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TERMBRAY INDUSTRIES INTERNATIONAL (HOLDINGS) LIMITED

添利工業國際（集團）有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00093)

**ANNUAL RESULTS FOR THE YEAR
ENDED 31 DECEMBER 2022**

RESULTS

The board of directors (the “Board”) of Termbray Industries International (Holdings) Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2022 together with the comparative figures for the year ended 31 December 2021 as follows:

* *For identification purpose only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	4	162,870	112,435
Other income	5	2,335	1,749
Other (losses)/gains, net	6	(17)	4,936
Fair value losses on investment properties		(19,520)	(6,780)
Cost of properties sold		–	(1,598)
Advertising and promotion		(19,395)	(15,945)
Employee benefits expenses		(17,556)	(15,059)
Provision for impairment and write-off of loan and interest receivables		(57,783)	(17,249)
Other operating expenses	7	(18,050)	(23,557)
Operating profit		32,884	38,932
Finance costs	8	(8,091)	(7,195)
Profit before income tax		24,793	31,737
Income tax expense	9	(9,604)	(10,470)
Profit for the year		15,189	21,267
Other comprehensive loss:			
<i>Item that may not be reclassified to profit or loss:</i>			
Losses on revaluation of leasehold land and buildings		(32,220)	(58,217)
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(13,764)	(569)
Other comprehensive loss for the year, net of tax		(45,984)	(58,786)
Total comprehensive loss for the year		(30,795)	(37,519)
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share attributable to owners of the Company:			
Basic	11	0.57	0.80
Diluted	11	0.57	0.80

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Assets			
Non-current assets			
Property, plant and equipment		235,409	270,950
Investment properties	12	222,000	241,520
Intangible assets		10,559	11,907
Deferred income tax assets		4,216	1,393
Loan receivables	13	475,232	479,483
Deposits		–	164
		<u>947,416</u>	<u>1,005,417</u>
Current assets			
Completed properties for sale		55,052	60,147
Loan receivables	13	61,053	78,754
Interest receivables	14	7,184	5,253
Repossessed assets		27,928	–
Deposits, prepayments and other receivables		5,189	3,935
Financial assets at fair value through profit or loss		107	152
Cash and cash equivalents		166,777	180,947
		<u>323,290</u>	<u>329,188</u>
Total assets		<u>1,270,706</u>	<u>1,334,605</u>

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Equity and liabilities			
Equity			
Share capital		213,411	213,411
Reserves		878,696	909,491
		<hr/>	<hr/>
Total equity		1,092,107	1,122,902
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Liabilities			
Non-current liabilities			
Deferred income tax liabilities		–	271
Lease liabilities		96	554
Other payables and accruals		–	146,742
		<hr/>	<hr/>
		96	147,567
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current liabilities			
Other payables and accruals		161,583	44,478
Amount due to a related company		1,732	1,936
Lease liabilities		685	810
Income tax payable		14,503	16,912
		<hr/>	<hr/>
		178,503	64,136
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total liabilities		178,599	211,703
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>
Total equity and liabilities		1,270,706	1,334,605
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) and disclosure requirements of the Hong Kong Companies Ordinance Cap.622. They have been prepared under the historical cost convention, except for leasehold land and buildings, investment properties and financial assets at fair value through profit or loss, which are carried at fair value.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

- (a) Amended standards and accounting guideline effective for the financial period beginning on 1 January 2022:

Annual Improvements Project	Annual Improvements to HKFRSs 2018-2020 (amendments)
HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope amendments (amendments)
Accounting Guideline 5 (Revised)	Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations

The adoption of these amended standards and accounting guideline did not result in any substantial change to the Group’s accounting policies. The amended standards and accounting guideline listed above had no material impact on the consolidated financial statements.

- (b) The following new and amended standards and interpretations have been issued, but are not effective for the financial year beginning on 1 January 2022 and have not been early adopted:

		Effective for annual periods beginning on or after
HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies (amendments)	1 January 2023
HKAS 8	Definition of Accounting Estimates (amendments)	1 January 2023
HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction (amendments)	1 January 2023
HKFRS 17	Insurance Contracts (new standard)	1 January 2023
HKFRS 17	Amendments to HKFRS 17	1 January 2023
HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current (amendments)	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants (amendments)	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback (amendments)	1 January 2024
HK Interpretation 5 (Revised)	Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (HK Int 5 (Revised))	1 January 2024
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group has not applied any new and amended standards and interpretations that is not yet effective for the current accounting period. These new and amended standards and interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3. SEGMENT INFORMATION

Management has determined the operating segments based on the information reviewed by the chief operating decision maker (“CODM”) that are used to make strategic decisions. The CODM is identified as the executive directors of the Company.

