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Renco Holdings Group Limited
融科控股集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 2323)

**ANNOUNCEMENT OF FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

The board (the “**Board**”) of directors (the “**Directors**”) of Renco Holdings Group Limited (the “**Company**”) is pleased to announce the audited consolidated annual results and financial positions of the Company and its subsidiaries (collectively, the “**Group**”) (the “**2022 Audited Annual Results**”) for the year ended 31 December 2022 (the “**FY2022**” or “**Year**”) together with the comparative figures for the year ended 31 December 2021 as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the year ended 31 December 2022

| | <i>Notes</i> | 2022 HKD’000 | 2021 HKD’000 |
|-------------------------------------|--------------|-------------------------------|------------------------|
| REVENUE | 5 | 355,682 | 535,431 |
| Cost of sales | | <u>(323,421)</u> | <u>(494,147)</u> |
| GROSS PROFIT | | 32,261 | 41,284 |
| Other income | 6 | 5,163 | 8,468 |
| Other gains and losses | 7 | 41,177 | (16,348) |
| Impairment loss on financial assets | | (335,015) | (244,833) |
| Selling and distribution expenses | | (14,932) | (22,237) |
| Administrative expenses | | <u>(75,917)</u> | <u>(52,287)</u> |
| LOSS FROM OPERATIONS | | (347,263) | (285,953) |
| Finance costs | 8 | (65,766) | (63,265) |
| Share of results of joint ventures | | (20,662) | (89,287) |
| Share of results of associates | | <u>(30,527)</u> | 48,090 |
| LOSS BEFORE TAX | | (464,218) | (390,415) |
| Income tax expense | 9 | <u>(1,918)</u> | <u>(61,175)</u> |
| LOSS FOR THE YEAR | 10 | <u>(466,136)</u> | <u>(451,590)</u> |

| | <i>Notes</i> | 2022 HKD'000 | 2021 <i>HKD'000</i> |
|---|--------------|-------------------------------|------------------------|
| Other comprehensive (loss)/income after tax: | | | |
| <i>Items that may be reclassified to profit or loss:</i> | | | |
| Exchange differences on translating foreign operations | | (31,044) | (30,988) |
| Exchange differences reclassified to profit or loss on disposal of subsidiaries | | 4,578 | – |
| Share of other comprehensive income of associates | | (2,469) | 20,745 |
| <i>Items that will not be reclassified to profit or loss:</i> | | | |
| Gain on revaluation of property, plant and equipment | | 2,438 | 35,409 |
| Income tax effect | | (610) | (8,852) |
| Other comprehensive (loss)/income for the year, net of tax | | <u>(27,107)</u> | <u>16,314</u> |
| Total comprehensive loss for the year | | <u>(493,243)</u> | <u>(435,276)</u> |
| Loss per share (HK cents) | | | |
| — Basic and diluted | <i>12</i> | <u>(19.08)</u> | <u>(20.45)</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

| | Notes | 2022 HKD'000 | 2021 HKD'000 |
|---|-------|------------------|-----------------|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 280,039 | 318,054 |
| Right-of-use assets | | 6,756 | 12,667 |
| Investments in associates | | 551,809 | 584,805 |
| Investments in joint ventures | | – | 20,662 |
| Rental and utility deposits | | 21 | 65 |
| Financial assets at fair value through profit or loss | | 2,397 | 4,266 |
| Deposits paid | | 105 | 47 |
| Other receivables | | 2,374 | – |
| | | <hr/> | <hr/> |
| Total non-current assets | | 843,501 | 940,566 |
| CURRENT ASSETS | | | |
| Inventories | | 44,043 | 56,700 |
| Trade receivables | 13 | 86,552 | 168,961 |
| Prepayments, other receivables and other assets | 13 | 87,427 | 142,359 |
| Loan receivables | 14 | 785,703 | 1,070,223 |
| Note receivables | 15 | 69,049 | 138,099 |
| Financial assets at fair value through profit or loss | | 74,377 | 115,867 |
| Bank balances and deposits | | 46,943 | 36,328 |
| | | <hr/> | <hr/> |
| Total current assets | | 1,194,094 | 1,728,537 |
| CURRENT LIABILITIES | | | |
| Trade payables | 16 | 89,069 | 231,201 |
| Other payables and accruals | 16 | 161,364 | 276,628 |
| Tax payable | | 275,943 | 277,663 |
| Lease liabilities | | 3,193 | 5,689 |
| Borrowings | 17 | 901,409 | 819,744 |
| Loan from a related party | | – | 2,950 |
| Loan from a director | | 111,137 | 103,710 |
| | | <hr/> | <hr/> |
| Total current liabilities | | 1,542,115 | 1,717,585 |
| NET CURRENT (LIABILITIES)/ASSETS | | (348,021) | 10,952 |
| | | <hr/> | <hr/> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 495,480 | 951,518 |

| | <i>Notes</i> | 2022 <i>HKD'000</i> | 2021 <i>HKD'000</i> |
|---|--------------|--------------------------------------|------------------------|
| NON-CURRENT LIABILITIES | | | |
| Lease liabilities | | 960 | 4,504 |
| Borrowings | <i>17</i> | 177,941 | 177,941 |
| Deferred tax liabilities | | 14,608 | 15,158 |
| | | <hr/> | <hr/> |
| Total non-current liabilities | | 193,509 | 197,603 |
| | | <hr/> | <hr/> |
| NET ASSETS | | 301,971 | 753,915 |
| | | <hr/> <hr/> | <hr/> <hr/> |
| EQUITY | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | | 264,800 | 220,800 |
| Reserves | | 37,171 | 533,115 |
| | | <hr/> | <hr/> |
| TOTAL EQUITY | | 301,971 | 753,915 |
| | | <hr/> <hr/> | <hr/> <hr/> |

1. GENERAL INFORMATION

Renco Holdings Group Limited (the “**Company**”) was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

As at 31 December 2022, in the opinion of the directors (the “**Directors**”) of the Company, the Company has no immediate and ultimate holding company or ultimate controlling party.

The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information to the annual report.

During the year, the Company and its subsidiaries (collectively referred to as the “**Group**”) was involved in the following activities:

- manufacturing and sale of a broad range of printed circuit boards (“**PCBs**”);
- investment and trading of securities and related treasury activities; and
- advising on securities and asset management services.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Going concern assumption

The Group incurred a consolidated net loss of approximately HK\$466,136,000 during the year ended 31 December 2022 and as at 31 December 2022 the Group had net current liabilities of HK\$348,021,000. In addition, the Group had outstanding borrowings of approximately HK\$901,409,000 which would be due for repayment within the next twelve months and an amount due to a director of approximately HK\$111,137,000 which are repayable on demand and bank balances and deposits of approximately HK\$46,943,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern.

The Directors consider the Group will have sufficient working capital to finance its operations and financial obligations as and when they fall due, and accordingly, are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis after taking into consideration of the followings:

- (i) enhancing the collection of loan and note receivables by monitoring repayments when they fall due;
- (ii) a substantial shareholder, through related companies of which are also owned by this substantial shareholder, has undertaken to provide continuing financial support to the Group to remain continuing operations and to meet its liabilities and obligations when they fall due;
- (iii) the Group will actively negotiate with the lenders for debts restructuring and the renewal of the Group’s borrowings when they fall due in order to secure necessary funds to meet the Group’s working capital and financial requirements in the foreseeable future. In the opinion of the Directors, the Group will be able to roll over or refinance the borrowings upon their maturity;
- (iv) identifying new investment and business development opportunities to increase the Group’s profitability; and
- (v) the Group is actively exploring the availability of various sources of financing including the disposal of assets or obtain secured facilities by way of pledge of assets etc.

The Directors are therefore of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2022. HKFRSs comprise Hong Kong Financial Reporting Standards (“**HKFRS**”); Hong Kong Accounting Standards (“**HKAS**”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will not have material impact on the consolidated financial statements of the Group.

4. SEGMENT REPORTING

(a) *Reportable segments*

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker (“**CODM**”) that are used to strategic decisions.

The Group has three reportable segments. The segments are managed separately because each segment offers different products and services and requires different strategies. The following summary describes the operations in each of the Group's reportable segments:

| | | |
|-----------------------------|---|---|
| Manufacturing segment | – | Manufacture and sales of PCBs |
| Treasury investment segment | – | Investment and trading in securities, fund investments and related activities and provision of financial assistance |
| Financial service segment | – | Advisory on securities, asset management and consultancy and corporation solution services |

No operating segments have been aggregated in arriving at the three reportable segments of the Group.

Corporate income and expenses and corporate assets and liabilities are not allocated to the operating segments as they are not included in the measure of the segments' results and assets and liabilities that are used by the CODM for assessment of segment performance.

Inter-segment transactions, if any, are priced with reference to prices charged to external parties for similar order.

| | 2022 | | | |
|---|---------------------------------|--|--|-------------------------|
| | Manufacturing <i>HKD'000</i> | Treasury investment <i>HKD'000</i> | Financial service <i>HKD'000</i> | Total <i>HKD'000</i> |
| Revenue from external customers | <u>368,834</u> | <u>(13,152)</u> | <u>–</u> | <u>355,682</u> |
| Reportable segment gain/(loss) | <u>33,141</u> | <u>(460,048)</u> | <u>(27,510)</u> | <u>(454,417)</u> |
| <i>Amounts included in the measure of segment profit or loss:</i> | | | | |
| Interest income | – | 28,213 | – | 28,213 |
| Finance costs | (12,485) | (53,281) | – | (65,766) |
| Depreciation of property, plant and equipment | (1,229) | (1,141) | – | (2,370) |
| Depreciation of right-of-use assets | (2,202) | (2,364) | – | (4,566) |
| Share of results of associates | – | (30,527) | – | (30,527) |
| Reversal of impairment/(impairment loss) on financial assets | <u>470</u> | <u>(335,485)</u> | <u>–</u> | <u>(335,015)</u> |
| Reportable segment assets | 474,133 | 1,490,545 | 66,172 | 2,030,850 |
| <i>Amounts included in the measure of segment assets:</i> | | | | |
| Interests in associates | – | 551,809 | – | 551,809 |
| Additions to non-current assets [#] | 1,271 | 1,634 | – | 2,905 |
| Reportable segment liabilities | <u>(465,110)</u> | <u>(949,674)</u> | <u>(44,897)</u> | <u>(1,459,681)</u> |

| | 2021 | | | |
|--|---------------------------------|--|--|-------------------------|
| | Manufacturing <i>HKD'000</i> | Treasury investment <i>HKD'000</i> | Financial service <i>HKD'000</i> | Total <i>HKD'000</i> |
| Revenue from external customers | <u>551,756</u> | <u>(16,325)</u> | <u>–</u> | <u>535,431</u> |
| Reportable segment loss | <u>(42,635)</u> | <u>(314,403)</u> | <u>(3,648)</u> | <u>(360,686)</u> |
| Amounts included in the measure of segment profit or loss: | | | | |
| Interest income | 15 | 40,941 | – | 40,956 |
| Finance costs | (11,371) | (51,894) | – | (63,265) |
| Depreciation of property, plant and equipment | (1,578) | (7,418) | – | (8,996) |
| Depreciation of right-of-use assets | (3,513) | (2,364) | – | (5,877) |
| Share of results of associates | – | 48,090 | – | 48,090 |
| Share of results of joint ventures | – | (89,287) | – | (89,287) |
| Impairment loss on financial assets | <u>(54)</u> | <u>(244,779)</u> | <u>–</u> | <u>(244,833)</u> |
| Reportable segment assets | 587,417 | 1,856,068 | 222,963 | 2,666,448 |
| Amounts included in the measure of segment assets: | | | | |
| Interests in associates | – | 584,805 | – | 584,805 |
| Interests in joint ventures | – | 20,662 | – | 20,662 |
| Additions to non-current assets [#] | 12,873 | 1,012 | – | 13,885 |
| Reportable segment liabilities | <u>(596,872)</u> | <u>(875,203)</u> | <u>(165,450)</u> | <u>(1,637,525)</u> |

[#] Include additions to property, plant and equipment and right-of-use assets

Reconciliation of reportable segment profit or loss, assets and liabilities:

| | 2022 HKD'000 | 2021 HKD'000 |
|---|--------------------------------|-------------------------|
| Profit or loss | | |
| Reportable segment loss | (454,417) | (360,686) |
| Other unallocated staff cost | (9,801) | (29,729) |
| | <u>(464,218)</u> | <u>(390,415)</u> |
| Consolidated loss before income tax expense | <u>(464,218)</u> | <u>(390,415)</u> |
| | 2022 HK\$'000 | 2021 HK\$'000 |
| Assets | | |
| Reportable segment assets | 2,030,850 | 2,666,448 |
| Unallocated bank balances and deposits | 6,745 | 2,655 |
| | <u>2,037,595</u> | <u>2,669,103</u> |
| Consolidated total assets | <u>2,037,595</u> | <u>2,669,103</u> |
| | 2022 HK\$'000 | 2021 HK\$'000 |
| Liabilities | | |
| Reportable segment liabilities | 1,459,681 | 1,637,525 |
| Tax payable | 275,943 | 277,663 |
| | <u>1,735,624</u> | <u>1,915,188</u> |
| Consolidated total liabilities | <u>1,735,624</u> | <u>1,915,188</u> |

(b) **Geographical information**

The following table provides an analysis of the Group's revenue from external customers and non-current assets other than financial instruments ("Specified non-current assets").

| | Revenue from external customers | | Specified non-current assets | |
|---|---------------------------------|-----------------|------------------------------|-----------------|
| | 2022 HKD'000 | 2021 HKD'000 | 2022 HKD'000 | 2021 HKD'000 |
| Hong Kong (place of domicile) | <u>24,160</u> | <u>45,685</u> | <u>299,702</u> | <u>330,155</u> |
| The People's Republic of China (the "PRC") | 100,342 | 167,554 | 285,429 | 319,002 |
| Singapore | 13,717 | 30,845 | – | – |
| Malaysia | 1,444 | 3,848 | – | – |
| Germany | 37,936 | 61,670 | – | – |
| Poland | 52,993 | 57,458 | – | – |
| Other Europe countries | 49,618 | 85,103 | – | – |
| United States of America | 4,587 | 6,893 | – | – |
| Korea | 1,989 | 2,397 | – | – |
| Japan | 39,036 | 61,068 | – | – |
| Others | <u>29,860</u> | <u>12,910</u> | <u>–</u> | <u>–</u> |
| Total | <u>331,522</u> | <u>489,746</u> | <u>285,429</u> | <u>319,002</u> |
| | <u>355,682</u> | <u>535,431</u> | <u>585,131</u> | <u>649,157</u> |

Note:

Revenue is attributed to countries on the basis of the customer's location. Non-current asset is attributed to countries on the basis of the location of the assets.

(c) **Information about major customers**

Revenue from major customers who have individually contributed to 10% or more of the total revenue of the Group are disclosed as follows:

| | 2022 HKD'000 | 2021 HKD'000 |
|-------------|-----------------|-----------------|
| Customer A* | 52,993 | 60,531 |
| Customer B* | <u>39,036</u> | <u>57,458</u> |

* Included in the manufacturing segment.

