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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)**

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

References are made to the announcement of Renco Holdings Group Limited (the “**Company**”, together with its subsidiaries as the “**Group**”) dated 31 March 2023 in relation to the Group’s audited annual results for the year ended 31 December 2022 (the “**FY2022**”) and the Company’s annual report (the “**2022 Annual Report**”) for the FY2022 published on 28 April 2023. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the 2022 Annual Report.

In addition to the information disclosed in the section headed “Management Discussion and Analysis” in the 2022 Annual Report, the Company would like to provide further information in relation to the debt investments of (1) the provision of financial assistance (the “**Financial Assistance**”), (2) business in the asset and shareholding restructuring business of the Company (the “**Asset and Shareholding Restructuring Business**”) and (3) the subscriptions of interest in three offshore private funds (the “**Subscriptions in Funds**”) as follows.

**(i) The Credit Approval Processes of debt investments**

For the purpose of dealing with loan receivables and note receivables of debt investments due from borrowers under the Company's Financial Assistance, the Asset and Shareholding Restructuring Business and the Subscriptions in Funds, the credit risk management is used to identify potential recoverability issues. It is the Group's "Long-term Equity Investment Business Management Policy" adopted on 10 May 2023 that all potential borrowers who wish to obtain financial assistance from the Group will be initially reviewed by the Company's investment management team. In determining the potential loan size and credit limits, the investment manager of the investment management team will prepare a report that summarises all material information including but not limited to the background of the borrowers, credit search report, litigation search report, the assessment on the collateral items provided and occasionally by utilizing search engines in the internet, and other publicly available information for each case. The Board will then review the report on a case-by-case basis, consider those factors that are specific to each borrower or to make adjustments on the size, duration and interest rate of the loans prior to granting the loans. These specific factors may include the background information and financial strength of the borrowers, the duration of the lending period and the presence and sufficiency of corporate security interests and/or guarantees for each case which would be considered as the most important parameters by the Board.

As at the date of this announcement, the Company has its internal control procedure in relation to, among others, the credit approval process of debt investments regularly under review. The Company will issue an announcement to update the Shareholders and potential investors regarding the internal control review results as and when appropriate and necessary.

**(ii) Number of borrowers of debt investments**

As at 31 December 2022, the Group had 17 borrowers of debt investments (31 December 2021: 17 borrowers). The total carrying amount (after deducting the impairments for the FY2022) of the loan receivables and note receivables was HK\$785,703,083 and HK\$69,049,315 respectively (31 December 2021: HK\$1,070,223,421 and HK\$138,098,630 respectively) whereas 12 borrowers were related to the Financial Assistance, 4 borrowers were related to the Asset and Shareholding Restructuring Business and 1 borrower was related to the Subscriptions in Funds.