During the year ended 31 December 2022, the CODM assessed the performance of the Group by reviewing the results of two reportable segments:

- Property development and investment – Property development for sale of properties in the People’s Republic of China (“PRC”) and property investment for letting of properties in Hong Kong and the PRC.
- Money lending – Provide mortgage and personal loan financing to customers

The CODM reviews the performance of the Group on a regular basis and reviews the Group’s internal reporting in order to assess performance and allocate resources.

Information provided to the CODM is measured in a manner consistent with that in the consolidated financial statements.

The segment results and other segment items are as follows:

	Property development and investment HK\$’000	Money lending HK\$’000	Total HK\$’000
For the year ended 31 December 2022			
Revenue	<u>3,552</u>	<u>159,318</u>	<u>162,870</u>
Segment results	<u>(16,466)</u>	<u>48,492</u>	32,026
Unallocated other income			89
Unallocated other losses, net			(52)
Unallocated expenses			<u>(7,270)</u>
Profit before income tax			<u>24,793</u>
For the year ended 31 December 2021			
Revenue	<u>5,456</u>	<u>106,979</u>	<u>112,435</u>
Segment results	<u>564</u>	<u>41,934</u>	42,498
Unallocated other income			19
Unallocated other gains, net			1,054
Unallocated expenses			<u>(11,834)</u>
Profit before income tax			<u>31,737</u>

For the years ended 31 December 2022 and 2021, unallocated expenses and unallocated other gains and losses represent corporate expenses and unrealised net exchange gains/(losses), respectively. Segment results represent the profit/(loss) before income tax earned by each segment without allocation of certain other income, other gains and losses and expenses. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

The segment assets and liabilities are as follows:

	Property development and investment <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 December 2022			
Assets			
Segment assets	<u>350,536</u>	<u>654,188</u>	1,004,724
Unallocated assets			<u>265,982</u>
Total assets			<u>1,270,706</u>
Liabilities			
Segment liabilities	<u>11,200</u>	<u>164,493</u>	175,693
Unallocated liabilities			<u>2,906</u>
Total liabilities			<u>178,599</u>
As at 31 December 2021			
Assets			
Segment assets	<u>425,584</u>	<u>603,391</u>	1,028,975
Unallocated assets			<u>305,630</u>
Total assets			<u>1,334,605</u>
Liabilities			
Segment liabilities	<u>11,898</u>	<u>196,452</u>	208,350
Unallocated liabilities			<u>3,353</u>
Total liabilities			<u>211,703</u>

All assets are allocated to operating and reportable segments other than certain property, plant and equipment, financial assets at fair value through profit or loss, certain cash and cash equivalents and certain deposits, prepayments and other receivables.

All liabilities are allocated to operating and reportable segments other than amount due to a related company, certain other payables and accruals and certain income tax payable.

Amounts included in the measure of segment results are as follows:

	Property development and investment <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended 31 December 2022				
Depreciation	–	(1,231)	(2,812)	(4,043)
Amortisation	–	(1,348)	–	(1,348)
Interest income	1,536	5	19	1,560
Interest expense	–	(8,091)	–	(8,091)
Income tax expense	(522)	(9,082)	–	(9,604)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
For the year ended 31 December 2021				
Depreciation	–	(1,384)	(5,259)	(6,643)
Amortisation	–	(2,301)	–	(2,301)
Interest income	1,659	10	12	1,681
Interest expense	–	(7,195)	–	(7,195)
Income tax expense	(2,471)	(7,999)	–	(10,470)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Revenue from external customers, based on the location where the goods are delivered and services are rendered, and non-current assets, other than deferred income tax assets, by geographical location are as follows:

	Revenue from external customers		Non-current assets	
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong	161,178	108,839	943,163	1,003,985
The PRC	1,692	3,596	37	39
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	162,870	112,435	943,200	1,004,024
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

For the years ended 31 December 2022 and 2021, no single customer contributed to 10% or more of the Group's total revenue.