5. REVENUE

| | 2022 <i>HKD'000</i> | 2021 <i>HKD'000</i> |
|---|------------------------|------------------------|
| <i>Revenue from contracts with customers</i> | | |
| – Sales of goods | <u>368,834</u> | <u>551,756</u> |
| <i>Revenue from other sources</i> | | |
| Fair value loss on trading purpose equity investments at FVTPL, net | | |
| – Unrealised loss | (41,478) | (57,266) |
| Interest income | | |
| – Loan and note receivables | 28,213 | 38,540 |
| – Loan to an associate | – | 2,401 |
| Management fee income | <u>113</u> | <u>–</u> |
| Total revenue from other sources | <u>(13,152)</u> | <u>(16,325)</u> |
| Total revenue | <u><u>355,682</u></u> | <u><u>535,431</u></u> |

Disaggregated revenue information

For the year ended 31 December 2022

| Type of goods or services | Manufacturing <i>HKD'000</i> | Treasury investment <i>HKD'000</i> | Financial service <i>HKD'000</i> | Total <i>HKD'000</i> |
|---|---------------------------------|--|--|-------------------------|
| Sales of goods | <u>368,834</u> | – | – | <u>368,834</u> |
| Total revenue from contracts with customers | <u><u>368,834</u></u> | <u><u>–</u></u> | <u><u>–</u></u> | <u><u>368,834</u></u> |
| Timing of revenue recognition | | | | |
| Goods transferred at a point in time | <u>368,834</u> | – | – | <u>368,834</u> |
| Total revenue from contracts with customers | <u><u>368,834</u></u> | <u><u>–</u></u> | <u><u>–</u></u> | <u><u>368,834</u></u> |
| Geographical markets | | | | |
| The PRC | 100,342 | – | – | 100,342 |
| Hong Kong | 37,312 | – | – | 37,312 |
| Singapore | 13,717 | – | – | 13,717 |
| Malaysia | 1,444 | – | – | 1,444 |
| Germany | 37,936 | – | – | 37,936 |
| Poland | 52,993 | – | – | 52,993 |
| Other Europe countries | 49,618 | – | – | 49,618 |
| United States of America | 4,587 | – | – | 4,587 |
| Korea | 1,989 | – | – | 1,989 |
| Japan | 39,036 | – | – | 39,036 |
| Other countries/regions | <u>29,860</u> | – | – | <u>29,860</u> |
| Total revenue from contracts with customers | <u><u>368,834</u></u> | <u><u>–</u></u> | <u><u>–</u></u> | <u><u>368,834</u></u> |

For the year ended 31 December 2021

| Type of goods or services | Manufacturing HKD'000 | Treasury investment HKD'000 | Financial service HKD'000 | Total HKD'000 |
|---|----------------------------------|--|--|--------------------------|
| Sales of goods | 551,756 | – | – | 551,756 |
| Total revenue from contracts with customers | <u>551,756</u> | <u>–</u> | <u>–</u> | <u>551,756</u> |
| Timing of revenue recognition | | | | |
| Goods transferred at a point in time | 551,756 | – | – | 551,756 |
| Total revenue from contracts with customers | <u>551,756</u> | <u>–</u> | <u>–</u> | <u>551,756</u> |
| Geographical markets | | | | |
| The PRC | 167,554 | – | – | 167,554 |
| Hong Kong | 62,010 | – | – | 62,010 |
| Singapore | 30,845 | – | – | 30,845 |
| Malaysia | 3,848 | – | – | 3,848 |
| Germany | 61,670 | – | – | 61,670 |
| Poland | 57,458 | – | – | 57,458 |
| Other Europe countries | 85,103 | – | – | 85,103 |
| United States of America | 6,893 | – | – | 6,893 |
| Korea | 2,397 | – | – | 2,397 |
| Japan | 61,068 | – | – | 61,068 |
| Other countries/regions | 12,910 | – | – | 12,910 |
| Total revenue from contracts with customers | <u>551,756</u> | <u>–</u> | <u>–</u> | <u>551,756</u> |

There were no inter-segment sales between segments and therefore the amount on sales to external customers by segment is as the same as total revenue from contracts with customers by segment in both years.

6. OTHER INCOME

| | 2022 HKD'000 | 2021 HKD'000 |
|--------------------------|-------------------------|-------------------------|
| Bank interest income | 20 | 15 |
| Service income | – | 2,218 |
| Government grants | 1,520 | 1,322 |
| Recharged tooling income | 207 | 1,157 |
| Others | <u>3,416</u> | <u>3,756</u> |
| | <u>5,163</u> | <u>8,468</u> |

7. OTHER GAINS AND LOSSES

| | 2022 <i>HKD'000</i> | 2021 <i>HKD'000</i> |
|---|------------------------|------------------------|
| Net exchange loss | (13,752) | (16,348) |
| Written back on other payables and accruals | 38,268 | – |
| Waiver for payable to Mr. Liu Tingan | 16,661 | – |
| | <u>41,177</u> | <u>(16,348)</u> |

8. FINANCE COSTS

| | 2022 <i>HKD'000</i> | 2021 <i>HKD'000</i> |
|-------------------------|------------------------|------------------------|
| Interest on: | | |
| – Lease liabilities | 661 | 1,143 |
| – Borrowings | 57,608 | 55,132 |
| – Loans from a director | 7,497 | 6,990 |
| | <u>65,766</u> | <u>63,265</u> |

9. INCOME TAX

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

| | 2022 <i>HKD'000</i> | 2021 <i>HKD'000</i> |
|---|------------------------|------------------------|
| Current tax – PRC Enterprise Income Tax | | |
| – tax for the year | 1,918 | 3,255 |
| Deferred tax | – | 57,920 |
| | <u>1,918</u> | <u>61,175</u> |

For Hong Kong profits tax, under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of the group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5% on estimated assessable profits arising from Hong Kong during both years.

No Macau profits tax has been provided as the Macau subsidiary of the Company is exempted from Macau Complementary Tax for the year ended 31 December 2021. According to the Macau Complementary Tax Law, assessable profit up to MOP600,000 is exempt from Complementary Tax, and assessable profit exceeding MOP600,000 is taxed at a rate of 12% for the year ended 31 December 2022.

Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the statutory tax rate of the Group’s PRC subsidiaries is 25% (2021: 25%).

10. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging the following:

| | 2022 <i>HKD'000</i> | 2021 <i>HKD'000</i> |
|--|------------------------|------------------------|
| Auditor's remuneration | | |
| Audit services | | |
| – Current year | 1,250 | 2,122 |
| Cost of inventories sold | 323,421 | 494,147 |
| Depreciation charge of property, plant and equipment | 17,982 | 17,059 |
| Depreciation charge of right-of-use assets | 4,566 | 5,877 |
| Impairment loss on financial assets | 335,015 | 244,833 |
| Employee costs (<i>Note 11</i>) | <u>101,471</u> | <u>138,809</u> |

11. EMPLOYEE COSTS

| | 2022 <i>HKD'000</i> | 2021 <i>HKD'000</i> |
|--|------------------------|------------------------|
| Employee costs (including directors' remuneration) comprise: | | |
| – Wages and salaries | 85,795 | 121,020 |
| – Contributions to retirement benefits scheme | 13,315 | 14,013 |
| – Other staff benefits | <u>2,361</u> | <u>3,776</u> |
| | <u>101,471</u> | <u>138,809</u> |

12. LOSS PER SHARE

The calculation of basic and diluted loss per share attributable to owners of the Company is based on the following data:

| | 2022 <i>HKD'000</i> | 2021 <i>HKD'000</i> |
|--|------------------------|------------------------|
| Loss | | |
| Loss for the purpose of basic and diluted loss per share | <u>(466,136)</u> | <u>(451,590)</u> |
| | 2022 | 2021 |
| <i>Number of shares:</i> | | |
| Weighted average number of ordinary shares for the purpose of basic loss per share | <u>2,443,068,493</u> | <u>2,208,000,000</u> |

13. TRADE RECEIVABLES, PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

| | 2022 <i>HKD'000</i> | 2021 <i>HKD'000</i> |
|---|------------------------|------------------------|
| Trade receivables (<i>Note (a)</i>) | 178,660 | 256,123 |
| Less: Allowance for doubtful debts (<i>Note (a)</i>) | <u>(92,108)</u> | <u>(87,162)</u> |
| | <u>86,552</u> | <u>168,961</u> |
| Prepayments, other receivables and other assets (<i>Note (b)</i>) | | |
| – Prepayments | 13,399 | 13,298 |
| – Deposits paid | 3,147 | 9,960 |
| – Other receivables | <u>70,881</u> | <u>119,101</u> |
| | <u>87,427</u> | <u>142,359</u> |
| | <u>173,979</u> | <u>311,320</u> |

Notes:

(a) Trade receivables

Customers of manufacturing segment are generally granted with credit terms of 30 to 120 days while no credit period will normally be granted to customers in treasury investment and financial service segments. The ageing analysis of trade receivables based on invoice date (net of allowance for doubtful debts) at the end of reporting period is as follows:

| | 2022 <i>HKD'000</i> | 2021 <i>HKD'000</i> |
|--------------|------------------------|------------------------|
| 0 – 30 days | 27,070 | 47,230 |
| 31 – 60 days | 25,296 | 51,917 |
| 61 – 90 days | 18,181 | 38,726 |
| Over 90 days | <u>16,005</u> | <u>31,088</u> |
| | <u>86,552</u> | <u>168,961</u> |

The ageing of trade receivables (net of allowance for doubtful debts) which are past due is as follows:

| | 2022 <i>HKD'000</i> | 2021 <i>HKD'000</i> |
|-----------------------|------------------------|------------------------|
| 0 – 30 days past due | 15,790 | 31,624 |
| 31 – 90 days past due | 3,579 | 8,703 |
| Over 90 days past due | <u>290</u> | <u>5,950</u> |
| | <u>19,659</u> | <u>46,277</u> |

The movement in impairment loss on trade receivables from contracts with customers during the year is as follows:

| | 2022 <i>HKD'000</i> | 2021 <i>HKD'000</i> |
|----------------------------|-------------------------------|------------------------|
| At beginning of the year | 87,162 | 64,832 |
| Impairment loss recognised | 4,994 | 22,307 |
| Exchange realignment | (48) | 23 |
| | <hr/> | <hr/> |
| At end of the year | <u>92,108</u> | <u>87,162</u> |

(b) Prepayments, other receivables and other assets

Deposits and other receivables are all denominated in functional currencies of the relevant group entities at the end of both reporting periods.

Other receivables mainly include receivables from Cayman Islands funds set up by the Group over which the Group has no control.

14. LOAN RECEIVABLES

| | 2022 <i>HKD'000</i> | 2021 <i>HKD'000</i> |
|-------------------------------------|-------------------------------|-------------------------|
| Secured loans (<i>Note (a)</i>) | 1,723,959 | 1,775,018 |
| Less: Allowances for doubtful debts | (938,256) | (704,795) |
| | <hr/> | <hr/> |
| | <u>785,703</u> | <u>1,070,223</u> |

Notes:

- (a) The balance represents secured loans to independent third party corporate borrowers which bear fixed interest rates ranging from 3% to 36% (2021: 3% to 36%) per annum with initial loan period ranging from 12 months to 24 months. These loans were secured by the following:
- fund investments of a borrower;
 - 55% equity interest in a borrower;
 - interests in certain properties of a borrower;
 - equity investments owned by the shareholder of a borrower;
 - listed shares owned by the related companies of a borrower;
 - listed shares of group companies of the borrower;
 - issued share capital of group companies of the borrowers;
 - interest in rights to use of a number of sea areas in the PRC owned by the group companies of the borrowers; and
 - personal guarantees executed by the shareholders or key management personnel of the borrowers.
- (b) Included in the loan receivables is a short-term interest-free loan amounted to HK\$20,000,000 which was lent to the bond issuer as mentioned in Note 15. The securities of this loan and the bond receivable in Note 15 are the same.

15. NOTE RECEIVABLES

| | 2022 <i>HKD'000</i> | 2021 <i>HKD'000</i> |
|--|------------------------|------------------------|
| Secured | 230,165 | 230,165 |
| <i>Less: Allowances for doubtful debts</i> | <u>(161,116)</u> | <u>(92,066)</u> |
| | <u>69,049</u> | <u>138,099</u> |

As at 31 December 2019, the Group subscribed from four third party issuers 5% – 10% fixed coupon redeemable unlisted bonds. These bonds were secured by the issuer's interests in certain bonds issued by a company listed on the Stock Exchange and personal guarantee executed by the director of certain issuers.

In 2020, three out of the four bonds with carrying amount in aggregate of HK\$986,837,000 were settled through several restructuring and debt assignment agreements. The bond that remained held by the Group at 31 December 2021 is a 5% fixed coupon redeemable unlisted bond secured by the issuer's interests in certain bonds issued by a company listed on the Stock Exchange.

16. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

| | 2022 <i>HKD'000</i> | 2021 <i>HKD'000</i> |
|-----------------------------|------------------------|------------------------|
| Trade payables | 89,069 | 231,201 |
| Other payables and accruals | | |
| – Other payables | 41,999 | 118,296 |
| – Interests payables | 34,346 | 40,765 |
| – Accruals | <u>85,019</u> | <u>117,567</u> |
| | <u>161,364</u> | <u>276,628</u> |
| | <u>250,433</u> | <u>507,829</u> |

An ageing analysis of the trade payables as at each reporting date, based on the invoice date, is as follows:

| | 2022 <i>HKD'000</i> | 2021 <i>HKD'000</i> |
|--------------|------------------------|------------------------|
| 0 – 30 days | 6,259 | 22,973 |
| 31 – 60 days | 11,333 | 26,163 |
| 61 – 90 days | 12,650 | 30,306 |
| Over 90 days | <u>58,827</u> | <u>151,759</u> |
| | <u>89,069</u> | <u>231,201</u> |

The trade payables are non-interest-bearing and are normally settled on terms of 60 to 120 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

The Group's other payables and accruals are denominated in functional currencies of the relevant group entities at the end of both reporting periods.

17. BORROWINGS

| | 2022 <i>HKD'000</i> | 2021 <i>HKD'000</i> |
|--|------------------------|------------------------|
| Secured bank loans repayable within one year (<i>Note (a)</i>) | 130,781 | 144,417 |
| Other loans, unsecured (<i>Note (b)</i>) | 177,941 | 180,559 |
| Other loans, secured (<i>Note (c)</i>) | 770,628 | 672,709 |
| | <u>1,079,350</u> | <u>997,685</u> |
| Current portion | 901,409 | 819,744 |
| Non-current portion | 177,941 | 177,941 |
| | <u>1,079,350</u> | <u>997,685</u> |

Notes:

- (a) The bank loans are secured by certain buildings and right-of-use assets in respect of leasehold land held by the Group, corporate guarantee of the Company and personal guarantee of Mr. Cheok Ho Fung, a Director. As at 31 December 2022, bank loans of approximately HK\$130,781,000 (2021: HK\$144,417,000) carried fixed interest rate ranged from 3.70% to 5.55% (2021: 2.36% to 3.85%) per annum.
- (b) As at 31 December 2022, unsecured other loans obtained from Jade Summit Holdings Limited, an associate, and an independent third party amounted to approximately HK\$177,941,000 (2021: HK\$177,941,000) and HK\$Nil (2021: HK\$2,618,000) respectively. The loan from the associate is non-interest bearing, unsecured and repayable in 2024; whereas the loan from the independent third party bears interest at a rate of 9.6% per annum (2021: 9.6% per annum) and is repayable within the next twelve months.
- (c) Secured other loans borrowed from an independent third party lender bears interest at a rate of 3% to 8% per annum (2021: 3% to 8% per annum) and HK\$770,628,000 are repayable within the next twelve months (2021: HK\$672,709,000 of which are repayable within the next twelve months). The balance is secured by:
- Corporate guarantee of the Company;
 - Equity interests in certain subsidiaries of the Company;
 - The Group's interest in an associate;
 - Trade and loan receivables with carrying amount of HK\$215,328,000 (2021: HK\$220,792,000); and
 - Financial assets at FVTPL with carrying amount of HK\$40,564,000 (2021: HK\$63,781,000).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

For the Year, the Group recorded a total revenue of HK\$355.68 million, representing a decrease of approximately 33.57% as compared with the total revenue of HK\$535.43 million for the corresponding year in 2021. Such a decrease in revenue was mainly due to the decrease in sales volume from manufacturing segment of the Group and an increase of loss attributable to the treasury investments segment. The revenue generated by the manufacturing segment during the Year amounted to HK\$368.83 million (2021: HK\$551.76 million). The loss for the Year generated by the treasury investments segment was HK\$13.15 million (2021: Profit of HK\$16.33 million).