**(iii) Breakdown of loans and note receivables of debt investments by categories**

	31 December 2022		31 December 2021		Principal amount HK\$'000	Interest rate %	Grant date	Duration Year(s)	Terms	Extension granted	Overdue Year(s)	Type of Security
	Gross amount HK\$'000	Impairments HK\$'000	Net amount HK\$'000	Net amount HK\$'000								
<b>Secured Loan receivables</b>												
<b>(I) the Financial Assistance</b>												
Borrower A	274,840	(76,955)	197,885	197,885	240,000	18%	23-Mar-2017	5.8	Expiry on 23 March 2019 with one year extension option (24 September 2020)	N/A	4.8	55% equity interest of Borrower A
Borrower B	151,009	(151,009)	–	5,918	120,000	12%	19-Oct-2017	5.2	18 October 2018 and then extended to 30 June 2020	N/A	2.5	Hong Kong listed shares
Borrower C	–	–	–	34,864	50,000	5%	19-Dec-2018	4.0	18 June 2020 and 6 months extension option (17 December 2020)	Extended to 19 December 2020, 31 December 2021 and 31 December 2022	N/A	Hong Kong listed shares
Borrower D	18,933	(9,466)	9,466	17,367	25,000	5%	18-Aug-2020	2.4	31 December 2021 and 1 year extension option (31 December 2022)	N/A	N/A	Hong Kong listed shares
Borrower E	49,729	(24,864)	24,864	39,783	35,000	12.0%	29-Mar-2018	4.8	29 June 2018	Extended to 31 December 2018, 31 December 2019 and 31 December 2021	1.0	Corporate guarantee
Borrower F	111,810	(55,905)	55,905	89,448	84,000	12.0%	09-Jan-2019	4.0	30 June 2019 and 18 months extension option (31 December 2020)	Extended to 31 December 2021	1.0	Corporate guarantee and personal guarantee from director of Borrower F
Borrower G	68,260	(34,130)	34,130	54,608	60,000	5.0%	23-Jan-2019	3.9	23 April 2019	Extended to 23 October 2019, 23 October 2020, 23 October 2021 and 31 December 2022	N/A	Personal guarantee from director of Borrower G
Borrower H	69,077	(34,538)	34,538	55,261	69,600	5.0%	28-Jan-2019	3.9	27 April 2019	Extended to 24 July 2019, 24 October 2019, 31 December 2021 and 31 December 2022	N/A	Corporate guarantee
Borrower I	45,948	(13,784)	32,164	43,120	40,000	10.0%	13-Sep-2019	3.4	18 November 2019 and 3 months extension option (17 February 2020)	Extended to 31 December 2020, 31 December 2021 and 31 December 2022	N/A	Personal guarantee from director of Borrower I
Borrower J	36,296	(10,889)	25,407	34,336	60,000	8.5%	29-Apr-2020	2.7	28 April 2021	Extended to 31 December 2021 and 31 December 2022	N/A	Personal guarantee from director of Borrower J
Borrower K	40,609	(12,183)	28,426	38,335	48,000	8.5%	28-May-2020	2.6	27 May 2021	Extended to 31 December 2021 and 31 December 2022	N/A	Personal guarantee from director of Borrower K
Borrower L	24,254	(7,276)	16,978	22,748	21,000	10.0%	25-Aug-2020	2.4	31 December 2021 and 1 year extension option (31 December 2022)	N/A	N/A	Personal guarantee from director of Borrower L
			<u>459,764</u>	<u>633,674</u>								

**(iii) Breakdown of loans and note receivables of debt investments by categories (Continued)**

	31 December 2022		31 December 2021		Principal amount HK\$'000	Interest rate %	Grant date	Duration Year(s)	Terms	Extension granted	Overdue Year(s)	Type of Security
	Gross amount HK\$'000	Impairments HK\$'000	Net amount HK\$'000	Net amount HK\$'000								
<b>Secured Loan receivables</b>												
<b>(II) the Asset and Shareholding Restructuring Business</b>												
Borrower M	280,548	(168,324)	112,224	112,224	240,000	10%	25-Jan-2018	4.9	24 February 2018 and 30 days extension option (24 March 2018)	Extended to 8 August 2018	4.4	Right of the Sea Area Use Certificate
Borrower N	126,247	(54,286)	71,961	71,960	108,000	10%	26-Jan-2018	4.9	25 February 2018 and 30 days extension option (25 March 2018)	Extended to 8 August 2018	4.4	Right of the Sea Area Use Certificate
Borrower O1	17,503	(7,526)	9,977	9,977	15,000	10%	23-Feb-2018	4.9	25 February 2018 and 30 days extension option (25 March 2018)	Extended to 8 August 2018	4.4	Right of the Sea Area Use Certificate
Borrower O2	37,134	(15,967)	21,166	21,166	33,000	10%	04-Apr-2018	4.7	2 June 2018 and 60 days extension option (1 August 2018)	Extended to 8 August 2018	4.4	Right of the Sea Area Use Certificate
Borrower P	3,059	(3,059)	–	–	3,000	3.0%	07-Apr-2020	2.7	6 July 2020 and 3 months extension option (5 October 2020)	Extended to 31 December 2020	2.0	Contractual Interest of properties
			<u>215,328</u>	<u>215,328</u>								
<b>(III) the Subscriptions in Funds</b>												
Borrower Q1	251,326	(175,928)	75,398	150,795	217,901	5%	30-Aug-2017	5.3	30 August 2018 and 1 year extension option (30 August 2019)	Extended to 31 December 2020, 31 December 2021 and 31 December 2022	N/A	Bonds issue by a Hong Kong listed company
Borrower Q2	97,377	(68,164)	29,213	58,426	84,150	5%	12-Sep-2017	5.3	12 September 2018 and 1 year extension option (12 September 2019)	Extended to 31 December 2020, 31 December 2021 and 31 December 2022	N/A	Bonds issue by a Hong Kong listed company
Borrower Q3	20,000	(14,000)	6,000	12,000	20,000	0%	27-Dec-2017	5.0	27 December 2018 and 1 year extension option (27 December 2019)	Extended to 31 December 2020, 31 December 2021 and 31 December 2022	N/A	Bonds issue by a Hong Kong listed company
			<u>110,611</u>	<u>221,222</u>								
			<u><b>785,703</b></u>	<u><b>1,070,223</b></u>								
<b>Secured Note receivables</b>												
<b>(I) the Subscriptions in Funds</b>												
Borrower Q3	230,165	(161,116)	69,049	138,099	200,000	5%	27-Dec-2017	5.0	27 December 2018 and 1 year extension option (27 December 2019)	Extended to 31 December 2020, 31 December 2021 and 31 December 2022	N/A	Bonds issue by a Hong Kong listed company
			<u>69,049</u>	<u>138,099</u>								
			<u><b>854,752</b></u>	<u><b>1,208,322</b></u>								