A reconciliation of reportable segment assets to total assets and reportable segment liabilities to total liabilities is provided as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Reportable segment assets	1,004,724	1,028,975
Property, plant and equipment	234,000	269,030
Deposits, prepayments and other receivables	1,998	2,127
Financial assets at fair value through profit or loss	107	152
Cash and cash equivalents	<u>29,877</u>	<u>34,321</u>
Total assets per consolidated statement of financial position	<u>1,270,706</u>	<u>1,334,605</u>
Reportable segment liabilities	175,693	208,350
Amount due to a related company	1,732	1,936
Deferred income tax liabilities	–	271
Other payables and accruals	<u>1,174</u>	<u>1,146</u>
Total liabilities per consolidated statement of financial position	<u>178,599</u>	<u>211,703</u>

4. REVENUE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest income from money lending business	159,318	106,979
Rental income from investment property and completed properties for sale	3,552	3,691
Sales of properties in the PRC	<u>–</u>	<u>1,765</u>
	<u>162,870</u>	<u>112,435</u>

5. OTHER INCOME

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest income on bank deposits	1,560	1,681
Government subsidies (<i>Note</i>)	668	–
Sundry income	<u>107</u>	<u>68</u>
	<u>2,335</u>	<u>1,749</u>

Note: Government subsidies represent subsidies from “Employment Support Scheme” launched by Hong Kong government to provide financial support to employers to retain employees. There are no unfulfilled conditions or other conditions or other contingencies attaching to these subsidies.

6. OTHER (LOSSES)/GAINS, NET

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Exchange gains, net	28	4,936
Gain on termination of leases	–	3
Fair value (loss)/gain on financial assets at fair value through profit or loss	(45)	5
Property, plant and equipment written off	–	(8)
	<u> </u>	<u> </u>
	(17)	4,936
	<u> </u>	<u> </u>

7. OTHER OPERATING EXPENSES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Auditor's remuneration		
– Audit services	2,120	2,607
– Non-audit services	350	350
Amortisation of intangible assets	1,348	2,301
Bank charges	1,540	908
Commission expenses	923	2,555
Computer accessories	1,160	978
Depreciation of property, plant and equipment	4,043	6,643
Expenses relating to short-term leases	359	708
Legal and professional fees	1,048	1,739
Valuation and search fees	1,326	1,943
Recruitment fees	511	–
Others	3,322	2,825
	<u> </u>	<u> </u>
	18,050	23,557
	<u> </u>	<u> </u>

8. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Unwinding of interest on deferred consideration payable	8,042	7,170
Interest expense on lease liabilities	49	25
	<u> </u>	<u> </u>
	8,091	7,195
	<u> </u>	<u> </u>

9. INCOME TAX EXPENSE

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods. The Group has estimated the tax provision for PRC Land Appreciation Tax (“LAT”) according to the requirements set forth in the relevant PRC tax laws and regulations.

Hong Kong profits tax for the year ended 31 December 2022 have been provided for the rate of 8.25% for the first HK\$2,000,000 estimated assessable profits and 16.5% for estimated assessable profits above HK\$2,000,000 for an entity of the Group qualified for the two-tiered profits tax rates regime. For group entities not qualifying for the two-tiered profits tax rates regime, Hong Kong profits tax has been provided for at a flat rate of 16.5% (2021: same).

The amount of income tax expense charged to the consolidated statement of profit or loss and other comprehensive income represents:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current income tax		
– PRC enterprise income tax	513	240
– PRC land appreciation tax	–	320
– Hong Kong profits tax	12,322	9,538
– (Over)/under provision in prior years	(137)	286
	<u>12,698</u>	<u>10,384</u>
Deferred income tax	(3,094)	86
	<u>9,604</u>	<u>10,470</u>

10. DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 (31 December 2021: Nil).

11. EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share are calculated by dividing the profit of the Group attributable to owners of the Company by the weighted average number of ordinary shares in issue.

	2022	2021
Profit attributable to owners of the Company (<i>HK\$'000</i>)	15,189	21,267
Weighted average number of ordinary shares in issue (<i>'000</i>)	<u>2,667,643</u>	<u>2,667,643</u>
	<u>0.57</u>	<u>0.80</u>

Diluted earnings per share

There were no potential dilutive ordinary shares outstanding during the years ended 31 December 2022 and 2021 and hence the diluted earnings per share is the same as the basic earnings per share.