For the Year, the Group recorded a loss before income tax of approximately HK\$464.22 million (2021: HK\$390.42 million), which was mainly attributable to (i) the unrealised fair value losses on financial investments held for trading through profit or loss of approximately HK\$41.48 million (2021: HK\$57.27 million) and (ii) the impairment losses on trade receivables, other receivables, loan receivables and note receivables of HK\$335.02 million in total in respect of the Group (2021: HK\$244.83 million).

Loss attributable to owners of the Company for the Year amounted to approximately HK\$466.14 million, as compared with the loss attributable to owners of the Company of approximately HK\$451.59 million for the corresponding year in 2021. Basic loss per share attributable to owners of the Company for the Year was approximately 19.08 HK cents, as compared with that of 20.45 HK cents for the corresponding year in 2021.

FINAL DIVIDENDS

The Board has resolved not to recommend any declaration of final dividend for the Year (2021: HK\$Nil).

BUSINESS REVIEW

Manufacturing Business

During the Year, the principal business of the Group's manufacturing segment remained unchanged and was involved in the manufacture and sale of a wide range of PCBs.

Compared to the revenue for the corresponding year of 2021, the sales of goods in the Group's manufacturing segment decreased by approximately 33.15% from approximately HK\$551.76 million in 2021 to approximately HK\$368.83 million for the Year whereas its gross profit margin increased from 10.44% in 2021 to 12.31% for the Year.

Treasury Investments

During the Year, the Group's treasury investments team continued to endeavor to make effective use of its available financial resources in monitoring and making investment/disposal on a wide variety of financial assets including investments in listed equity securities, investments in funds, and the provision of financial assistance to independent third parties.

For the Year, the Group's treasury investments segment recorded a loss of approximately HK\$460.05 million (2021: HK\$314.40 million) in the form of realised and unrealised fair value losses and interest income. The substantial fair value losses arising from the adverse market price changes of listed securities held by the Group were mainly due to the downturn of the Hong Kong stock market and the downward share price performance of the listed securities held by the Group during the Year. The provision for impairment losses were arisen as a result of the increase in credit-impaired receivables of the treasury investments segment.

Financial Services

Renco Investments Limited (“**Renco Investments**”) held the licenses to conduct Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities under the Securities and Futures Ordinance during the Year. Renco Investments, which was an indirect wholly-owned subsidiary of the Company during the period from 1 January 2022 to 7 December 2022, actively participated in asset management, consultancy services, corporate solution services and debt, asset and shareholding restructuring business in the PRC and Hong Kong during the past four years.

In view of the continuing downturn of the global economic situation and the Group’s intention in reduction of operating cost, the Directors resolved at Board meeting to dispose of 33% of the shareholding in Renco Investment to two independent third parties respectively, representing an aggregate of 66% of the shareholding in Renco Investments at the total consideration of approximately HK\$1.77 million on 8 December 2022 (the “**RI Disposal**”). Upon completion of the RI disposal, the Company held 34% shareholding in Renco Investments and it became an associate of the Company since 8 December 2022. The RI Disposal did not constitute a disclosable transaction under Chapter 14 of the Listing Rules as all the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the transaction contemplated under therein were less than 5% as at the date of RI Disposal.

As at the date of this announcement, Renco Investments designated its wholly-owned subsidiary in the PRC, Shenzhen Renco Private Equity Investment Fund Management Limited* (深圳融科私募股權投資基金管理有限公司), to act as the general manager of a fund registered under the Asset Management Association of China (中國證券投資基金業協會) for generating the management fee and investment return in the coming years.

Offshore Private Funds Management

The Group continued to act as a general partner of several offshore private funds launched by the Group which were related to investments under the concept of One Belt One Road (the “**OBOR**”). Besides, the Group has set up several offshore private funds (the “**HKBridge Funds**”) for investments in listed equity securities investments and unlisted debt investments.

Due to the global macroeconomic downturn since 2019, some limited partners of these offshore private funds had withdrawn their contribution of capital. The general partners of such funds carried out a series of restructuring schemes for the relevant offshore private funds in year of 2020. As at the date of this announcement, among the total of 12 investment funds established by the Group, 8 were related to the OBOR and 4 were related to the HKBridge Funds. The Group’s aggregated amount of assets under management up to the date of this announcement was approximately HK\$2.62 billion. Up to 31 December 2022, the Group had made a total sum of original capital contributions of approximately HK\$1.38 billion (31 December 2021: HK\$1.38 billion) to some of the offshore private funds.

As a significant amount of investments and loans made by some offshore private funds were not to be repaid as scheduled, the general partners of these offshore private funds have continued operating in difficulty. During the Year, all offshore private fund and each of the general partner were struck off by the registrar of Cayman Islands.

The Group is exploring the option of ceasing the business of Offshore Private Funds Management. Meanwhile, the Group may take actions to recover these investments, including but not limited to initiate legal proceedings, debt restructuring and disposal after evaluating the cost and benefit of such actions.

Investment, Consultancy and Corporation Solution Services

For investment, consultancy and corporation solution services, the Group built up a professional investment team with investment banking and corporate finance experience and exposure in order to improve the efficiency and quality of services.

During the Year, the Group did not provide in any consultancy and corporate solution services due to the capital market fluctuations and the adverse impacts of the COVID-19 outbreak.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group generally finances its operations through a combination of internally generated cash flows, shareholders' equity and borrowings from banks and the independent third parties.

As at 31 December 2022, the Group had total equity of approximately HK\$301.97 million (31 December 2021: HK\$753.92 million) and net debts (trade payables, other payables and accruals, loan from a related party, loan from a Director, and borrowings less bank balances and deposits) of approximately HK\$1,393.98 million (31 December 2021: HK\$1,575.85 million), representing a gearing ratio, defined as net debts over total equity plus net debts, of 82.19% (31 December 2021: 67.64%).

The Group's net current liabilities of approximately HK\$348.02 million (31 December 2021: net current assets of approximately HK\$10.95 million) consisted of current assets of approximately HK\$1,194.09 million (31 December 2021: HK\$1,728.54 million) and current liabilities of approximately HK\$1,542.12 million (31 December 2021: HK\$1,717.59 million), representing a current ratio of 0.77 (31 December 2021: 1.01).

As at 31 December 2022, the Group's current assets consisted of approximately HK\$46.94 million (31 December 2021: HK\$36.33 million) held as bank balances and deposits, which were mainly denominated in HK\$, US\$ and RMB.

The Group's manufacturing segment's current assets also consisted of approximately HK\$86.55 million (31 December 2021: HK\$163.40 million) held as trade receivables. Debtors turnover days was approximately 86 days (31 December 2021: 108 days).

The Group's inventories decreased from approximately HK\$56.70 million as at 31 December 2021 to approximately HK\$44.04 million as at 31 December 2022. Inventory turnover days in the Group's manufacturing segment was approximately 50 days (31 December 2021: 42 days). Trade payables decreased from approximately HK\$231.20 million as at 31 December 2021 to approximately HK\$89.07 million as at 31 December 2022. Creditors turnover days was approximately 101 days (31 December 2021: 171 days).

Interest-bearing Borrowings

The bank loans were secured by certain buildings and right-of-use assets related to leasehold land, corporate guarantee of the Company and personal guarantee of a Director during the Year. As at 31 December 2022, bank loans of approximately HK\$130.78 million (31 December 2021: HK\$144.42 million) carried fixed interest rates ranging from 3.70% to 5.55% per annum (31 December 2021: 2.36% to 3.85% per annum).

As at 31 December 2022, other loan obtained from an associate amounting to approximately HK\$177.94 million was unsecured, non-interest bearing and repayable in 2024. The remaining balance of other loans was secured by equity interests in certain subsidiaries and an associate of the Group, other trade and loan receivables, bearing interest at a rate for the range of 3% to 8% per annum (31 December 2021: 3% to 8% per annum), of which HK\$770.63 million (31 December 2021: HK\$672.71 million) were repayable within the next twelve months.

Apart from the secured borrowings described above, there were loans advanced by Mr. Cheok Ho Fung (“**Mr. Cheok**”), an executive Director, of HK\$111.14 million (31 December 2021: HK\$103.71 million) at an effective interest rate of 7% per annum (31 December 2021: 7% per annum) which are repayable on demand. Furthermore, there was another loan advanced by Mr. Liu Tingan (“**Mr. Liu**”), who is a former executive Director and former chief executive officer of the Company and resigned as director of various subsidiaries of the Company on 21 July 2022 and as advisor of the Company with effect from 31 August 2022, for an amount of HK\$Nil (31 December 2021: HK\$2.95 million) which is non-interest bearing and has no fixed terms of repayment. The financial assistances provided by Mr. Cheok and Mr. Liu were connected transactions under Chapter 14A of the Rules (the “**Listing Rules**”) Governing the Listing of the Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). However, these transactions are fully exempted from the reporting, announcement, and approval from independent Shareholders requirements pursuant to the Listing Rules because they are conducted on normal commercial terms or better and are not secured by the assets of the Group.

SIGNIFICANT INVESTMENTS

(I) Subscription and/or Holding of Interest in Funds

Set out below are the particulars of the Group’s major unlisted fund investments:

(a) *Partners Special Opportunities Fund I (the “Partners Fund”)*

On 25 January 2017, the Group contributed HK\$200.00 million into the Partners Fund. The Partners Fund is managed by Grand Highlight Investments Limited (the “**Grand Highlight**”) (whereas Partners Investment Management Limited tendered its resignation as the manager of the Partners Fund with effect from 4 September 2019), with the objective of generating long term capital appreciation for its investors. The subscription of the Partners Fund constituted a disclosable transaction under Chapter 14 of the Listing Rules and further details of which were set out in the Company’s announcements dated 25 January 2017 and 22 October 2019 respectively.

According to the placing memorandum of the Partners Fund, the investment objective of the Partners Fund is to generate long term capital appreciation for its shareholders and the Partners Fund will seek to achieve its investment objective primarily by investing in debt securities or equity securities of both private and listed companies in Hong Kong or elsewhere or in other financial instruments as the investment adviser(s) may determine.

With reference to the investment objectives of the Partners Fund and the extensive experience and skills of the directors of the Partners Fund and the manager, the Board believes that the subscription of the Partners Fund will enable the Group to capture investment opportunities and further diversify the Group’s investment portfolio. The subscription is also in alignment with the Group’s expansion plan on carrying out financial investments by investing in high-yield equity and debt products to maximise the long-term investment return of the Group.

In August 2019, the Group obtained joint control of the Partners Fund through the Group's ownership of 50% equity interest in Grand Highlight. Accordingly, the Partners Fund had been re-classified under **"Investments in joint ventures"** in the Group's consolidated financial statements since then. The underlying investment in the Partners Fund is a bond issued by an independent third party of the Group (the **"Bond Issuer"**), the maturity date of which fell on 20 December 2020. Grand Highlight, the general partner of the Partners Fund, had approached the Bond Issuer to attempt for collecting the aforesaid investment or to discuss on the extension arrangement for the bond. As at the date of this announcement, both parties were still negotiating certain terms of arrangement but had not reached consensus on any arrangement yet.

In the opinion of the management of the Group, the Group, or together with Grand Highlight, may conduct debt restructuring arrangement for the underlying investment of the Partners Fund, and/or proceed with litigation proceedings against the Bond Issuer if there is no substantial progress in the coming months. Further announcement(s) regarding any significant developments on the investment in the Partners Fund will be published as and when appropriate.

Pursuant to the deed of undertakings and relevant extension agreement executed on 22 April 2017 between the Bond Issuer and the Group, the Bond Issuer and its related person as the guarantor should have paid the Group an extra interest of 8% per annum since April 2017 (since July 2019: 2% per annum) on the Group's contribution to the Partners Fund on or before 20 December 2020 but such extra interest was still overdue during the Year. The outstanding amount of receivables was recorded under the trade receivables in the consolidated financial statements of the Group.

Since the current financial performance and the status of the business operations of the Bond Issuer for the year ended 31 December 2022 was worse than that of the previous year, no settlement was received during the last three years and the Bond Issuer was unable to meet the repayment deadline under the plan. Default payment by the Bond Issuer caused significant increase in credit risk on the above trade receivables when compared with the same period of the previous year. It was therefore considered as credit-impaired under Hong Kong Financial Reporting Standard (the **"HKFRS"**) 9 as at 31 December 2022. Accordingly, the carrying amount of the trade receivables as at 31 December 2022 was HK\$Nil (31 December 2021: HK\$Nil) and fully impaired with the accumulated impairment loss on the bond receivables held by the Partners Fund amounted to HK\$60.41 million in total.

(b) Huarong International Fortune Innovation LP (the "Huarong Fund")

On 10 April 2017, the Group contributed HK\$340.00 million in the Huarong Fund as one of the limited partners. The Huarong Fund is managed by Huarong International Capital Limited, an exempted company incorporated in the Cayman Islands with limited liability. The net proceeds raised by the Huarong Fund were used to acquire not more than HK\$2.23 billion of shares in Fullshare Holdings Limited, a company whose shares are listed on the Stock Exchange (HKSE Stock Code: 607), and such other assets with mutual consent by all limited partners of the Huarong Fund. The contributions made to the Huarong Fund constituted a disclosable transaction under Chapter 14 of the Listing Rules and further details of which were set out in the Company's announcements dated 23 December 2016, 8 December 2017, 11 December 2017, 26 March 2018, 3 July 2018, 2 October 2018, 3 January 2019, 16 August 2019 and 22 October 2019 respectively.

Pursuant to a share charge agreement entered into on 22 March 2017 with two chargors which were independent third parties of the Group, 69,120,000 shares in Zall Smart Commerce Group Limited (HKSE Stock Code: 2098) (the “**Zall Shares**”) were provided in favour of the Group’s subscription of interest in the Huarong Fund as security for the full and punctual performance of all the secured liabilities. The Group recognised the fair value of Zall Shares of HK\$293.00 million as derivative financial assets as at 31 December 2018 and disposed of all Zall Shares in 2019.

As at 31 December 2022, with reference to the substantial fair value losses arising from the adverse market price changes of the listed securities held by the Huarong Fund, the fair value of the investment in the Huarong Fund was HK\$Nil (31 December 2021: HK\$Nil) if the distribution of the net sale proceeds of the Huarong Fund was calculated.

The Group together with other plaintiffs filed and served the statement of claim to the High Court of Hong Kong on 9 March 2021. As at the date of this announcement, the Group was undergoing litigation proceedings in connection with the Huarong Fund. Further announcement(s) regarding any significant developments on the litigation matters will be published as and when appropriate.

(c) *Hong Kong Bridge One Belt One Road Natural Resource Fund LP (the “Natural Resource Fund”)*

On 14 May 2017 and 12 March 2018, the Group contributed HK\$220.00 million and HK\$375.00 million respectively in the Natural Resource Fund, while the Group also acted as the general partner of the Natural Resource Fund, as the only second-tier limited partner. Further details of the Natural Resource Fund were set out in the Company’s announcements dated 14 May 2017, 12 March 2018 and 22 October 2019 respectively.

According to the amended and restated limited partnership agreement of the Natural Resource Fund, the primary purpose of the Natural Resource Fund is to achieve long-term capital appreciation, principally through investing in equity, equity-related investments, fixed income securities, debt instruments and loans in connection with energy, mining or agricultural businesses, or infrastructure relating to any of the foregoing.

In addition to being a general partner, on 16 May 2019, following the withdrawal of the first-tier limited partner, the Group has become the only limited partner in the Natural Resource Fund. According to the accounting policy of the Group, the investment in the Natural Resource Fund was derecognised from the financial assets at FVTPL, and the assets, liabilities and returns of the Natural Resource Fund had been consolidated into the Group’s financial statements since then.

At the date when the Group became the only limited partner (hence being deemed to obtain control) of the Natural Resource Fund, the Natural Resource Fund (i) had a loan receivable from an independent third party of HK\$220.00 million with interest rate of 6% per annum; and (ii) held a bond with principal amount of HK\$375.00 million issued by an independent third party, which was interest-bearing at 10% per annum and whose maturity date fell on 12 September 2020 (the “**Bond I**”). The carrying amount of Bond I was recorded as note receivables of approximately HK\$412.00 million in the consolidated financial statements as at 31 December 2019.

