the Borrowers, which were either in net liability position or with negative financial results, and the market conditions in the PRC remained extremely challenging, the Group assessed the loss given default of the PRC Loans to be 100%. Accordingly, full impairment was made at 30 September 2019 in accordance with the measurement of the respective loans receivable's expected credit loss.

Latest developments

As advised by the PRC Legal Advisor, the Company has been considering further actions against the Borrowers, but the effort had been dampened by the recent outbreak of the coronavirus in the PRC. The PRC Legal Advisor informed the Company that they will resume their actions outlined above as soon as the epidemic situation in the PRC abates.

Background information of the PRC Loans

As disclosed in the Company's announcement dated 27 January 2017, the PRC Loans were made on 29 September 2016.

Before granting the PRC Loans, the Group conducted internal risk assessment procedures including:

1. engaged an external credit agency to conduct credit reports on the Borrowers;

2. obtained evidence to support the Borrowers' financial capabilities to repay the loans; and

3. obtained approval for granting the PRC Loans from the Investment Committee and the Board.

On 9 September 2016, the Group engaged an external credit agency to conduct credit reports on the Borrowers. In order to assess the credit risk of the Borrowers, the Group further obtained external valuation evidence showing that the Borrowers owned substantive assets including mining assets (mainly lead, zinc and coal) valued at approximately RMB800 million and RMB900 million respectively, which were substantially higher than the values of the PRC Loans. On 27 September 2016, the materials were presented to the then Investment Committee and the then Directors for approval.

The then Investment Committee was of the view that the PRC Loans offered a reasonable return and the credit risk of the Borrowers were acceptable in light of the assets they held as per evidence received by the Company to support the Borrowers' financial capabilities. On the above basis, the then Board was of the view that the provision of the PRC Loans could generate reasonable interest income to the Group and was thus in the interests of the Group and the shareholders of the Company as a whole, and the provision of the PRC Loans was approved by the then Board.

The members of the then Investment Committee were Mr. Zhang Jinbing, Mr. Xiao Gang and Dr. Li Yifei and the then Directors were Mr. Zhang Jinbing, Mr. Wong Chi Ming, Jeffry, Mr. Yu Fei, Philip, Mr. Xiao Gang, Mr. Tam Ping Kuen, Daniel, Dr. Li Yifei and Dr. Zhu Zhengfu, respectively.

The above additional information does not affect other information contained in the Annual Results Announcement and the Annual Report. All other information in the Annual Results Announcement and the Annual Report remains unchanged.

By order of the Board
WE Solutions Limited
Ho King Fung, Eric
Chairman

Hong Kong, 28 April 2020

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Ho King Fung, Eric (Chairman) and Mr. Sung Kin Man; one non-executive Director, namely Mr. Zhang Jinbing (Co-Chairman); and four independent non-executive Directors, namely Mr. Tam Ping Kuen, Daniel, Mr. Teoh Chun Ming, Mr. Peter Edward Jackson and Mr. Charles Matthew Pecot III.