12. INVESTMENT PROPERTIES

	<i>HK\$'000</i>
At 1 January 2021	183,300
Transfer from property, plant and equipment	65,000
Fair value loss on revaluation	<u>(6,780)</u>
At 31 December 2021	241,520
Fair value loss on revaluation	<u>(19,520)</u>
At 31 December 2022	<u><u>222,000</u></u>

At 31 December 2022, there were two investment properties (2021: two). One of the investment properties of the Group was let out to Mr. Lee Wing Keung, a son of Mr. Lee Lap and brother of Mr. Tommy Lee, directors of the Company. The Group is still searching for potential tenant for another investment property.

The Group leases out its land and buildings under non-cancellable operating lease arrangements. The lease term is 3 years (2021: 3 years). The Group has classified these leases as operating leases. Rental income from this investment property for the year amounted to HK\$1,860,000 (2021: HK\$1,860,000).

(a) Valuation process of the Group

The Group's investment properties were valued as at 31 December 2022 and 31 December 2021 by an independent professionally qualified valuer, Vigers Appraisal & Consulting Limited, who holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment property valued. For the investment properties, their current use equates to the highest and best use. The fair value losses are included in the consolidated statement of profit or loss.

The recurring fair value measurement for investment properties are included in level 3 of the fair value hierarchy. The Group's policy is to recognise transfers into and transfers out of the fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between 1, 2 and 3 during the year (2021: Nil).

(b) Valuation techniques

The valuations of investment properties were determined using the direct comparison method (Level 3 approach) (2021: income approach or direct comparison method) by making reference to comparable market transactions of similar properties and/or the existing tenancy agreement. At the time of the fair value estimates, the highest and best use of the properties was their current use. For the properties valued based on the direct comparison method, the most significant input into this valuation approach is the unit sale price, taking into account the differences in transaction time, location and size etc. between the comparables and the properties, which amounted to HK\$26,300 and HK\$50,000 (2021: HK\$26,400) per square foot on a saleable area basis. An increase in the unit sale price adopted would result in an increase in the fair value measurement of the investment properties by the same magnitude, and vice versa. For the property based on income approach, the market rental of the property under current lease is assessed and discounted at the market yield expected by investors and provision for the reversionary potential for this type of property, of amount to HK\$56,700 per square foot on saleable area basis as at 31 December 2021.

13. LOAN RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Gross loan receivables – property mortgage loans	204,246	363,139
Gross loan receivables – personal loans	354,994	191,870
Gross loan receivables – corporate loan	<u>26,000</u>	<u>29,000</u>
Total gross loan receivables	----- 585,240	----- 584,009
Less: Provision for impairment – Stage 1	(30,313)	(17,807)
Provision for impairment – Stage 2	(4,697)	(1,844)
Provision for impairment – Stage 3	<u>(13,945)</u>	<u>(6,121)</u>
Total provision for impairment	----- (48,955)	----- (25,772)
Loan receivables, net of provision	536,285	558,237
Less: Non-current portion	<u>(475,232)</u>	<u>(479,483)</u>
Current portion	<u><u>61,053</u></u>	<u><u>78,754</u></u>

The Group's loan receivables, which arise from the money lending business of providing property mortgage loans, personal loans and corporate loan in Hong Kong, are denominated in Hong Kong dollars and the carrying amounts approximate their fair values.

Except for personal loan receivables of HK\$354,994,000 as at 31 December 2022 (2021: HK\$191,870,000) which are unsecured, the loan receivables are secured by collaterals, interest-bearing and repayable with fixed terms agreed with the customers.

A maturity profile of the loan receivables as at the end of the reporting period, based on the maturity date, net of provision, is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within one year	61,053	155,540
One to two years	35,125	38,886
Two to five years	302,194	148,070
Over five years	<u>137,913</u>	<u>215,741</u>
	----- <u><u>536,285</u></u>	----- <u><u>558,237</u></u>

14. INTEREST RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest receivables – property mortgage loans	3,146	1,799
Interest receivables – personal loans	4,038	3,454
	7,184	5,253

The Group's interest receivables, which arise from the money lending business of providing property mortgage loans and personal loans in Hong Kong, are denominated in Hong Kong dollars and the carrying amounts approximate their fair values.