Facing the adverse impacts brought by the current worldwide capital market fluctuations and the COVID-19 outbreak, the Group had partially withdrawn the contribution of HK\$220.00 million from the Natural Resource Fund on 29 May 2020 and received a distribution in kind of the loan receivables with carrying amount of HK\$231.60 million in total in order to lower the investment risk, which was offset with the Group's borrowing immediately.

On 29 May 2020, in order to enhance the investment quality of the fund, the general partner and manager of the Natural Resource Fund together with that of the Fixed Income Fund (as defined below) had decided to adjust the investment strategies and entered into a series of restructuring and debt assignment agreements with several funds (the "**OBOR Funds Restructuring**"). Pursuant to the restructuring and debt assignment agreements, each of the Natural Resource Fund and the Fixed Income Fund acquired 50% interest of Hong Kong Bridge High-Tech Investment Fund, L.P. (the "**High-Tech Investment Fund**") and HKBridge Special Situation Fund, L.P. (the "**Special Situation Fund**") respectively; and the Natural Resource Fund acquired 100% interest of Hong Kong Bridge One Belt One Road M&A Fund, L.P. (the "**M&A Fund**"), by respectively assigning Bond I and Bond II (as defined below) to the original limited partners of the High-Tech Investment Fund, the Special Situation Fund and the M&A Fund and became the new limited partners of these funds. The OBOR Funds Restructuring took retrospective effect on 1 January 2020.

Details of the investments of the M&A Fund and the High-Tech Investment Fund are set out in the paragraphs headed "**(e) Hong Kong Bridge One Belt One Road M&A Fund LP**" and "**(f) Hong Kong Bridge High-Tech Investment Fund LP**" below respectively.

Upon completion of the OBOR Funds Restructuring, each of the capitals of the High-Tech Investment Fund and the Special Situation Fund had been contributed as to 50% by the Natural Resource Fund and 50% by the Fixed Income Fund respectively since 1 January 2020. Subsequently, the Fixed Income Fund transferred its 50% interest in the Special Situation Fund to the Natural Resource Fund on 17 July 2020 (such transfer took retrospective effect on 1 January 2020). The Natural Resource Fund has become the only limited partner of the Special Situation Fund since then.

With reference to the investment objectives of the Natural Resource Fund, the general partner continued to look for a new first-tier limited partner to expand the fund investing activities. The Board considered that all the subscriptions of interests in the Natural Resource Fund were beneficial to the Group and the Shareholders as a whole, by generating the returns from medium to long term investments and to enhance the experience of assets management in the coming years.

As at the date of this announcement, the Natural Resource Fund held 100% interest in the M&A Fund and the Special Situation Fund respectively as the only limited partner of each fund.

(d) Hong Kong Bridge One Belt One Road Fixed Income Fund LP (the "Fixed Income Fund")

On 14 May 2017 and 12 March 2018, the Group contributed HK\$220.00 million and HK\$375.00 million respectively to the Fixed Income Fund, while the Group also acted as the general partner of the Fixed Income Fund, as the second-tier limited partner. Further details of the Fixed Income Fund were set out in the Company's announcements dated 14 May 2017, 12 March 2018 and 22 October 2019 respectively.

According to the amended and restated limited partnership agreement of the Fixed Income Fund, the primary purpose of the Fixed Income Fund is to achieve long-term capital appreciation, principally through investing in fixed income securities, debt instruments and loans, including but without limitation to the loans, convertible bonds, fixed income securities, money market and convertible securities.

In addition to being a general partner, on 16 May 2019, following the withdrawal of the first-tier limited partner, the Group has become the only limited partner in the Fixed Income Fund. According to the accounting policy of the Group, the investment in the Fixed Income Fund was derecognised from the financial assets at FVTPL, and the assets, liabilities and returns of the Fixed Income Fund have been consolidated into the Group's financial statements since then.

At the date when the Group became the only limited partner (hence being deemed to obtain control) of the Fixed Income Fund, the Fixed Income Fund (i) had a loan receivable from an independent third party of HK\$220.00 million with an interest rate of 6% per annum; and (ii) held a bond with principal amount of HK\$375.00 million issued by an independent third party, which is interest-bearing at 10% per annum and whose maturity date fell on 12 September 2020 (the "**Bond II**"). The carrying amount of Bond II was recorded as note receivables of approximately HK\$409.00 million in the consolidated financial statements of the Group as at 31 December 2019.

Facing the adverse impacts brought by the current worldwide capital market fluctuations and the COVID-19 outbreak, the Group has partially withdrawn the contribution from the Fixed Income Fund to the extent of HK\$220.00 million on 29 May 2020 in order to lower the investment risk and received a distribution in kind of the loan receivables with carrying amount of HK\$230.73 million, which was offset with the Group's borrowing immediately.

On 29 May 2020, in order to enhance the quality of the investments, the general partner and manager of the Fixed Income Fund decided to adjust the investment strategies and underwent the OBOR Funds Restructuring.

Details of the OBOR Funds Restructuring are set out in the paragraph headed "**(c) Hong Kong Bridge One Belt One Road Natural Resource Fund LP**" above on pages 24 to 25.

Subsequently, the Natural Resource Fund transferred 50% of its interest in the High-Tech Investment Fund to the Fixed Income Fund on 17 July 2020 (such transfer took retrospective effect on 1 January 2020). The Fixed Income Fund has become the only limited partner of the High-Tech Investment Fund since then.

With reference to the investment objectives of the Fixed Income Fund, the general partner continues to look for a new first-tier limited partner to expand the fund investing activities. The Board considered that all the subscriptions of interests in the Fixed Income Fund were beneficial to the Group and the Shareholders as a whole, by generating the returns from medium to long term investments and to enhance the experience of assets management in the coming years.

As at the date of this announcement, the Fixed Income Fund held 100% interest in the High-Tech Investment Fund as the only limited partner.

(e) Hong Kong Bridge One Belt One Road M&A Fund LP (the “M&A Fund”)

At the date when the Group became the only limited partner (hence being deemed to obtain control) of the M&A Fund, the M&A Fund had a loan receivable from Strait Capital Service Limited (the “**Strait Borrower**”), an independent third party, of HK\$200.00 million which was interest-bearing at 5% per annum and a further interest-free financing amount of approximately HK\$18.00 million to the Strait Borrower. The maturity dates of these loans were further extended to 31 December 2022 on 31 December 2021 (the “**Loan I**”). The Loan I was secured by the Strait Borrower’s interest in certain bonds (the “**CRTG Bonds**”) of HK\$400 million issued by China Resources and Transportation Group Limited (“**CRTG**”), a company listed on the Stock Exchange (HKSE Stock Code: 269).

With reference to the investment objectives of the M&A Fund, the purpose of its activities is primarily to achieve long-term capital appreciation, principally through investing in equity or equity-related investments or fixed income debt investment or convertible bonds in overseas energy resources, agriculture, high-tech industry, advanced manufacturing and service industries and/or other investments in connection with the foregoing or the Belt and Road Initiative of the PRC at the discretion of the general partner.

Upon completion of the OBOR Funds Restructuring, the Natural Resource Fund has become the only second-tier limited partner of the M&A Fund. Under such circumstances and the accounting policy of the Group, its assets (including the Loan I which was recorded as loan receivables), liabilities and returns have been consolidated into the Group’s financial statements since the Group was the general partner and the only second-tier limited partner of the M&A Fund.

As at the date of this announcement, the M&A Fund had not received the settlement of the outstanding amounts due from the Strait Borrower during the past three years as the Strait Borrower was still suffering from the adverse impacts caused by the COVID-19 outbreak. The recoverable value of the bonds issued by CRTG as the securities decreased significantly due to the poor financial performance of CRTG as disclosed in its annual report 2022 published on 9 August 2022. Having considered the worsened situation, the general partner and the manager of the M&A Fund decided to provide further impairment loss of HK\$75.40 million (2021: HK\$35.19 million) in respect of the Loan I for the Year according to the HKFRS 9. The carrying value of the Loan I after the accumulated impairment loss of HK\$175.93 million as at 31 December 2022 (31 December 2021: HK\$100.53 million) amounted to approximately HK\$75.40 million (31 December 2021: HK\$150.80 million).

(f) Hong Kong Bridge High-Tech Investment Fund LP (the “High-Tech Investment Fund”)

The High-Tech Investment Fund entered into the sale and purchase agreement with independent third parties to acquire 24,397,946 shares of the SuperRobotics Shares Batch 3 (as defined below). Details of the subscription of interest in the High-Tech Investment Fund were set out in the paragraph headed “**(III) Subscription and/or Holding of Listed Securities**” under the section headed “**Management Discussion and Analysis**” of this announcement on pages 30 to 34.

On 12 September 2017, the High-Tech Investment Fund as lender and the Strait Borrower entered into the loan agreement to lend the total principal amount of HK\$80.00 million with an interest rate of 5% per annum and further interest-free financing amount of approximately HK\$4.15 million with the expiry dates of the loans being further extended to 31 December 2022 on 31 December 2021 (the “**Loan II**”). The Loan II was secured by the Strait Borrower’s interest in the CRTG Bonds of HK\$100 million.

With reference to the investment objectives of the High-Tech Investment Fund, the purpose of its activities is primarily to achieve long-term capital appreciation, principally through investing in equity, equity-related investments or equivalent, fixed income securities, debt securities and loans or convertible bonds in connection with high-tech industries and/or other investments in connection with the foregoing as determined at the general partner’s discretion, temporary investments and entering into options, futures and derivatives contracts for the purpose of hedging the equity, currency and interest rate exposure for investing in a portfolio of companies.

Upon completion of the OBOR Funds Restructuring, the Fixed Income Fund has become the only limited partner of the High-Tech Investment Fund. Under such circumstances and accounting policy of the Group, the assets (including the Loan II which was recorded as loan receivables), liabilities and returns of the High-Tech Investment Fund have been consolidated into the Group’s financial statements since the subscription of interest in the High-Tech Investment Fund.

The High-Tech Investment Fund had not received the outstanding amounts from the Strait Borrower during the past three years. Having considered the worsened situation and the aforesaid reasons, the general partner and the manager of the High-Tech Investment Fund decided to provide further impairment loss of HK\$29.21 million (2021: HK\$13.64 million) in respect of the Loan II for the Year according to the HKFRS 9. The carrying value of the Loan II after the accumulated impairment loss of HK\$68.16 million as at 31 December 2022 (31 December 2021: HK\$38.95 million) amounted to approximately HK\$29.21 million (31 December 2021: HK\$58.43 million).

(g) Hong Kong Bridge Landmark Investment Fund LP (the “Landmark Fund”)

The capital of the Landmark Fund in the amount of HK\$220.00 million was contributed by the Group as the only second-tier limited partner since 27 December 2017. The Landmark Fund subscribed for a bond issued by the Strait Borrower for the total principal amount of HK\$200.00 million with an interest rate of 5% per annum, together with further interest-free financing amount of approximately HK\$18.00 million on the same date (the “**Bond III**”). The Bond III was secured by the Strait Borrower’s interest in the CRTG Bonds of HK\$100.00 million issued by CRTG with the maturity date of the Bond III being further extended to 31 December 2022 on 31 December 2021. The subscription of interest in Landmark Fund did not constitute a disclosable transaction under Chapter 14 of the Listing Rules as all the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the transaction contemplated under the subscription were less than 5% as at the date of subscription.

With reference to the investment objectives of the Landmark Fund, the purpose of its activities is primarily to achieve long-term capital appreciation, principally through investing in convertible debts, equity securities, equity-related securities, debt securities, loans as well as engaging in bridge and mezzanine financing and entering into repurchase agreements or any other investment in connection with the foregoing at the general partner’s discretion.

Since the Group was the general partner and the only second-tier limited partner of the Landmark Fund, its assets, liabilities and returns had been consolidated into the Group's financial statements.

The Landmark Fund had not received the outstanding amounts due from the Strait Borrower during the past three years. After having considered the worsened situation and the aforesaid reasons, the general partner and the manager of the Landmark Fund decided to provide further impairment loss of HK\$75.05 million (2021: HK\$35.03 million) in respect of the Bond III for the Year according to the HKFRS 9. The carrying value of the Bond III after the accumulated impairment loss of HK\$175.12 million as at 31 December 2022 (31 December 2021: HK\$100.07 million) amounted to approximately HK\$75.05 million (31 December 2021: HK\$150.10 million).

(h) *HKBridge Absolute Return Fund LP (the “Absolute Return Fund”)*

The Absolute Return Fund entered into the sale and purchase agreement with four independent third parties to acquire 64,148,063 shares of the SuperRobotics Shares Batch 2 (as defined below). Details of the subscription of interest in the Absolute Return Fund were set out in the paragraph headed “(III) **Subscription and/or Holding of Listed Securities**” under the section headed “**Management Discussion and Analysis**” of this announcement on pages 30 to 34.

With reference to the investment objectives of the Absolute Return Fund, the purpose of its activities is primarily to achieve long-term capital appreciation, principally through investing in equity securities of a portfolio of companies in the industry of inflight wireless network engineering and services with their main business in Hong Kong, temporary investments and entering into options, futures and derivatives contracts for the purpose of hedging the equity, currency and interest rate exposure for investing in the portfolio investment.

Upon completion of the OBOR Funds Restructuring, the Group held 100% (31 December 2021: 100%) of interest in the Absolute Return Fund. The unrealised fair value loss of the equity investments of the Absolute Return Fund had been consolidated into the Group's financial statements since the Group obtained the majority interest in the Absolute Return Fund.

(i) *Hong Kong Bridge One Belt One Road Infrastructure Investment Fund III LP (the “Infrastructure Fund III”)*

The capital of the Infrastructure Fund III in the amount of HK\$150.00 million was contributed by the Group as the only second-tier limited partner since 12 March 2018. The Infrastructure Fund III subscribed for a bond issued by an independent third party to the Group of the total principal amount of HK\$150.00 million with an interest rate of 10% per annum (the “**Bond IV**”) on the same date. The maturity date of the Bond IV was extended to 12 September 2020. The subscription of interest in the Infrastructure Fund III did not constitute a disclosable transaction under Chapter 14 of the Listing Rules as all the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the transaction contemplated under the subscription were less than 5% at the date of subscription.

With reference to the investment objectives of the Infrastructure Fund III, the purpose of its activities is primarily to achieve long-term capital appreciation, principally through investing in equity, equity-related investments, fixed income securities, debt securities or loans in connection with road, railway, port, sea and inner river transportation, airplane, energy, electricity, undersea power cable, fiber, telecommunication or information technology industries or any other investments in connection with the foregoing at the general partner's discretion.

According to the accounting policy of the Group, the assets, liabilities and returns of the Infrastructure Fund III had been consolidated into the Group's financial statements.

Upon completion of the OBOR Funds Restructuring, the Group received the distribution in kind of subscription of Bond IV and assigned it to offset the borrowings of the Group in 2020. The carrying value of the Bond IV amounted to approximately HK\$165.87 million as at 31 December 2019. The Group remained as the only second-tier limited partner of the Infrastructure Fund III with contribution amount of HK\$1 as at 31 December 2022 (31 December 2021: HK\$1).

(II) Goodwill Arising from the OBOR Funds Restructuring

Pursuant to the OBOR Funds Restructuring, all parties agreed to offset the value of distribution in kinds (being the original investment amount of the underlying assets) with original amount of capital contribution to the respective funds regardless of the changes in value of the underlying net assets of the funds in the past years. In particular, the underlying assets of High-Tech Investment Fund being the equity investments in SuperRobotics Shares (as defined below) has suffered significant fair value losses since they were acquired by the High-Tech Investment Fund a few years ago. This resulted in the fair value of the net assets/liabilities of the funds acquired by the Group on 1 January 2020 becoming smaller than the fair value of the consideration transferred (i.e. the fair value of receivables assigned to the original limited partners of the respective funds).