(iv) **Aging analysis of loan receivables and note receivables of debt investments**

<b>Period of Ageing</b>	<b>31 December 2022</b>		<b>31 December 2021</b>	
	<i>Number of borrowers</i>	<i>HK\$</i>	<i>Number of borrowers</i>	<i>HK\$</i>
0–1 year past due	9	360,770,381	12	789,191,734
1–3 years past due	4	80,769,620	2	203,802,563
Over 3 years past due	4	413,212,397	3	215,327,754
		<b><u>854,752,398</u></b>		<b><u>1,208,322,051</u></b>

(v) **Discussion on movements of impairments or write-offs of loan receivables and note receivables of debt investments and the basis of impairment assessments**

Taking into account of the following factors, the Company recognised the factors for inducing impairment on loan receivables and note receivables, including but not limited to (a) delay in settlement of loan interest or principal by the borrowers; (b) legal actions and proceedings being taken by the Company against the borrowers; (c) decrease in value of the collaterals on pledged assets of loan receivables and note receivables due to declining global economy and equity market in general; (d) the decrease in demand for the properties development industry in PRC; and (e) the borrowers' increasing difficulty in business operation and/or facing litigation or liquidation process.

During the FY2022, an impairment loss of loan receivables and note receivables of debt investments of the Company for approximately HK\$302.51 million was recognised (2021: impairment loss of HK\$218.88 million), of which (i) approximately HK\$122.85 million was related to the Financial Assistance (the “**Impairment of Financial Assistance**”); and (ii) approximately HK\$179.66 million was related to the Subscriptions in Funds (the “**Impairment of the Subscriptions in Funds**”).

The main reason for the increment of Impairment of Financial Assistance was that the recovered value of the collaterals provided by a borrower in relation to the Financial Assistance decreased significantly as at 31 December 2022. There was an impairment loss of approximately HK\$91.71 million caused by several borrowers' failure in repaying the principal amounts and interests of their borrowings which were due on 31 December 2022 for the Impairment of Financial Assistance.

The main reason for the Impairment of the Subscriptions in Funds was caused by overdue repayment of borrowings during the FY2022. Notwithstanding that the borrowing was secured by the collaterals (the CRTG Bonds) provided by the Strait Borrower, (i) the borrower is principally engaged in expressway, petroleum and timber-related businesses in the PRC. However, the borrower's property and infrastructure sector in the PRC had been thrust into a severe debt crisis over the past two years; (ii) the borrower's failure in making repayment on the loan maturity date to the Offshore Private Fund invested and managed by the Group; and (iii) the borrower was in the process of winding up petitioned by the Court of First Instance of the High Court of the Hong Kong.

For details of the Subscriptions in Funds, 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” under the section headed “Management Discussion and Analysis” of the 2022 Annual Report on pages 26 to 30.

The above supplemental information does not affect other information contained in the 2022 Annual Report. Save as disclosed above, all other information in the 2022 Annual Report remains unchanged.

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

Hong Kong, 5 September 2023

*As at the date of this announcement, the Board comprises Mr. Li Yongjun (chairman of the Board), 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.*