Except for interest receivables of personal loans of HK\$4,038,000 as at 31 December 2022 (2021: HK\$3,454,000) which are unsecured, the interest receivables are secured by collaterals and repayable with fixed terms agreed with the customers. The maximum exposure to credit risk at each of the reporting dates is the carrying value of the receivables mentioned above.

Interest receivables as at the end of the reporting period, net of provision, have maturities within one year.

RESULTS

The Group recorded a revenue of HK\$162,870,000 and a profit of HK\$15,189,000 for the year ended 31 December 2022, compared with a revenue of HK\$112,435,000 and profit of HK\$21,267,000 for the year ended 31 December 2021.

DIVIDEND

No interim dividend was paid by the Company for the six months ended 30 June 2022 (30 June 2021: Nil).

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 (31 December 2021: Nil).

PROFIT FOR THE YEAR

The profit for the current year is primarily due to the aggregate effect upon recognition of the following items:

- (i) interest income from the money lending business recorded of approximately HK\$159.3 million for the current year (2021: HK\$107.0 million), representing an increase of approximately HK\$52.3 million as compared with the year ended 31 December 2021;
- (ii) net charge for provision for impairment on loan and interest receivables of approximately HK\$28.7 million and write-off, net off recovery, of approximately HK\$29.1 million; and
- (iii) fair value losses of approximately HK\$19.5 million on the investment properties.

CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company (“AGM”) is scheduled to be held on Thursday, 15 June 2023. To determine the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 9 June 2023 to Thursday, 15 June 2023 (both days inclusive), during which no transfer of shares will be effected. In order to qualify for attendance of AGM, all completed transfer forms accompanied with the relevant share certificates must be lodged with the Company’s share registrar, Tricor Standard Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Thursday, 8 June 2023.

REVIEW OF OPERATIONS

Property Development and Investment

The Group’s completed properties for sale – Ever Success Plaza, comprising over 440 residential units standing on 3 levels of commercial arcades and car parks, is located at a convenient and prime location with a river view in Zhongshan, Guangdong Province. The competition in the property market in Zhongshan is keen as there are abundant supplies of properties with modern design. Although the commercial arcades are still vacant, the management has put a lot of efforts into marketing the properties and is endeavouring to improve the operation of the commercial arcades.

There was not much improvement in the operating environment in the year of 2022. The sales activities of the Group's property project in Zhongshan for the remaining residential units were not satisfactory during the year. Facing the overheated environment of the property market in the PRC, the Central government has laid down a series of regulations and rules to restrict the selling price of residential properties and the qualifications of buyers to purchase residential properties.

During the year of 2022, no sale transactions were approved and registered in the government's property sale system. The Group had no sale of residential unit during the year of 2022 (2021: 2 units). The rental income earned by the Group from Ever Success Plaza during the year ended 31 December 2022 decreased by approximately 8% compared with the year ended 31 December 2021. As at 31 December 2022, 56 residential units remained to be sold, out of which 7 residential units were let out.

Money Lending

In order to provide 24/7 borrowing experience, customers can apply for loans via the Group's automatic lending mobile application "X Wallet" App (the "X Wallet"), which is for unsecured loans only. The Group primarily focuses its sales and marketing effort on sourcing new customers for unsecured loans, including advertising through public transportation, outdoor banner, television, online media platforms, pamphlets and other marketing campaigns. The whole lending process through X Wallet involves no human intervention. Basically, it requires the provision of Hong Kong Identity Card and facial recognition, and offers loans using information technology such as big-data and credit scoring model. The loan facilities granted through X Wallet are all revolving loan facilities which could be repaid and re-borrowed within the approved credit limit at any time during the loan period, the majority of which ranged from 2 years to 7 years. The maximum amount of unsecured loan applied through X Wallet could be as high as HK\$105,000.

The number of registered users of X Wallet increased from 62,765 as at 31 December 2021 to 83,902 as at 31 December 2022. The number of active customers of X Wallet increased from 8,269 as at 31 December 2021 to 10,969 as at 31 December 2022. The increase in number of active customers improved the results of unsecured loans and generated revenue of approximately HK\$118,299,000 during the year ended 31 December 2022 (2021: HK\$53,782,000).

The majority of interest rates for unsecured loans granted via X Wallet ranged from 36% to 58% per annum and the weighted average interest rate charged was approximately 42% per annum. Loan amounts for unsecured loans granted via X Wallet ranged from HK\$5,000 to HK\$105,000.