The goodwill arising from the OBOR Funds Restructuring was allocated to the respective funds, each of which represented a cash-generating unit, for impairment testing. On 1 January 2020, i.e. the effective date of the OBOR Funds Restructuring, the recoverable amounts of the funds were determined with reference to the carrying value of their net identifiable assets/liabilities with major assets being investments in listed shares and loan receivables. As a result, an aggregate impairment loss for goodwill of HK\$331.00 million was recognised for the year ended 31 December 2020.

All goodwill arising from the OBOR Funds Restructuring has been fully impaired as at 31 December 2020.

(III) Subscription and/or Holding of Listed Securities

As at 31 December 2022, the Group held financial assets at FVTPL of approximately HK\$78.65 million (31 December 2021: HK\$120.13 million) of which the club debenture of HK\$4.27 million (31 December 2021: HK\$4.27 million) was classified as non-current assets and the listed equity investments of HK\$74.38 million (31 December 2021: HK\$115.87 million) was classified as current assets in the consolidated statement of financial position of the Group.

Listed below are the particulars of the Group's major listed equity investments:

For the year ended 31 December 2022

| Name of investees | Notes | Number of shares | Approximate percentage of interest held | Cost/ fair value as at 1 January 2022 (HK\$'000) | Additions/ (transfer) (HK\$'000) | Market prices as at 31 December 2022 (HK\$) | Market value (HK\$'000) | Approximate percentage of investments attributable to the Group's total assets | Dividend received (HK\$'000) | Disposal gain/(loss) (HK\$'000) | Fair value gain/(loss) (HK\$'000) |
|---|-------|------------------|---|--|----------------------------------|---|-------------------------|--|------------------------------|---------------------------------|-----------------------------------|
| SuperRobotics Holdings Limited ("SuperRobotics") (HKSE Stock Code: 8176) (the "SuperRobotics Shares Batch 1") | (a) | 41,666,666 | 8.23% | 16,667 | N/A | 0.220 | 9,167 | 0.45% | N/A | N/A | (7,500) |
| SuperRobotics (the "SuperRobotics Shares Batch 2") | (b) | 64,148,063 | 12.67% | 25,659 | N/A | 0.220 | 14,113 | 0.69% | N/A | N/A | (11,546) |
| SuperRobotics (the "SuperRobotics Shares Batch 3") | (c) | 24,397,946 | 4.82% | 9,759 | N/A | 0.220 | 5,368 | 0.26% | N/A | N/A | (4,391) |
| SuperRobotics (the "SuperRobotics Shares Batch 4") | (d) | 13,533,333 | 2.67% | N/A | 3,113 | 0.220 | 2,977 | 0.15% | N/A | N/A | (136) |
| Huarong International Financial Holdings Limited (HKSE Stock Code: 993) (the "Huarong Financial") | (d) | 237,359,400 | 2.73% | 46,522 | N/A | 0.120 | 28,483 | 1.40% | N/A | N/A | (18,039) |
| Bank of Gansu Co., Ltd. (HKSE Stock Code: 2139) (the "Bank of Gansu") | (e) | 11,506,000 | 0.30% | 17,259 | N/A | 1.030 | 12,081 | 0.59% | N/A | N/A | 5,178 |

(a) SuperRobotics Shares Batch 1

On 23 November 2016, the Group entered into a placing letter with a placing agent, pursuant to which, among others, the Group agreed to (i) subscribe for a total number of 35,416,666 shares (the "SuperRobotics Shares") in SuperRobotics at a subscription price of HK\$4.80 per share, whose shares are listed on the GEM of the Stock Exchange (HKSE Stock Code: 8176); and (ii) acquire 6,250,000 SuperRobotics Shares from New Cove Limited (a then substantial shareholder of SuperRobotics) at a purchase price of HK\$4.80 per share. On 5 December and 14 December 2016, the above two transactions were completed respectively, and a total consideration of approximately HK\$200.00 million (exclusive of stamp duty, trading fees, transaction levies and brokerage) was paid out by the Group. Further details of the subscription and acquisition of SuperRobotics Shares Batch 1 were set out in the Company's announcement dated 23 November 2016.

The principal activities of SuperRobotics are the provision of engineering products and related services and the sales of beauty products and provision of therapy services.

The Board noted that the robust development of the robotic industry in the PRC represents an enormous potential for market expansion for SuperRobotics in the future. The construction of intelligent cities had been in full swing based upon the artificial intelligence technology. The wide application of intelligent robotics covered from police use to various aspects such as services and security. The investment team of the Group considered that the investment in SuperRobotics would be expected to generate returns to the Group after the realisation and the large-scale expansion of the use of relevant technologies in the future.

(b) SuperRobotics Shares Batch 2

On 6 December 2019, the Group entered into a deed of adherence and assignment, pursuant to which the Group acquired the interest of 75% in the Absolute Return Fund at the consideration of HK\$160.00 million to become one of the limited partners, while the Group also acted as the general partner and manager of the Absolute Return Fund. The fair value of SuperRobotics Shares Batch 2, being the asset/portfolio investment under the Absolute Return Fund, as at the date of acquisition amounted to HK\$186.03 million. Further details of the Absolute Return Fund were set out in the Company's announcement dated 6 December 2019. The Absolute Return Fund has become an indirect subsidiary of the Group since 6 December 2019 according to the Group's accounting policy. Pursuant to the OBOR Funds Restructuring, the Group further acquired 25% interest of the Absolute Return Fund during the year of 2020 and became the only limited partner of the Absolute Return Fund.

The Absolute Return Fund's investment objective was to generate returns by investing all or substantially all of its assets in the equity securities of the portfolio companies in the industry of in-flight wireless network engineering and services as their main business in Hong Kong (the "**Portfolio Investment I**"). The Absolute Return Fund might choose to invest all or substantially all of its assets in a single investment. It was therefore possible that the underlying investments of the Portfolio Investment I would be concentrated.

With reference to the investment objectives of the Absolute Return Fund, the Absolute Return Fund held the Portfolio Investment I in relation to the broad application of artificial intelligence technology in telecommunications and the construction of intelligent cities. The general partner and manager continued to research on the industry of high and new technology to expand the fund investing activities. The Board considered that the subscription of interests in the Absolute Return Fund was beneficial to the Group and the Shareholders as a whole, by generating the returns from the investments and to enhance the experience of assets management in the coming years.

(c) SuperRobotics Shares Batch 3

On 29 May 2020, the Natural Resource Fund, the Fixed Income Fund and the two limited partners of the High-Tech Investment Fund entered into the OBOR Funds Restructuring, pursuant to which each of the Natural Resource Fund and the Fixed Income Fund acquired the interest of 50% of the High-Tech Investment Fund by assigning their note receivables to the previous limited partners respectively to become the new limited partners, while the Group also acted as the general partner and manager of the High-Tech Investment Fund. The series of restructuring and debt assignment agreements took retrospective effect on 1 January 2020. The fair value of SuperRobotics Shares Batch 3, being the asset/portfolio investment under the High-Tech Investment Fund, as at the date of acquisitions amounted to HK\$70.75 million. The High-Tech Investment Fund had become an indirect wholly-owned subsidiary of the Company since 1 January 2020 according to the Group's accounting policy.

The High-Tech Investment Fund's investment objective is to generate high risk-adjusted returns by primarily investing in equity, equity-related investments, fixed income securities, debt securities and loans or convertible bonds in connection with high-tech industries in Hong Kong (the "**Portfolio Investment II**").

With reference to the investment objectives of the High-Tech Investment Fund, the High-Tech Investment Fund currently invests in the debt equity and holds the Portfolio Investment II in relation to the broad application of artificial intelligence technology in the industry of telecommunications and the construction of intelligent cities. The general partner and manager of the High-Tech Investment Fund continued to research on the industry of high and new technology to expand the fund investing activities. The Board considered that the subscription of interests in the High-Tech Investment Fund was beneficial to the Group and the Shareholders as a whole, by generating the returns from the investments and to enhance the experience of assets management in the coming years.

(d) SuperRobotics Shares Batch 4

During the Year, the Group received of 5,200,000 shares and 8,333,333 shares from each of the two independent third parties by the debt restructuring respectively, totaling of 13,533,333 shares of the SuperRobotics Shares.

As at the date of this announcement, the Group has held approximately 28.4% shareholding in SuperRobotics after the aforesaid reconstruction and the market value of all SuperRobotics Shares was approximately HK\$50.31 million.

(e) Huarong Financial Shares

On 8 December 2017, the Group acquired a total number of 88,000,000 shares (the “**Huarong Investment Shares**”) in Huarong Investment Stock Corporation Limited (“**Huarong Investment**”) (whose shares were then listed on the Stock Exchange (HKSE Stock Code: 2277)) through a broker from an independent third party at the price of HK\$0.90 per share. The total consideration of HK\$79.20 million for the acquisition of Huarong Investment Shares was financed by the Group’s net proceeds received from the exercise of the put option by the Group during 2017. On 5 February 2018 and 6 February 2018, the Group further acquired a total of 2,600,000 Huarong Investment Shares at the average price of HK\$1.32 per share through a broker from an independent third party. Further details of the acquisition of Huarong Investment Shares in 2017 were set out in the Company’s announcement dated 8 December 2017.

The principal activities of Huarong Investment are direct investments, foundation and substructure construction services, financial services and others.

Due to the unexpected continuing downturn in the share price performance of Huarong Investment, the Group’s investment team decided to minimise the continuing unrealised losses by completing the disposal of a total of 6,430,000 Huarong Investment Shares through a broker at the total consideration of approximately HK\$3.35 million during the year of 2018.

Huarong Investment together with Huarong Financial published a joint announcement dated 11 November 2020 to disclose that the privatisation scheme of Huarong Investment became effective on 10 November 2020 and the withdrawal of the listing of Huarong Investment Shares on the Stock Exchange became effective on 12 November 2020 after the trading hours. Upon completion of the privatisation scheme, the balance of 84,170,000 Huarong Investment Shares were converted into a total of 237,359,400 shares (the “**Huarong Financial Shares**”) in Huarong Financial on 13 November 2020.

The principal activities of Huarong Financial are (i) engaging in the broking and dealing of securities, futures and options contracts, as well as the provision of margin financing services, (ii) engaging in the provision of underwriting, sponsoring and financial advisory services of securities to institutional clients, (iii) engaging in the provision of asset management services, as well as the direct investments in equities, bonds, funds, derivative instruments and other financial products, and (iv) involving in money lending, the provision of pawn loan services and the provision of financial lease services through its subsidiaries.

As at the date of this announcement, all of the Huarong Financial Shares have been pledged as security for a long-term borrowing of HK\$675.90 million of the Group and the fair value of the Huarong Financial was approximately HK\$20.65 million.

(f) Bank of Gansu Shares

After the OBOR Funds Restructuring initiated by the general partner and manager of the Fixed Income Fund and Hong Kong Bridge One Belt One Road Growth Income Fund, L.P. (the “**Growth Fund**”) of which a subsidiary of the Group acted as the limited partner, the Fixed Income Fund and the Growth Fund held a total of 3,336,740 shares in Bank of Gansu (the “**Bank of Gansu Shares**”) upon completion of the OBOR Funds Restructuring. The initial cost of such shares was HK\$4.97 million at the date of the execution of the OBOR Funds Restructuring. During the year 2020, the Group also acquired 8,169,260 Bank of Gansu Shares at an initial cost of HK\$24.34 million.

Bank of Gansu mainly operates its businesses through three segments: (i) the corporate banking segment, which offers financial products and services, including loans, discounted bills, deposits, and fee-and commission-based products and services; (ii) the financial market operation segment, which issues debit cards denominated in Renminbi to retail customers holding deposit accounts with the Bank of Gansu; and (iii) the retail banking segment, which offers retail customers financial products and services including loans, discounted bills, deposits, and fee-and commission-based products and services.

During the Year, the investment in the Bank of Gansu Shares recorded an unrealised fair value loss of HK\$5.18 million (2021: HK\$0.23 million) due to the unexpected downturn in the share price performance of Bank of Gansu. With reference to the investment objectives of the Fixed Income Fund and the Growth Fund, the general partner and manager considered that the investment in Bank of Gansu was beneficial to the Group and the Shareholders as a whole, by generating the returns from medium to long term investments and by enhancing the experience of assets management in the coming years.

As at the date of this announcement, all of the Bank of Gansu Shares have been pledged as security for the long-term borrowings of HK\$675.90 million in total and the fair value of the Bank of Gansu Shares was approximately HK\$10.36 million.

(IV) Deposits of Investment in Potential Business

Following the strategic upgrade and the implementation of new strategic plan of the Group, the Group entered into two investment agreements with two different independent third parties respectively and paid the investment deposit of HK\$50.00 million for securing the potential new businesses in the PRC in January 2019 respectively. The transactions of investment deposit payment did not constitute a disclosable transaction under Chapter 14 of the Listing Rules as all the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the transactions were less than 5% at the date of the investment agreements. The deposits were recorded as other receivables in the consolidated financial statements of the Group.

Having conducted the due diligence on each potential investment, the management of the Group acknowledged that certain criteria of the two potential investments did not meet the Group’s expectation and decided to negotiate for the withdrawal of the investment deposits in due course. Although the due date for the refund of investment deposits had been extended to 31 December 2021, the Group expected the investment deposits could only be fully recovered in one or two years. Having considered that there was significant increase in the credit risk on the deposits which might not be able to be refunded before the original maturity date due to the COVID-19 outbreak, the management of the Group decided to provide additional impairment loss of HK\$21.00 million for the other receivables for the year ended 31 December 2020 according to the HKFRS 9.

On 17 May 2021, the Group entered into an agreement with two different independent third parties respectively to receive the deposit of HK\$50.00 million on or before 31 December 2022 by assigning its investment rights. Thus, the accumulated impairment loss of HK\$23.00 million as at 31 December 2020 was expected to be reduced to HK\$20.00 million as at 31 December 2021. The carrying value of the other receivables in relation to this deposit amounted to HK\$80.00 million as at 31 December 2022 (31 December 2021: HK\$80.00 million) and no further impairment loss was provided during the Year because the Group is currently in the process of finalising the restructuring agreement.

PROVISION OF FINANCIAL ASSISTANCE

During the Year, the Group also engaged in the provision of financial assistance to some independent third parties. As at 31 December 2022, the total outstanding receivables in relation to this activity amounted to approximately HK\$854.75 million (31 December 2021: HK\$1,208.32 million) and those transactions set out below were relatively significant to the Group at the time of entering into the relevant agreements between the Group and those relevant independent third parties respectively.

The Group had provided additional impairment of approximately HK\$360.62 million (2021: HK\$213.64 million) for those overdue financial assistances during the Year. The Board was of the opinion that such impairment provided by the Group were made in accordance with the requirements of the accounting standards. In order to lower the investment risks and reduce the losses, the Group puts its best efforts to maximise the recovery of the relevant financial assistances by restructuring or conducting lawsuits against several debtors.

Due to the continuing adverse impacts of the COVID-19 outbreak, the Board will keep assessing and ascertaining the recoverability of the following transactions closely and may further increase the provisions for impairment for the coming years.

(a) Zhanjiang Advance

On 22 March 2017, the Group entered into a loan facility agreement with Zhanjiang Dingsheng Real Estate Development Co., Ltd.* (湛江市鼎盛房地產開發有限公司)(the “**Zhanjiang Borrower**”) and the guarantors for the provision of a loan facility of not more than RMB200.00 million (the “**Zhanjiang Advance**”). Details in relation to the provision of the financial assistance were set out in the Company’s announcement dated 22 March 2017.

Due to the default in repayment and failure of negotiation for settlement of the Zhanjiang Advance, the Group filed a statement of claim (起訴狀) on 30 June 2019 at the Shaoguan Intermediate People’s Court (韶關市中級人民法院)(the “**Shaoguan Court**”) against the Zhanjiang Borrower and the guarantors to claim for the principal amount of the Zhanjiang Advance of RMB200.00 million and the interest accrued which remained outstanding amounted to approximately RMB60.75 million as at 30 June 2019. Subsequent to such filing, the Group received a notice of acceptance for litigation proceedings (受理案件通知書) issued by the Shaoguan Court on 16 July 2019. On 24 July 2019, the Group paid the required litigation fee to the Shaoguan Court to confirm the first hearing of the said litigation proceedings which was originally scheduled to be held on 20 August 2019, but was adjourned to be held on 14 February 2020. Details in relation to the aforesaid legal proceedings were set out in the Company’s announcement dated 25 July 2019.