The Group also focuses on providing mortgage loans to customers for purchase of residential properties in Hong Kong. Though there was a general recovery of the economy, the overall economic activity remained below the pre-pandemic level and the loan demand remained relatively subdued. The management will cautiously carry out the money lending business in Hong Kong. With the economic uncertainty and potential challenges, the management will carefully assess the credit worthiness of the borrowers as well as the quality and leverage of the mortgaged properties.

For mortgage loans, lower interest rates are charged compared to unsecured personal credit loans. The Group engaged mortgage referral agents, which are all independent third parties, to source new customers. The tenure of the majority of the mortgage loans ranged from 10 years to 20 years and the actual tenure may differ subject to customer's early repayment.

The majority of interest rates for secured loans granted ranged from 9% to 18% per annum and the weighted average interest rate charged was approximately 12% per annum. The majority of the collateral are residential properties and commercial properties, and all of the collaterals are located in Hong Kong. Loan amounts for secured loans granted ranged from HK\$80,000 to HK\$20,500,000.

As at 31 December 2022, the number of mortgage loans customers was 77, of which the top 10 customers represented 46.1% of total mortgage loan receivables, and the number of X Wallet customers was 10,969, of which top 10 customers represented 0.3% of total loan receivables from X Wallet. The largest and five largest customers accounted for 4.4% and 13.3% respectively of the total loan receivables as at 31 December 2022.

Credit risk assessment policy

All of the information provided by customers are required to undergo assessment procedures and will be reviewed according to the credit risk assessment policy approved by the Board before standard payment terms and conditions are offered.

For secured loans pledged by properties, the credit clerk will obtain all mandatory information and supporting documents from the applicant. To assess the credit risk of each applicant, the credit committee takes into account the applicant's credit history, the property type, valuation, loan-to-value ratios and overall market conditions at the time of application.

For unsecured loans applied via X Wallet, the Group assesses the credit quality of applications by collecting relevant customer information such as Optical Character Recognition, facial recognition, live testing and credit report through the mobile devices. The Group has established a robust control framework regarding the authorization structure for the approval and renewal of credit facilities, which also limits concentrations of exposure by types of asset, counterparties, credit rating, geographic location, etc.

The Group has also developed policies and procedures to appropriately assess and measure the Expected Credit Loss ("ECL") in accordance with impairment requirements of HKFRS 9.

As at 31 December 2022, the net loan and interest receivables of the Group amounted to HK\$536,285,000 and HK\$7,184,000, respectively. The provision for impairment of loan and interest receivables as at 31 December 2022 under the ECL model amounted to HK\$49,925,000.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supporting information to demonstrate that a more lagging default criterion is more appropriate. In particular, the following qualitative factors are taken into account in determining the risk of default occurring:

- (1) probable bankruptcy entered by the borrowers; and
- (2) death of the debtor.

During the year ended 31 December 2022, the Group had written off loan and interest receivables totalling approximately HK\$29,081,000, net of recoveries of loan and interest receivables previously written-off, based on the (1) bankruptcy of the borrowers, and (2) death of the debtors.

Internal Control Procedures

The following internal control measures have been implemented for the carrying out the Group's money lending business:

Credit approval process

For secured loans, the credit clerk will obtain basic information such as the applicant's name, contact details, background information, desired loan amount and purpose of the loan, and the particulars of the property proposed to be mortgaged. The credit clerk will also obtain three preliminary estimates of valuations of the property from independent professional property valuers or banks either verbally or through internet or email. The credit officer will perform a preliminary review and verification of the application materials. The credit committee will then review the application and determine the amount of loan and the interest rate based on the applicant's information and the valuation of the property in accordance with the internal credit policies and guidelines.

For unsecured loan applications through X Wallet, the credit approval is automatically processed by the established credit assessment model in the system. Credit reports of the applicant will be automatically retrieved from TransUnion through the Application Programming Interface. Applications will be screened by the credit scoring model which will generate a risk score in respect of each applicant based on the TransUnion report and information supplied by the applicant. Once the loan is approved, the terms of the loan including loan amount, interest rate and tenure will be determined specifically for each applicant. Otherwise, no loan would be offered if the applicant could not pass the credit assessment.

Ongoing monitoring of loan recoverability and loan collection

A system is in place to identify and monitor overdue loan accounts. The directors and senior management of the Group closely monitor the overall performance of the loans outstanding by checking systematically generated daily reports, and regularly review the whole collection performance of overdue assets. The debt recovery department is responsible for loan recovery, and it seeks management's opinion for further actions when necessary. The debt recovery department will contact the customer by phone if the account is overdue, and at the same time, notice of overdue payment will be issued to the customer. If the respective receivables have not been recovered in time, the debt recovery department will engage external debt collection agents to recover the debt. For secured loans, the debt recovery department will discuss legal actions to be taken with the management.

For loans overdue for more than 90 days, the Group will consider the loan assets to be in default, the status of the respective outstanding loan will be fully provided for, but such cases will still continue to be handled by external debt collection agents (unless the debtor has become bankrupt, subject to any debt restructuring, or if the debtor is deceased).

OUTLOOK

The COVID-19 pandemic continuously impacted Hong Kong in the year of 2022, and the situation suddenly turned worse with the outbreak of the fifth wave of COVID-19 pandemic in early 2022. However, following the implementation of the “vaccine pass” with COVID-19 vaccination records and a series of anti-epidemic measures taken by the Hong Kong government, the number of infected cases returned to a low level and the vaccination rate had continuously increased. In mid-December 2022, having assessed the epidemic development and taking into consideration the need for resuming social and economic activities, the Hong Kong government announced the lifting of the relevant requirements for “LeaveHomeSafe”, “vaccine pass”, rapid nucleic acid test arrangement at control points for persons travelling to the PRC and adjusting of the local testing strategies. Moreover, with effect from 1 March 2023, all mandatory mask-wearing requirements were lifted, and it is believed that society will be able to resume normal in full.

Under the anti-epidemic measures, people’s living habits have been constantly changed by “work from home”, “social distancing” and have become more digitalised and more used to online consumption, which have brought unique advantages to the Group’s financial technology lending business. Individuals’ demand for unsecured loan services supported by financial technology is growing. The Group will continuously capture this opportunity and expand our market share and customer base. The management expects that this will stimulate the development of the personal loan business via X Wallet, which is a fully automated mobile application that provides instant approval decision and 24 hours a day, 7 days a week instant fund transfer. With the support of the mobile application technology, the Group’s money lending business is expected to grow steadily.

The Group will further expand the loan portfolio of X Wallet and diversify its offerings to optimise the lending experience for customers, in order to enhance its unsecured loan market segment competitiveness. Meanwhile, the Group will strengthen its secured loan business development by offering more unique and quality mortgage loan products and services to its customers.

With a number of challenges including global economy slowdown, inflation, Russo-Ukrainian War, rising energy prices faced globally and in Hong Kong, the gloomy economic outlook and market instability are expected to remain, and the Group will actively review its loan portfolio and risk control status, conduct more comprehensive assessments of collaterals and exercise stringent loan application requirements to minimise default risk. Looking ahead, the Group will adhere to its core risk management and endeavour to improve and perfect its risk pricing model, and will adopt a variety of marketing strategies to popularize the brand of X Wallet to achieve greater market recognition.

In the PRC, the Central government has implemented various tightening monetary policies to cool down the overheated property market. We believe the PRC will continue to play a key role in the future global economy. The Group is confident in capitalising on these opportunities and will grasp every business opportunity available to build up its own distinctive strength and to explore new businesses in the PRC.

Property development and investment has been the principal business of the Group for all these years and the Group is looking for investment opportunities in the property markets in the PRC, especially the Guangdong province. However, due to the intense competition of the property market in the Guangdong province, the Group has not yet acquired any land or properties during the year, but the Group will still continue to explore investment opportunities in the property markets.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2022, the Group remained cash-sufficient and there were no material capital expenditure commitments other than the purchase consideration payable under the acquisition of aEasy Credit Investment Limited together with its subsidiaries. The operations are financed by capital and reserves.

Bank balances and cash amounted to approximately HK\$167 million and accounted for approximately 52% of total current assets.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total liabilities (including current and non-current liabilities as shown in the consolidated statement of financial position) less cash and cash equivalents. Total equity is calculated as ‘equity’ as shown in the consolidated statement of financial position.

The Group was in a net debt position as at 31 December 2022 and 2021.