Due to the COVID-19 outbreak, the Group was informed by the Shaoguan Court on 2 February 2020 that the date of the first hearing of the said litigation proceedings was adjourned to a date and time to be determined in due course. The first hearing of the said litigation proceedings was held on 9 July 2020.

On 21 January 2021, the Group received the first judgement issued by Shaoguan Court (the “**First Judgement**”). It was held that the Zhanjiang Borrower and the guarantors were liable to make payment to the Group for (i) the total sum of about RMB178.36 million (the “**New Principal**”), including the outstanding principal and interests accrued at the rate of 4.75% per annum from the borrowing date to 16 May 2019, (ii) the interest on the amount of the New Principal accrued from 16 May 2019 to 19 August 2019 at the rate of 4.75% per annum, and (iii) the interest on any outstanding amount commencing from 20 August 2019 until the final settlement of the amount of the New Principal would accrue at the one-year term of Loan Prime Rate (貸款市場報價利率) announced by the National Interbank Funding Center (全國銀行間同業拆借中心) in the PRC. The Group subsequently filed an appeal against the First Judgement on 9 February 2021 after having consulted with its PRC legal advisors. Subsequent to such filing of appeal, the Group received a notice of acceptance for appeal proceedings issued by Shaoguan Court on 19 February 2021. However, in order to recover this financial assistance as soon as possible by way of exercising its right in the 55% equity interest in the Zhanjiang Borrower, the Group withdrew the appeal and received the withdrawal notice from the Shaoguan Court on 16 July 2021, and the Group received the final judgement dated 8 July 2021 (the “**Final Judgement**”).

Pursuant to the Final Judgement, the Group applied to the Shenzhen Intermediate People’s Court (深圳市中級人民法院) (the “**Shenzhen Court**”) on 10 August 2021 to exercise its right in the 55% equity interest in the Zhanjiang Borrower. On 8 October 2021, the Group received the judgement dated 29 September 2021 from the Shenzhen Court which objected the Group to apply the exercise of such rights in the Shenzhen Court. After consulting with its PRC legal advisors, the Group submitted an objection to such judgement from the Shenzhen Court to The High People’s Court of Guangdong Province (廣東省高級人民法院) (the “**Guangdong High Court**”) for the final appeal on 15 October 2021.

Due to the failure of Zhanjiang Borrower to make repayment and having regard to the lengthy legal proceedings and enforcement process, the management of the Group considered that the loan amount due from the Zhanjiang Borrower would probably not be able to be recovered until second half of year 2023. Having considered the existing market value of the collaterals, no further impairment loss was provided for the Year for the loan receivable according to the HKFRS 9 (2021: HK\$16.53 million) in the opinion of the management of the Group. The carrying amount of the amount due from the Zhanjiang Borrower after the accumulated impairment loss of HK\$76.96 million as at 31 December 2022 was approximately HK\$197.88 million (31 December 2021: HK\$197.88 million).

As at the date of this announcement, the Group has not yet received any details on the hearing of the relevant legal proceedings from the Guangdong High Court but will keep on consulting with its PRC legal advisors for exploring further legal actions. Further announcement(s) regarding any significant developments on the above litigation will be published as and when appropriate.

(b) **Zhonghong Advance**

On 25 January 2018, the Group entered into a loan agreement with Zhonghong Holding Co., Ltd.* (中弘控股股份有限公司) (the “**Zhonghong Borrower**”) for the amount of RMB200.00 million (the “**Zhonghong Advance**”). On 3 September 2018, the Group and the Zhonghong Borrower further entered into a supplemental agreement with each of Weifang Hengqi Changsheng Co., Ltd.* (濰坊恆祺昌盛有限公司) (the “**Weifang Borrower**”) and Grandcheer Limited (the “**Grandcheer Borrower**”) respectively, and a guarantee agreement with the Weifang Borrower and the Grandcheer Borrower. Pursuant to the said agreements, both amounts due from Weifang Borrower of RMB90.00 million and Grandcheer Borrower of HK\$48.00 million (together with the Zhonghong Advance totalling approximately HK\$381.50 million, collectively the “**New Zhonghong Advance**”) were to be repaid by Zhonghong Borrower on a joint basis, with interest calculated for accrued amount at the rate of 24% per annum commencing from 12 May 2018 until the final settlement of the loan principal has been received. In addition, the New Zhonghong Advance under the aforesaid supplemental agreements were guaranteed by the Zhonghong Borrower and the relevant guarantors, which are indirectly wholly-owned subsidiaries of the Zhonghong Borrower with the Sea Area Use Certificate (海域使用權證書) from State Ocean Administration (國家海洋局) in the PRC under the process of land reclamation for further property development and tourism project.

To secure the recovery of the principal amount of the New Zhonghong Advance and to reduce the risk of impairment loss, on 13 September 2018, the Group had filed an application for arbitration proceedings at the Shenzhen Court of International Arbitration (the “**SCIA**”) against the Zhonghong Borrower and the relevant guarantors for the breach of the aforesaid supplemental agreements and guarantee agreement. On 18 September 2018, the Group received the notice of acceptance for arbitration proceedings issued by the SCIA. In January 2019, hearing of the arbitration proceedings was conducted. At the end of April 2019, the Group received the arbitral awards (裁決書) (the “**Arbitral Awards**”) dated 25 April 2019 given by the SCIA in respect of the aforesaid arbitration proceedings. Further details of the Zhonghong Advance in relation to the provision of financial assistance and the abovesaid developments on the arbitrations were set out in the Company’s announcements dated 13 February 2018, 19 March 2018, 25 May 2018, 6 September 2018, 20 September 2018 and 3 May 2019 respectively.

As at the date of this announcement, the disposal of the Sea Area Use Certificate (海域使用權證書) via public auction approved by the Hainan Province Haikou Intermediate People’s Court (the “**Hainan Court**”) (海南省海口市中级人民法院), together with the relevant properties held by the guarantors of Zhonghong Borrower as pledged securities of the New Zhonghong Advance which had been held by the Group had not yet been initiated. The Group will continue to consult its PRC legal advisors for exploring whether further legal actions could be made against Zhonghong Borrower and the relevant guarantors. Further announcement(s) regarding any significant developments on the above arbitrations will be published as and when appropriate.

Meanwhile, in order to increase the recoverability of the New Zhonghong Advance, the Group had been exploring potential well-known buyers or property developers during the past two years to set up a restructuring arrangement between Zhonghong Borrower and the existing creditors of Zhonghong Borrower.

Pursuant to the Arbitral Awards, the Group could apply to the Hainan Court to auction the relevant guarantor's assets. However, the recovering process of the New Zhonghong Advance would involve restructuring discussion with other major creditors of the Zhonghong Borrower. In the opinion of the management of the Group, the outstanding amount of the New Zhonghong Advance would likely to be recovered within three to four years. Although the restructuring plan would be complicated and time consuming, however, having considered the existing market values of the collaterals, no further impairment loss was provided during the Year for the New Zhonghong Advance in the opinion of the management of the Group according to the HKFRS 9 (2021: HK\$16.30 million). The carrying amount of the amount due from the Zhonghong Borrower after the accumulated impairment loss of HK\$246.10 million as at 31 December 2022 was approximately HK\$215.33 million (31 December 2021: HK\$215.33 million).

(c) **China Gem Jiangsu Advance**

The Group entered into a loan agreement dated 19 October 2017 with China Gem Enterprise Development (Jiangsu) Limited* (中石企業發展(江蘇)有限公司)(the “**China Gem Jiangsu Borrower**”) for the provision of a loan of RMB100.00 million (the “**China Gem Jiangsu Advance**”) with the interest rate of 9% per annum and extra undertaking of interest of 9% per annum of the principal amount. The collaterals of the loan were 493,160,000 shares of China Gem Holdings Limited (“**China Gem**”), whose shares are listed on the Main Board of the Stock Exchange (HKSE Stock Code: 1191) (the “**China Gem Shares**”) and HK\$150.00 million equity interests in a fund owned by a related company of China Gem Jiangsu Borrower. The transaction of the China Gem Jiangsu Advance did not constitute a disclosable transaction under Chapter 14 of the Listing Rules as all the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the transaction were less than 5% as at the date of the loan agreement.

On 28 August 2019, the Group and China Gem Jiangsu Borrower entered into a supplemental agreement to lower the interest rate to 12% per annum and extended the expiry date of the loan to 30 June 2020 after obtaining additional China Gem Shares, pre-sale agreements in properties in the PRC and interest in a fund held by China Gem Jiangsu Borrower as further securities.

Since the financial performance and the status of business operations of China Gem Jiangsu Borrower as at 31 December 2022 were worse than those of the previous years, no settlement had been received during the Year. In addition, the market value of the collaterals of the loan had been declining enormously as the China Gem Shares on the Stock Exchange had been suspended trading since 30 August 2021. China Gem is in the proceeding of winding-up petition by the Court of First Instance of High Court of Hong Kong. As the default in repayment by China Gem Jiangsu Borrower caused significant increase in the credit risk on the Group's loan receivables, it was considered that credit-impairment loss should be made for China Gem Jiangsu Borrower as at 31 December 2022. The management of the Group decided to provide additional impairment loss of HK\$5.92 million for the Year (2021: HK\$55.13 million) in view of the loan receivables overdue from China Gem Jiangsu Borrower. The carrying amount due from China Gem Jiangsu Borrower after the accumulated impairment loss of HK\$151.01 million as at 31 December 2022 (31 December 2021: HK\$145.09 million) was HK\$Nil (31 December 2021: HK\$5.92 million).

PROVISION OF FINANCIAL ASSISTANCE AND ASSET AND SHAREHOLDING RESTRUCTURING BUSINESS

(a) Description of the Business Model

The Company engages in, among others, (a) the provision of financial assistance; and (b) the asset and shareholding restructuring business during the Year.

The provision of financial assistance is a kind of business activities in the treasury investments segment. The treasury investments team has been continuing to make effective use of its available financial resources in monitoring and making investment/disposal on a wide variety of financial assets including investments in listed equity securities, investments in funds and the provision of financial assistance to independent third parties. For details of the provision of financial assistance, please also refer to the paragraphs headed “**Provision of Financial Assistance**” above on pages 35 to 38.

The asset and shareholding restructuring business is a kind of business activities in the financial services segment. The Group has been actively participating in asset management, consultancy services, corporate solution services and debt, asset and shareholding restructuring business in Hong Kong and PRC through the subscription and/or holding of interest in funds. For details of the asset and shareholding restructuring business, please also refer to the paragraphs headed “(e) **Hong Kong Bridge One Belt One Road M&A Fund LP**”, “(f) **Hong Kong Bridge High-Tech Investment Fund LP**” and “(g) **Hong Kong Bridge Landmark Investment Fund LP**” of this announcement on pages 27 to 29.

During the Year and as at the date of this announcement, the Group did not hold any licenses in relation to the provision of financial assistance and the asset and shareholding restructuring business for the provision of financial assistance business. The Group did not target on a specific group of customers. The customers of the Group, as at the date of this announcement, were mainly the Group’s business partners or companies referred by the former and existing substantial shareholders and/or former executive Directors of the Company.

Since 1 January 2021 and up to the date of this announcement, the Group has not granted any new loan to independent third parties.

(b) The Amount of Loan Receivables Due from the Top Five Largest Borrowers

The total loan receivables of the Group as at 31 December 2022 and 31 December 2021 were HK\$786 million and HK\$1,070 million respectively. The carrying amount of loan receivables due from the top five borrowers together with the percentage to the total loan receivables of the Group are set out below:

| Borrower | As at 31 December 2022 | | As at 31 December 2021 | |
|--|-------------------------------|------------------------------------|-------------------------------|------------------------------------|
| | Amount | % to total loan receivables | Amount | % to total loan receivables |
| The Zhanjiang Borrower | HK\$197,884,643 | 25.19% | HK\$197,884,643 | 18% |
| The Zhonghong Borrower | HK\$112,224,217 | 14.28% | HK\$112,224,217 | 10% |
| The Strait Borrower | HK\$110,611,027 | 14.07% | HK\$221,222,054 | 21% |
| The Weifang Borrower | HK\$71,960,548 | 9.16% | HK\$71,960,548 | 7% |
| Shenzhen Zehua International Trade Co., Ltd.* (the “Zehua Borrower”) | HK\$55,905,237 | 7.12% | HK\$89,448,380 | 8% |

(c) Reasons for the Significant Loan and Notes Impairments Made

Under the circumstances of the worldwide capital market fluctuations and the adverse impact brought by the COVID-19 outbreak, the Group’s customers, in particular those located in the PRC (such as the Zhanjiang Borrower, the China Gem Jiangsu Borrower and the Zehua Borrower), have suffered from the decrease in their revenue and the long-term difficulty in obtaining funds from local banks in the PRC in the past three years. The significant loans and notes impairments made during the Year were mainly caused by the borrowers failing to repay the principal amounts of the loans and note receivables on time as agreed due to the shortfall in their operating cash flow.

The progress for conducting certain activities for the asset and shareholding restructuring of the borrowers (such as the restructuring of certain assets of the Strait Borrower, the Zhonghong Borrower, the Weifang Borrower, the Grandcheer Borrower and/or certain collaterals provided by their guarantors) has been significantly delayed due to a series of precautionary and control measures that have been implemented across the PRC and Hong Kong since January 2020 caused by the COVID-19 outbreak. As a result, the Group could not provide sufficient evidences in writing to satisfy the recoverability of certain loans and note receivables because no written formal agreements on debt restructuring have been entered into.

(d) Business Prospect for the Provision of Financial Assistance and the Asset and Shareholding Restructuring Business

The Group acknowledged that the COVID-19 outbreak may continue to hinder the repayment of the debts by the borrowers of the loans and issuers of the bonds to the Group in the coming years, resulting in additional provision for impairment loss for the loan receivables and note receivables and material impact on the financial results of the Group. The Group will actively place the utmost importance on pandemic prevention and control, and closely monitor the day-to-day operations and management of its principal businesses to reduce the adverse impacts on the Group's operations and financial performance caused by the COVID-19 outbreak. Considering the provision for impairment losses on the Group's business on the provision of financial assistance and the asset and shareholding restructuring, the Group would continue to use its best endeavour to recover the investment loss from the aforesaid business in the next three years and decided to gradually cease to engage in the significant amounts of the transactions in respect of the Provision of Financial Assistance and the Asset and Shareholding Restructuring Business.

In the opinions of the Board and the management of the Company, the Group is currently reforming its business of the treasury investments and financial services to make effective use of its available financial resources. The Company intended to gradually transform its business from debt investment to the portfolio investment and equity investment to gain the short-term return. Once the funds from the Provision of Financial Assistance and the Asset and Shareholding Restructuring Business has been collected by way of conducting the debt restructuring, the Company intends to obtain the money lending license in Hong Kong to further improve the treasury investments segment and the financial services segment in future.

INTERNAL CONTROL SYSTEMS IN CONNECTION WITH PROVISION OF FINANCIAL SERVICES AND SHAREHOLDING RESTRUCTURING BUSINESS

(a) Credit Risk Assessment

The Group has been providing the provision of financial assistance and shareholdings restructuring business for the corporate customers (but not for individual customers) in Hong Kong and China and not targeted into any specific industry.

Prior to the provision of financial assistance or making an investment, the management of the Group will conduct due diligence on the potential customers. The due diligence procedures included conducting research on the customers' background, evaluating its current business operations and financial conditions, market reputation and creditability, and conducting financial analysis and recoverability analysis. To minimise credit or investment risks, the Group will typically require guarantees, including personal guarantees and corporate guarantees, and/or collaterals with expected realised value exceeding the loan or investment amount. Furthermore, for the existing customers, the Group will evaluate its past business relationships with them and their track records as factors to extend loan duration or otherwise continue to maintain business relationship.

During the subsistence of the financial assistance or the investment, the Group has implemented various on-going monitoring and risk management procedures which include conducting regular visits and interviews with the customers, requesting the customers to furnish periodic financial information, conducting public searches and obtaining information on any legal disputes, negative news and media reports on the business or affairs of the customers to understand its latest business development and management condition, in order to conduct continuous assessment on the customers' repayment ability.

(b) Mechanism in Determining Loan Term

The Group generally provides short-term loans with a repayment term of less than three years which carry higher interest rate than the market rate usually charged by financial institutions. The repayment terms and conditions are determined from the factors including the liquidity needs of the customers and the Group's funding and cash flows management strategies. The Group will also make reference to the terms and conditions of loan arrangements provided by the financial institutions in the Mainland China and Hong Kong to companies in the same industry of the customers to ensure that the loan or investment agreements between the Group and its customers are on normal commercial terms and are fair and reasonable.

(c) Monitoring Loan Repayment and Recovery

The management of the Group will regularly communicate with and monitor and manage the recoverability of loans and conditions of the customers. If a customer fails to repay the loan or interest on time or fails to comply with material term of the investment agreement on payment or settlement of investment return, the management of the Group will first take steps to understand the reasons for its default (for instance, whether the customer's business had experienced any operational difficulties, any other major debt cross-defaults, any winding-up petitions filed against the customer, etc.) and will take appropriate steps in light of the situation and urgency of the matter. Generally, the following procedures for debt recovery will be taken:

Stage 1: Assess the possibility for the customer to repay the loan or receivables within one year for the purpose of determining whether a time extension for such repayment will be granted or business relationship be otherwise maintained.

Stage 2: Assess the possibility of realising the collaterals provided and methods for disposal to recoup the loss.

Stage 3: Engage its legal adviser to commence necessary legal actions against the customer and/or the guarantor(s) including the obtaining of court or arbitrary order for seizure, private sale or public auction of assets of the borrowers.

(d) Impairment Loss and Write-off Treatment

In general, where the management of the Group has noticed the following circumstances, there may be possible default in the loans or receivables concerned and provision for impairment loss under the ECL model (as defined below) may be necessary:

- (i) the customers experienced operational difficulties;
- (ii) worsened macroeconomic and industry conditions, leading to further deterioration of the financial conditions of the customers; or
- (iii) the customers have been involved in lawsuits for debt collection.

The Group uses “**expected credit losses (the “ECL”)**” model” as an impairment model according to HKFRS 9 which requires the Group to estimate the weighted possibility of default events and recognise ECLs for trade and other receivables and other financial assets at amortised cost accordingly.

Under HKFRS 9, the loss allowances are measured on either of the following bases: (1) 12-month ECLs that result from possible default events within the 12 months after the reporting date; and (2) life-time ECLs that result from all possible default events over the expected life-time of a financial instrument.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to fulfill its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

For financial assets at amortised cost of investment segments (i.e. trade and other receivables, loan and note receivables and loans to associates), the ECLs are based on the 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the life-time ECLs. For determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group would consider reasonable and supporting information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group has considered the probability of default and the loss given default with reference to (i) the value of collateral/other contractual arrangements, (ii) financial ability of the debtors and (iii) other forward-looking factors, if any. Time value of money is also considered if the receivable is expected to be received more than one year after the reporting date.

PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 26 May 2022 (after trading hours), the Company and Aristo Securities Limited (the **"Placing Agent"**) entered into a placing agreement (the **"Placing Agreement"**) pursuant to which the Placing Agent had conditionally agreed to procure the placing (the **"Placing"**) of a maximum of 440,000,000 ordinary shares (the **"Shares"**) of HK\$0.1 each in the capital of the Company (the **"Placing Share(s)"**) on best endeavor basis to expected not less than six placees at a price of HK\$0.1 per Placing Share (the **"Placing Price"**). The aggregate nominal value of the Placing Shares was HK\$44,000,000. The closing price as quoted on the Stock Exchange on 26 May 2022 was HK\$0.109 per share.

In view of the then market conditions, the Directors considered that the Placing represents an opportunity for the Group to raise additional funds to further strengthen its capital base and financial position, including its ability to meet and settle its expenses and any future obligations and to support the Group's continuous development and business growth as well as daily operating expenses.

Completion of the Placing took place on 20 June 2022 in accordance with the terms and conditions of the Placing Agreement in which an aggregate of 440,000,000 Placing Shares had been successfully placed to not less than six placees at the Placing Price of HK\$0.1 per Placing Share. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries and as informed by the Placing Agent, (i) each of the placees (who were independent institutional, professional, individual and/or corporate investors) and its respective ultimate beneficial owner(s) (if any) was independent of and not acting in concert (as defined in the Codes on Takeovers and Mergers and Share Buy-backs) with or connected with each other, or with any directors, chief executive, controlling shareholder(s) (if any) (within the meaning of the Listing Rules) or substantial shareholder(s) (if any) (within the meaning of the Listing Rules) of the Company or any of its subsidiaries and their respective associates (as defined in the Listing Rules) and each of the placees and its respective ultimate beneficial owners (if any) was not a connected person (as defined in the Listing Rules) of the Company; and (ii) none of the placees has become a substantial shareholder of the Company immediately after completion of the Placing.

The 440,000,000 Placing Shares were allotted and issued under the general mandate granted to the Directors by a resolution of the Shareholders passed at the annual general meeting of the Company held on 25 June 2021, such Placing Shares represent (i) approximately 19.93% of the issued share capital of the Company immediately before completion of the Placing; and (ii) approximately 16.62% of the issued share capital of the Company as enlarged by the issue and allotment of the 440,000,000 Placing Shares immediately after completion of the Placing.

The gross proceeds from the Placing amounted to HK\$44,000,000, the net proceeds from the Placing (after deducting all applicable costs and expenses, including commission and levies) amounted to approximately HK\$41,360,000 and the net price per Placing Share was approximately HK\$0.094. As disclosed in the Company's announcements dated 26 May 2022 and 20 June 2022, the Company intended to apply the net proceeds from the Placing for general corporate expenses purpose (such as payment for salaries and emoluments of staff of the Group, office rentals and expenses and service fees to external service providers) as well as general working capital purpose. During the Year, approximately HK\$14.75 million of the net proceeds had been utilised for general working capital purpose and approximately HK\$21.25 million of the net proceeds had been utilised for general corporate expenses purpose. Approximately HK\$5.36 million of the net proceeds had been utilised for general corporate expenses purpose during the second half year of 2022. The net proceeds were used and proposed to be used in accordance with the intentions previously disclosed by the Company in its announcements dated 26 May 2022 and 20 June 2022 respectively.

For details of the Placing, please refer to the announcements of the Company dated 26 May 2022, 2 June 2022 and 20 June 2022 respectively.

FOREIGN EXCHANGE EXPOSURE

Sales of the Group's products in manufacturing segment are principally denominated in US dollars and the purchases of materials and payments of operational expenses are mainly denominated in US dollars, HK dollars and RMB. Most of the Group's purchases and expenses during the Year were denominated in RMB. As such, the Group had incurred a net exchange loss of HK\$13.75 million for the Year (2021: HK\$16.35 million) due to the depreciation of US dollars and RMB.

As at 31 December 2022, the Group had not entered into any financial instruments for hedging purpose. Nevertheless, the Board will continue to monitor the foreign exchange exposure in the future and will consider hedging such exposure to minimise exchange risk should the need arise.

RISK AND UNCERTAINTIES

(a) Macroeconomic Risk

The Group is operating in a highly competitive business and economic environment, the manufacturing segment in particular. Manufacturing segment is in a turmoil, being greatly affected by the recent Sino-US trade war, Ukraine war, the increasing tension in the Taiwan straits, complications caused by the COVID-19 pandemic and its customers which are highly volatile, combined with the rising labour and production costs. The Group's manufacturing segment has to compete with its competitors on various factors, such as product variety, product performance, customer service, quality, pricing, new product innovation, timely delivery and brand recognition.

On the other hand, volatility in the Hong Kong securities market may affect the Group's performance on listed securities investments resulting in fluctuations in unrealised fair value gains or losses. An interest rate hike is likely and will not only affect the Group's cost of borrowings, but also costs of purchase of materials.

(b) Credit Risk

The Group has policies in place to ensure that sales are made and services are provided to customers with an appropriate credit history. The Group mainly trades with recognised and creditworthy third parties. It is the Group's policy that credit terms are granted subject to in-depth credit verification procedures. In addition, trade receivable balances are monitored on an ongoing basis and trade receivable balances of manufacturing segment are substantially covered by credit insurance. In this regard, the management considers that the Group's credit risk under the manufacturing segment is minimal. Since the Group mainly trades with recognised and creditworthy third parties, there is no requirement for collaterals.

In respect of loans to associates, loan receivables and note receivables, the Group assesses the background and financial conditions of the debtors, and requests securities pledged from the debtors and/or guarantee as collaterals from the debtors' related parties in order to minimise credit risk.

The Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure to perform an obligation by the counterparties arising from the carrying amount of the respective recognised financial assets, was stated in the consolidated statement of financial position of the Group as at 31 December 2022.

(c) Foreign Currency Risk

As the PCBs business is operating in the PRC, the Company faces foreign currency risks due to the exchange gain/loss from exchange rate fluctuations as well as the currency conversion risk due to the converted net asset value fluctuations of investment projects in the PRC. To manage the foreign currency risk effectively, the Company closely monitors foreign exchange markets and utilises multiple strategic approaches, such as optimising cash management strategy and deploying project finance instruments, to control foreign exchange risk.

NUMBER AND REMUNERATION OF EMPLOYEES

As at 31 December 2022, excluding those employed by the Company's associates, the Group had 874 employees (31 December 2021: 1,115 employees). For the Year, our total staff costs amounted to HK\$101.47 million (2021: HK\$138.81 million).

Under the Group's remuneration policy, employees are rewarded in line with market rate and in compliance with statutory requirements of all jurisdictions where it operates. Employees are also granted discretionary bonus subject to the individual's performance and business results of the Group.

The Group follows a policy of encouraging its subsidiaries to send their staff to attend training classes or seminars that are related directly or indirectly to the Group's businesses.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2022, the Group had capital commitments for acquisition of property, plant and equipment of approximately HK\$33,000 (31 December 2021: HK\$Nil) and had no material contingent liabilities (31 December 2021: HK\$Nil).

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

References are made to the announcements of the Company dated 28 June 2022, 8 July 2022, 20 July 2022, 29 July 2022 and 12 August 2022 respectively (collectively, the “**R13.09 and 13.19 Announcements**”). Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the R13.09 and 13.19 Announcements.

Further to the HK Demand Letter, the PRC Demand Letter, the Second HK Demand Letter, and the Second PRC Demand Letter, a letter (the “**Third HK Demand Letter**”) dated 9 August 2022 (and issued by the Hong Kong legal advisers of the Lender) was received by the Company, which was addressed to the Company and the Guarantor Subsidiaries in relation to the Loan and the Guarantee. It was stated in the Third HK Demand Letter that (among other matters):

- (i) the Lender had set 12 August 2022 as the deadline for the group (either as Borrower, co-guarantors or otherwise) to fully repay the Outstanding Sum; and
- (ii) if the Lender failed to receive full repayment of the Outstanding Sum on or before 12 August 2022, the Lender should commence legal proceedings against the Company and the Guarantor Subsidiaries to enforce its rights for repayment of the Outstanding Sum and/or its rights over the collaterals held by it.

The Group were not able to repay the entirety of the alleged Outstanding Sum by 12 August 2022. The Group will continue to assess the impact in connection with the HK Demand Letter, the PRC Demand Letter, the Second HK Demand Letter, the Second PRC Demand Letter, the Third HK Demand Letter and is seeking professional advice, including but not limited to legal and financial advice, on the actions it may take in relation to the alleged Outstanding Sum and/or the said letters.

As at the date of this announcement, the Group has already engaged legal advisers and has been proactively negotiating with the Lender on the possibility of extending the repayment date of the Loan and other possible options. Further announcement(s) will be made by the Company in compliance with the Listing Rules as and when appropriate or required. For further details, please refer to the R13.09 and 13.19 Announcements.

SIGNIFICANT EVENTS AFTER THE YEAR

There were no significant events occurred subsequent to 31 December 2022 which would materially affect the Group’s operating and financial performance as at the date of this announcement.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 21 June 2023 to Monday, 26 June 2023, both days inclusive. In order to qualify for the attendance of the forthcoming annual general meeting of the Company to be held on Monday, 26 June 2023, share transfer forms accompanied by relevant share certificates must be lodged with the Company's Branch Share Registrar and Transfer Office in Hong Kong, Tricor Tengis Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Tuesday, 20 June 2023

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Year.

CORPORATE GOVERNANCE CODE (THE "CG CODE")

The Directors confirm that, during the Year, the Company acted in compliance with the code provisions set out in the CG Code contained in Part 2 of Appendix 14 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE "MODEL CODE")

The Company has adopted its own code of conduct (the "**Own Dealing Code**") regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code in Appendix 10 to the Listing Rules.

The Company, having made specific enquiries, confirms that each member of the Board complied with the Own Dealing Code throughout the Year. Members of the Company's management, who, due to their positions in the Company, are likely to be in possession of inside information, also complied with the provisions of the Own Dealing Code.

The Own Dealing Code has been uploaded to the Company's website.

CHANGES IN THE COMPOSITION OF THE BOARD AND BOARD COMMITTEES

With effect from 21 March 2022, Mr. Ng Man Kung ("**Mr. Ng**") had tendered his resignation from the office as an independent non-executive Director, the chairman and member of the remuneration committee of the Board (the "**Remuneration Committee**") and a member of each of the audit committee (the "**Audit Committee**") and the nomination committee (the "**Nomination Committee**") of the Board respectively due to his other business activities.

Following Mr. Ng's resignation, the Company failed to meet the requirements of (i) Rule 3.10(1) of the Listing Rules that the Board must include at least three independent non-executive Directors; (ii) Rule 3.21 of the Listing Rules that the Audit Committee must comprise a minimum of three non-executive Directors; and (iii) Rule 3.25 of the Listing Rules that the Remuneration Committee must be chaired by an independent non-executive Director.

Further details of the above were set out in the Company's announcement dated 21 March 2022.

With effect from 21 July 2022,

- (1) Ms. Xing Mengwei has been appointed as an executive Director, a member of the executive committee of the Board (the “**Executive Committee**”) and an authorised representative (the “**Authorised Representative**”) of the Company under Rule 3.05 of the Listing Rules;
- (2) Mr. Xu Xinwei has been appointed as an independent non-executive Director, the chairman of the Nomination Committee and a member of each of the Audit Committee and the Remuneration Committee;
- (3) Mr. Lau Fai Lawrence, an independent non-executive Director, has ceased to be an Authorised Representative; and
- (4) Mr. Mak Kwok Kei, an independent non-executive Director, has been re-designated (i) from the chairman of the Nomination Committee to a member of the Nomination Committee; and (ii) from a member of the Remuneration Committee to the chairman of the Remuneration Committee.

Upon the appointment of Mr. Xu Xinwei as an independent non-executive Director and changes in the composition of the Board committees:

- (i) the Board comprises three independent non-executive Directors in compliance with Rule 3.10(1) of the Listing Rules;
- (ii) the Audit Committee comprises three members who are independent non-executive Directors in compliance with Rule 3.21 of the Listing Rules; and
- (iii) the Remuneration Committee is chaired by an independent non-executive Director in compliance with Rule 3.25 of the Listing Rules.

Further details of the above were set out in the Company’s announcement dated 21 July 2022.

With effect from 11 August 2022,

- (1) Mr. Hung Yeung Alvin has been appointed as an executive Director and the chairman of the Executive Committee; and
- (2) Ms. Xing Mengwei, an executive Director, has been appointed as the chief executive officer of the Company.

The Board further announced on 11 August 2022 that Mr. Liu Tingan resigned as an advisor of the Company with effect from 31 August 2022 due to his other business activities.