The Group mainly operates in the PRC and Hong Kong, and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Renminbi. No financial instrument is arranged for hedging purposes in respect of interest rate and currency.

STAFF

As at 31 December 2022, the Group employed 51 staff at market remunerations with staff benefits such as insurance, provident fund scheme and discretionary bonus.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the year.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance and firmly believes that maintaining a good, solid and sensible framework of corporate governance will help ensure that the Company’s business is run in the best interests of its shareholders as a whole.

The Company has adopted all the code provisions in the Corporate Governance Code (“the CG Code”) contained in Appendix 14 of the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) as its own code on corporate governance practices.

The Company has complied with the CG Code during the year ended 31 December 2022 save as disclosed below.

Pursuant to code provision B.2.2 of the CG Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The Company is subject to a private act called “The Termbray Industries International (Holdings) Limited Act 1991”. Section 4(g) of the said Act provides that: “Notwithstanding anything contained in the Companies Act or rule of law to the contrary, the directors of the Company shall not be required to be elected at each annual general meeting, but shall (save for any chairman or managing director) be subject to retirement by rotation in such manner and at such frequency as the Bye-laws may provide.” Accordingly, the chairman and managing director of the Company may not be made subject to retirement by rotation. The Company has amended its Bye-laws to provide that every director of the Company, other than directors holding the office of chairman or managing director shall be subject to retirement by rotation at least once every 3 years, while directors holding the office of chairman or managing director shall be subject to re-election once every 3 years.

Following the resignation of Mr. Tong Hin Wor, an independent non-executive director of the Company, on 12 August 2022, the Board comprised three executive directors and two independent non-executive directors, with the number of independent non-executive directors falling below the minimum number of three independent non-executive directors as required under Rule 3.10(1) of the Listing Rules. Besides, Mr. Tong Hin Wor also served as a member of the audit committee of the Company and following Mr. Tong’s resignation, the number of audit committee members decreased from three to two, comprising two independent non-executive directors, which did not fulfill the requirement that the audit committee must comprise a minimum of three members as required under Rule 3.21 of the Listing Rules and the terms of reference of the audit committee.

On 12 August 2022, Mr. Wu Wai Pan, an independent non-executive director of the Company, was appointed as a member of each of the remuneration committee and nomination committee of the Company.

On 9 November 2022, Ms. Chak Wai Ting was appointed as an independent non-executive director and a member of the audit committee of the Company. Following the said appointment, (i) the Board comprises three independent non-executive directors, which fulfills the requirement of having a minimum of three independent non-executive directors under Rule 3.10(1) of the Listing Rules and (ii) the audit committee comprises three members, which fulfills the requirement that audit committee must comprise a minimum of three members who are non-executive directors under Rule 3.21 of the Listing Rules and the terms of reference of the audit committee.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the “Model Code”), as the code of conduct regarding directors’ securities transactions.

In response to specific enquiry made, all directors (except Mr. Lo Yiu Hee, a former director, who is unable to confirm due to illness and had retired on 10 June 2022) confirmed that they have complied with the Model Code throughout the year ended 31 December 2022.

In addition, the Board also established written guidelines on no less exacting terms than the Model Code for senior management of the Company in respect of their dealings in the securities of the Company.

AUDIT COMMITTEE

The audit committee, which is now chaired by Mr. Shu Wa Tung, Laurence, has been established with defined terms of reference in alignment with the recommendations set out in “A Guide for Effective Audit Committees” issued by the Hong Kong Institute of Certified Public Accountants and the code provisions set out in the CG Code of the Listing Rules. Other current members of the audit committee are Mr. Wu Wai Pan and Ms. Chak Wai Ting.

The audit committee of the Company has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including review of the annual results for the year ended 31 December 2022.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Group’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s audited consolidated financial statements for the year ended 31 December 2022. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

OTHER INFORMATION

The Directors of the Company as at the date of this announcement are as follows:

Executive Directors:

Mr. Lee Lap (*Chairman*)

Mr. Tommy Lee (*Vice Chairman & Chief Executive Officer*)

Mr. Chau Hau Shing

Independent Non-Executive Directors:

Mr. Shu Wa Tung, Laurence

Mr. Wu Wai Pan

Ms. Chak Wai Ting

By order of the Board
Termbray Industries International (Holdings) Limited
Lee Lap
Chairman

Hong Kong, 30 March 2023