Further details of the above were set out in the Company's announcement dated 11 August 2022.

With effect from 17 February 2023, Mr. Li Yongjun has been redesignated from a non-executive Director to an executive Director and will remain as the chairman of the Board.

Further details of the above were set out in the Company's announcement dated 17 February 2023.

AUDIT COMMITTEE

The Audit Committee has reviewed the audited consolidated annual results and financial statements of the Group for the Year, including the significant accounting principles and practices adopted by the Group.

AUDITOR

A resolution for the re-appointment of ZHONGHUI ANDA CPA Limited, the retiring Auditor, and being eligible, who will offer themselves for re-appointment, together with the authorisation to the Board for fixing the Auditor's remuneration, would be proposed for the consideration by the Shareholders, and if thought fit, for approval at the Company's forthcoming annual general meeting.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report from ZHONGHUI ANDA CPA Limited, the external auditor of the Company, on the Group's consolidated financial statements for the year ended 31 December 2022:

“QUALIFIED OPINION

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

1. Loan to an associate, trade receivables, loan receivables, note receivables and other receivables

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of a loan to an associate, certain trade receivables, loan receivables, note receivables and certain other receivables of HK\$55,907,000, HK\$Nil, HK\$785,703,000, HK\$69,049,000 and HK\$57,295,000 as at 31 December 2022 respectively and HK\$89,449,000, HK\$5,464,000, HK\$1,070,223,000, HK\$138,099,000 and HK\$110,458,000 respectively as at 31 December 2021 and whether the loss allowance provisions in respect to a loan to an associate, certain trade receivables, loan receivables, note receivables and certain other receivables of HK\$33,542,000, HK\$5,464,000, HK\$233,461,000, HK\$69,050,000 and HK\$51,988,000 respectively for the year ended 31 December 2022 and HK\$22,362,000, HK\$22,253,000, HK\$186,648,000, HK\$32,230,000 and HK\$3,648,000 respectively for the year ended 31 December 2021 were appropriately recorded.

In the absence of the information in relation to the financial status of these issuer, customers and borrowers on assessing its ability for settling on these outstanding amounts to the Group, the management considered that there is uncertainty on recovering the abovementioned balances. The management has initiated actions including but not limited to legal action against certain abovementioned balances, hence no result from actions is available up to the date of this report for justifying the extent of the recoverability of the aforesaid balances. There are no other satisfactory audit procedures that we could adopt to determine whether any allowance for non-recovery of the amount should be made in respect to a loan to an associate, certain trade receivables, loan receivables, note receivables and certain other receivables in the consolidated financial statements for the years ended 31 December 2022 and 2021.

2. Other payables and accruals

Included in other payables and accruals in the consolidated statement of financial position as at 31 December 2022 and 2021 were other payables and accruals of approximately HK\$19,042,000 and HK\$67,014,000 respectively which were due to certain parties. Due to the limited accounting books and records available to us, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the nature and obligation of other payables and accruals of approximately HK\$19,042,000 and HK\$67,014,000 respectively as at 31 December 2022 and 2021. There are no other satisfactory audit procedures that we could adopt to determine the nature and whether any written-back should be made in the consolidated financial statements for the years ended 31 December 2022 and 2021.

Included in other gains and losses on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022 of approximately HK\$38,268,000, representing the amounts of written back on other payables and accruals (the “**Written Back**”). We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the Written Back of approximately HK\$14,363,000 were properly accounted for in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022 and were not satisfied with the accounting treatment that the Group adopted in relation to the remaining of approximately HK\$23,905,000 for the year ended 31 December 2022.

3. Deferred tax assets

Including in income tax expenses on the consolidated statement of profit or loss and other comprehensive income of HK\$57,920,000, representing a deferred tax expense. We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the amounts of deferred tax expense of approximately HK\$57,920,000 were properly accounted for in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021. However, we are satisfied that the balance of deferred tax assets is fairly stated as at 31 December 2022 and 2021.

4. Tax payable

Included in tax payable in the consolidated statement of financial position as at 31 December 2022 and 2021 were of approximately HK\$268,471,000 and HK\$270,020,000 respectively which represent tax payables of certain subsidiaries. In the absence of final assessment from relevant tax authority, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the obligation of tax payables of approximately HK\$268,471,000 and HK\$270,020,000 respectively as at 31 December 2022 and 2021 and whether the income tax expense and credit of HK\$Nil and HK\$Nil for the years ended 31 December 2022 and 2021 respectively were appropriately recorded.

Any adjustments to the figures described above might have a consequential effect on the Group financial performance and cash flows for the years ended 31 December 2022 and 2021, the financial position of the Group as at 31 December 2022 and 2021 and the related disclosure thereof in the consolidated financial statements.

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “**Code**”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Group incurred a consolidated net loss of approximately HK\$466,136,000 during the year ended 31 December 2022 and as at 31 December 2022 the Group had net current liabilities of HK\$348,021,000. In addition, the Group had outstanding borrowings of approximately HK\$901,409,000 which would be due for repayment within the next twelve months and an amount due to a director of approximately HK\$111,137,000 respectively which are repayable on demand and bank balances and deposits of approximately HK\$46,943,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.”

EXPLANATION OF QUALIFIED OPINION

(I) Reasons for the Qualification

(a) *Recoverability of the Receivables*

To confirm the recoverability of a loan to an associate, certain trade receivables, loan receivables, note receivables and certain other receivables of approximately HK\$967,954,000 as at 31 December 2022 (the “**Receivables**”), the Auditor requested, among other things, the audit evidence of subsequent settlements of the Receivables that may be received by the Group. However, as at the date of this announcement, the Group did not receive any subsequent settlements of any of the Receivables and hence none of the documents or materials in relation to subsequent settlements were presented to the Auditor. The Auditor was, therefore, unable to obtain sufficient appropriate audit evidence to satisfy the recoverability of the Receivables.

(b) *Nature of the Other Payables*

To verify and confirm the nature of other payables and accruals of approximately HK\$19,042,000 as at 31 December 2022 (the “**Other Payables**”), the Auditor mainly requested for the related contracts and/or agreements, payment advices or slips, statements and calculation basis. The Company has provided to the Auditor all details of the identified transactions in relation to the Other Payables. However, as some of the supporting documents in respect of some short-term borrowings agreed by way of oral confirmation, such as the balance confirmation from the lenders or further supplemental written agreements were not available to be provided by the Company to the Auditor.

(c) *Tax assessment of the Tax Payables and the Deferred Tax Assets*

To verify and confirm the obligation of tax payables of approximately HK\$268,471,000 as at 31 December 2022 (the “**Tax Payables**”) and the future utilisation of the amounts of deferred tax assets of HK\$Nil as at 31 December 2022 (the “**Deferred Tax Assets**”), the Auditor mainly requested for the final tax assessment of each subsidiary of the Company from Hong Kong Inland Revenue Department (“**IRD**”). The Company has notified the chargeability of Hong Kong profits tax to IRD and provided to the Auditor all details of the profits tax computation in relation to the Tax Payables. However, as at the date of this announcement, the final tax assessment from IRD had not been issued and presented to the Auditor up to the date of this announcement. Accordingly, the Auditor could only verify and confirm the future utilisation of the Deferred Tax Assets when the obligation of the Tax Payables has been verified and confirmed.

(II) Impact on the Company’s Financial Position

(a) *Receivables*

Given that the Receivables in the aggregate sum of approximately HK\$967.95 million has been long overdue and remained outstanding as at 31 December 2022 (2021: HK\$1,388.04 million), the Company has continued to negotiate with the counterparties for settlement proposal and/or commenced or considering to commence legal actions and/or litigation proceedings against the relevant counterparties with a view to recover the Receivables.

As the recoverability of the Receivables is subject to the outcome of any effective or successful negotiations or litigations which have not yet to be materialised as at the date of this announcement, the Auditor was not satisfied on the recoverability of the Receivables.

In the event that the entire aggregate amount of the Receivables could not be recovered by the Group, the Group may have to write off the Receivables and record a potential impairment loss/written off of approximately HK\$967.95 million.

(b) Other Payables

In the event that the outstanding Other Payables were overstated, the Group may have to record an income in its consolidated statement of profit or loss of the financial statements (the “**Financial Statements**”).

In the event that the outstanding Other Payables were understated, the Group may have to record an expense in its consolidated statement of the Financial Statements.

(c) Deferred tax assets and tax payables (collectively as the “Deferred and Income Tax”)

The deferred tax asset of HK\$Nil as at 31 December 2022 and 2021 mainly represented a temporary difference in relation to income tax loss under Hong Kong Profits Tax. The income tax payables of approximately HK\$270.02 million as at 31 December 2022 and 2021 mainly represented income tax payables of certain subsidiaries and funds under Hong Kong Profits Tax.

In the event that the final assessment for the abovementioned income tax payables from IRD indicates that such income tax payables are understated or overstated, the Group may have to record more expenses or income subsequently.

(III) Management’s View, Position and Assessment on the Qualification

(a) Receivables

In relation to the recoverability of the balancing amounts of the Receivables in the aggregate amount of approximately HK\$967.95 million, the management of the Company has initiated actions including but not limited to legal action against the relevant borrowers and debtors and also conducted debt restructuring. The Company believed that the abovementioned balances can be collected in the coming three years, therefore further provision for impairment losses of the abovementioned balances have been provided after having considered the increasing risk of recoverability.

However, as disclosed in the paragraph headed “**Reasons for the Qualification – Recoverability of the Receivables**” in this announcement, due to the lack of the audit evidence of subsequent settlement(s) of the abovementioned balances, the Auditor was unable to ascertain the recoverability of the abovementioned balances.

(b) Other Payables

The management of the Company could not provide sufficient supporting evidences to verify some opening balances of the Other Payables in the aggregate amount of approximately HK\$19.04 million shall be confirmed with the creditors to make further supplemental agreements. As at the date of this announcement, the Company is still liaising with the relevant creditors.

The management of the Company had tried its best endeavour but still could not fully identify all details of the balancing amounts of the Other Payables, therefore the management of the Company agreed to the Auditor's opinion.

(c) Deferred and Income Tax

The Company has provided sufficient amounts of the tax payables in the consolidated Financial Statements, but the tax payables can only be confirmed by the relevant tax authority after having reviewed and assessed the submitted tax returns. Some subsidiaries of the Company were still in the discussion of tax assessment as offshore tax may be claimed. The subsidiaries of the Company have submitted their tax returns to IRD but have not yet received any final tax assessment as at the date of this announcement.

The utilization of the Deferred Tax Assets has been satisfied by our Auditor. While the Company is pending the final tax assessment from IRD, the amount of tax payables may be over-provided and further adjusted. Thus, the management of the Company agreed to the view of the Auditor.

(IV) Audit Committee's View on the Qualification

The Audit Committee has reviewed and agreed to the Qualification and does not have any disagreement with the Board's view. The Audit Committee had held several meetings with the Auditor to discuss about the Qualification and expressed their agreement with the management of the Company about their position, view and assessment during the meetings as stated in the section headed "**(c) Management's View, Position and Assessment on the Qualification**" above.

(V) The Company's Action Plans to Address the Qualification

(a) Receivables

In order to lower the investment risks and reduce the losses, the Group had put all reasonable efforts to maximise the recovery of the relevant financial assistance by debt restructuring or conducting lawsuits against several debtors. The Company will keep on assessing and ascertaining the recoverability of the aforesaid Receivables and further increase the provisions for impairment loss for the coming years to lower the amount of such items under the Qualification.

In order to collect the outstanding Receivables, the Group commenced legal proceedings against four borrowers and the aggregate amounts of the Receivables represented HK\$425.97 million as at 31 December 2022. As at the date of this announcement, all the legal actions are still on-going. Based on the information currently available, the Directors estimated that the litigations will be concluded more than two years. In addition, the Group is also involved in the debt restructurings process on three borrowers' collaterals during the Year and the aggregate amounts of the Receivables represented HK\$215.33 million as at 31 December 2022.

As at the date of this announcement, no formal agreement on debt restructuring was concluded due to the continuing adverse impacts of the COVID-19 outbreak. The management of the Company is still in the process of assessing and ascertaining the recoverability of the Receivables. However, further provisions for impairment or written off of Receivables or commencement of the litigation against the borrowers would be considered to recover the Receivables in two years.

(b) *Other Payables*

The management of the Company plans to seek further clarification from the Company's creditors and continue to negotiate with them for reaching the final settlement. The Company may further consult with the appropriate advisors to assess whether those uncertain payables and accruals should be written off.

As at the date of this announcement, the management of the Company is still in the process of reviewing the clarifications to consider the possible audit adjustments and/or to write off or provide further provisions for impairment on those uncertain Other Payables.

(c) *Deferred and Income Tax*

Although the Group does not aware of the reason leading to the delay in receiving the final assessment from the IRD during the Year, the management of the Company will proactively follow up with IRD to provide the outstanding audit evidence to the Auditor in order to remove the Qualification for the Tax Payables and the Deferred Tax Assets.

Upon receipt of the final assessment of tax payables from IRD, the appropriate adjustments will be provided by the Company for the amount of tax payables. It is expected that certain appropriate adjustments will be made to lower the amount of tax payables during the year of 2023, and the Qualification will be removed accordingly.

As at the date of this announcement, the Company has not yet received all final assessment of the tax payables from IRD. Meanwhile, the Group is in the process of engaging the tax experts to obtain the tax opinion in relation to tax payables of all subsidiaries of the Company and to engage a tax representative to submit the tax returns and consult with IRD for determining the final assessment of the tax payables in order to remove the qualification of the Deferred and Income Tax.

(VI) Expected Timetable to Remove of the Qualification

The management of the Company expects that the Qualification for the Deferred and Income Tax will be removed by next financial year of the Company (i.e. for the year ending 31 December 2023) after taking into account of the Company's action plan as stated in the section headed “**(e) The Company's Action Plans to Address the Qualification**” above.

For the Qualification for the Other Payables, the management of the Company believes that the qualified amount can be removed following the settlement agreements may be entered into with several creditors, and the Qualification may be removed by the next financial year of the Company (i.e. for the year ending 31 December 2023).

The Company expects that the Qualification for the Receivables may be removed in stages within the coming two years (i.e. by the year ending 31 December 2024) after having taken into account of the development and outcomes of the debt restructuring and lawsuits.

To improve the recoverability of the Receivables and lower the credit risk of the Group, the management of the Company is negotiating with the creditors to reach final settlement by way of full settlement at the discounted amount, settlement by installment basis and/or additional collaterals. Having considered the details of the amount of each Qualification, the management of the Company considers that the Company's action plan with certain borrowers and creditors may result in different settlement schedules, which will have impact on the expected time to remove the relevant Qualification.

After having discussed with the Auditor, the management of the Company understands and expects that all Qualification may be removed by the year ending 31 December 2024 if the proposed action plans as disclosed in the section headed “**(e) The Company's Action Plans to Address the Qualification**” above should have been fully implemented whereas sufficient appropriate audit evidence can be provided to the Auditor.

SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED

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 auditors, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement and consequently no opinion and assurance conclusion has been expressed by ZHONGHUI ANDA CPA Limited on the preliminary announcement.

PUBLICATION OF ANNUAL REPORT

This audited annual results announcement is published on the website of The Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and on the website of the Company at www.renco.com.hk, respectively. The 2022 Annual Report, which contains all the information required by the Listing Rules, will be despatched to the Shareholders and published on the above websites in due course.

APPRECIATION

On behalf of the Board, the Chairman would like to extend our gratitude and sincere appreciation to all senior management and staff members for their diligence and dedication, and also to our business partners and the Shareholders for their continuing support.

By order of the Board
Renco Holdings Group Limited
Su Zhiyang
Company Secretary

Hong Kong, 30 March 2023

As at the date of this announcement, the Board comprises Mr. Li Yongjun, Mr. Cheok Ho Fung, Mr. Hung Yeung Alvin and Ms. Xing Mengwei being executive Directors; and Mr. Lau Fai Lawrence, Mr. Mak Kwok Kei and Mr. Xu Xinwei being independent non-executive Directors.