

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



TERMBRAY INDUSTRIES INTERNATIONAL (HOLDINGS) LIMITED

添利工業國際（集團）有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00093)

**ANNUAL RESULTS FOR THE YEAR
ENDED 31 DECEMBER 2023**

RESULTS

The board of directors (the “Board”) of Termbray Industries International (Holdings) Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2023 together with the comparative figures for the year ended 31 December 2022 as follows:

* *For identification purpose only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	<i>Note</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue	3	196,609	162,870
Other income	4	1,801	2,335
Other losses, net	5	(467)	(17)
Fair value losses on investment properties		(9,000)	(19,520)
Advertising and promotion		(27,639)	(19,395)
Employee benefits expenses		(24,768)	(17,556)
Net impairment losses on financial assets		(83,785)	(57,783)
Other operating expenses	6	(25,591)	(18,050)
Operating profit		27,160	32,884
Finance costs	7	(7,084)	(8,091)
Profit before income tax		20,076	24,793
Income tax expense	8	(7,940)	(9,604)
Profit for the year		12,136	15,189
Other comprehensive loss:			
<i>Item that may not be reclassified to profit or loss:</i>			
Losses on revaluation of leasehold land and buildings		(20,395)	(32,220)
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(3,073)	(13,764)
Other comprehensive loss for the year, net of tax		(23,468)	(45,984)
Total comprehensive loss for the year		(11,332)	(30,795)
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share attributable to owners of the Company:			
Basic	10	0.45	0.57
Diluted	10	0.45	0.57

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	<i>Note</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
Assets			
Non-current assets			
Property, plant and equipment		213,255	235,409
Investment properties	<i>11</i>	53,000	222,000
Intangible assets		9,211	10,559
Deferred income tax assets		7,876	4,216
Loan and interest receivables	<i>12</i>	485,959	475,232
Deposits		164	–
		<hr/> 769,465 <hr/>	<hr/> 947,416 <hr/>
Current assets			
Completed properties for sale		54,265	55,052
Loan and interest receivables	<i>12</i>	152,677	68,237
Repossessed assets		21,413	27,928
Deposits, prepayments and other receivables		5,821	5,189
Financial assets at fair value through profit or loss		109	107
Cash and cash equivalents		101,057	166,777
		<hr/> 335,342 <hr/>	<hr/> 323,290 <hr/>
Assets classified as held for sale		<hr/> 160,170 <hr/>	<hr/> – <hr/>
Total assets		<hr/> 1,264,977 <hr/>	<hr/> 1,270,706 <hr/>

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Equity and liabilities		
Equity		
Share capital	213,411	213,411
Reserves	<u>867,364</u>	<u>878,696</u>
Total equity	<u>1,080,775</u>	<u>1,092,107</u>
Liabilities		
Non-current liabilities		
Lease liabilities	<u>579</u>	<u>96</u>
Current liabilities		
Other payables and accruals	169,299	161,583
Amount due to a related company	1,337	1,732
Lease liabilities	924	685
Income tax payable	<u>12,032</u>	<u>14,503</u>
	<u>183,592</u>	<u>178,503</u>
Liabilities directly associated with assets classified as held for sale	<u>31</u>	<u>–</u>
Total liabilities	<u>184,202</u>	<u>178,599</u>
Total equity and liabilities	<u><u>1,264,977</u></u>	<u><u>1,270,706</u></u>

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) and disclosure requirements of the Hong Kong Companies Ordinance Cap.622. They have been prepared under the historical cost convention, except for leasehold land and buildings, investment properties and financial assets at fair value through profit or loss, which are carried at fair value and assets classified as held for sale that are measured at the lower of their previous carrying amount and fair value less costs to sell at the end of each reporting period.

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

(a) New and amended standards effective for the financial period beginning on 1 January 2023:

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules
HKFRS 17	Insurance Contracts
HKFRS 17	Amendments to HKFRS 17
HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative information

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

(b) The following amended standards and interpretation have been issued, but are not effective for the financial year beginning on 1 January 2023 and have not been early adopted:

		Effective for annual periods beginning on or after
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
HK Interpretation 5 (Revised)	Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements	1 January 2024
Amendments to HKAS 21	Lack of Exchangeability	1 January 2025
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

2. SEGMENT INFORMATION

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

During the year ended 31 December 2023, the CODM assessed the performance of the Group by reviewing the results of two reportable segments:

Property development and investment – Property development for sale of properties in the People’s Republic of China (the “PRC”) and property investment for letting of properties in Hong Kong and the PRC.

Money lending – Provide mortgage and personal loan financing to customers.

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

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

The segment results and other segment items are as follows:

	Property development and investment HK\$’000	Money lending HK\$’000	Total HK\$’000
For the year ended 31 December 2023			
Revenue	2,080	194,529	196,609
Segment results	(8,457)	34,821	26,364
Unallocated other income			171
Unallocated other gains, net			1,776
Unallocated expenses			(8,235)
Profit before income tax			20,076
For the year ended 31 December 2022			
Revenue	3,552	159,318	162,870
Segment results	(16,466)	48,492	32,026
Unallocated other income			89
Unallocated other losses, net			(52)
Unallocated expenses			(7,270)
Profit before income tax			24,793

For the years ended 31 December 2023 and 2022, unallocated expenses and unallocated other gains and losses represent corporate expenses and unrealised net exchange gains/(losses), respectively. Segment results represent the profit/(loss) before income tax earned by each segment without allocation of certain other income, other gains and losses and expenses. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

The segment assets and liabilities are as follows:

	Property development and investment HK\$'000	Money lending HK\$'000	Total HK\$'000
As at 31 December 2023			
Assets			
Segment assets	<u>340,500</u>	<u>704,489</u>	1,044,989
Unallocated assets			<u>219,988</u>
Total assets			<u>1,264,977</u>
Liabilities			
Segment liabilities	<u>10,247</u>	<u>170,771</u>	181,018
Unallocated liabilities			<u>3,184</u>
Total liabilities			<u>184,202</u>
As at 31 December 2022			
Assets			
Segment assets	<u>350,536</u>	<u>654,188</u>	1,004,724
Unallocated assets			<u>265,982</u>
Total assets			<u>1,270,706</u>
Liabilities			
Segment liabilities	<u>11,200</u>	<u>164,493</u>	175,693
Unallocated liabilities			<u>2,906</u>
Total liabilities			<u>178,599</u>

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

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

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

	Property development and investment HK\$'000	Money lending HK\$'000	Unallocated HK\$'000	Total HK\$'000
For the year ended 31 December 2023				
Depreciation	–	(1,246)	(2,605)	(3,851)
Amortisation	–	(1,348)	–	(1,348)
Interest income	1,029	514	164	1,707
Interest expense	–	(7,084)	–	(7,084)
Income tax expense	(224)	(7,716)	–	(7,940)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
For the year ended 31 December 2022				
Depreciation	–	(1,231)	(2,812)	(4,043)
Amortisation	–	(1,348)	–	(1,348)
Interest income	1,536	5	19	1,560
Interest expense	–	(8,091)	–	(8,091)
Income tax expense	(522)	(9,082)	–	(9,604)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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

	Revenue from external customers		Non-current assets	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Hong Kong	194,994	161,178	761,573	943,163
The PRC	1,615	1,692	16	37
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	196,609	162,870	761,589	943,200
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

For the years ended 31 December 2023 and 2022, no single customer contributed 10% or more of the Group's total revenue.

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Reportable segment assets	1,044,989	1,004,724
Property, plant and equipment	211,000	234,000
Deposits, prepayments and other receivables	2,083	1,998
Financial assets at fair value through profit or loss	109	107
Cash and cash equivalents	<u>6,796</u>	<u>29,877</u>
Total assets per consolidated statement of financial position	<u>1,264,977</u>	<u>1,270,706</u>
Reportable segment liabilities	181,018	175,693
Amount due to a related company	1,337	1,732
Other payables and accruals	<u>1,847</u>	<u>1,174</u>
Total liabilities per consolidated statement of financial position	<u>184,202</u>	<u>178,599</u>

3. REVENUE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest income from money lending business	194,529	159,318
Rental income from investment property and completed properties for sale	<u>2,080</u>	<u>3,552</u>
	<u>196,609</u>	<u>162,870</u>

4. OTHER INCOME

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest income on bank deposits	1,707	1,560
Government subsidies (<i>Note</i>)	–	668
Sundry income	<u>94</u>	<u>107</u>
	<u>1,801</u>	<u>2,335</u>

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

5. OTHER LOSSES, NET

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Provision for impairment of repossessed assets	(1,179)	–
Gain on disposal of repossessed assets	100	–
Exchange gains, net	610	28
Fair value gain/(loss) on financial assets at fair value through profit or loss	2	(45)
	<u>2</u>	<u>(45)</u>
	<u>(467)</u>	<u>(17)</u>

6. OTHER OPERATING EXPENSES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Auditor's remuneration		
– Audit services	2,250	2,120
– Non-audit services	350	350
Amortisation of intangible assets	1,348	1,348
Bank charges	2,105	1,540
Commission expenses	1,115	923
Computer accessories	6,185	1,160
Depreciation of property, plant and equipment	3,851	4,043
Expenses relating to short-term leases	336	359
Legal and professional fees	1,438	1,048
Valuation and search fees	2,526	1,326
Recruitment fees	127	511
Others	3,960	3,322
	<u>3,960</u>	<u>3,322</u>
	<u>25,591</u>	<u>18,050</u>

7. FINANCE COSTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Unwinding of interest on deferred consideration payable	7,034	8,042
Interest expense on lease liabilities	50	49
	<u>7,034</u>	<u>8,091</u>
	<u>7,084</u>	<u>8,091</u>

8. INCOME TAX EXPENSE

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

Hong Kong profits tax for the year ended 31 December 2023 have been provided for the rate of 8.25% for the first HK\$2,000,000 estimated assessable profits and 16.5% for estimated assessable profits above HK\$2,000,000 for an entity of the Group qualified for the two-tiered profits tax rates regime. For group entities not qualifying for the two-tiered profits tax rates regime, Hong Kong profits tax has been provided for at a flat rate of 16.5% (2022: same).

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current income tax		
– PRC enterprise income tax	230	513
– Hong Kong profits tax	11,376	12,322
– Over provision in prior years	(6)	(137)
	<u>11,600</u>	<u>12,698</u>
Deferred income tax	<u>(3,660)</u>	<u>(3,094)</u>
Income tax expense	<u><u>7,940</u></u>	<u><u>9,604</u></u>

9. DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (31 December 2022: Nil).

10. EARNINGS PER SHARE

Basic earnings per share

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

	2023	2022
Profit attributable to owners of the Company (<i>HK\$'000</i>)	12,136	15,189
Weighted average number of ordinary shares in issue (<i>'000</i>)	<u>2,667,643</u>	<u>2,667,643</u>
Basic earnings per share (<i>HK cents</i>)	<u><u>0.45</u></u>	<u><u>0.57</u></u>

Diluted earnings per share

There were no potential dilutive ordinary shares outstanding during the years ended 31 December 2023 and 2022 and hence the diluted earnings per share is the same as the basic earnings per share.

11. INVESTMENT PROPERTIES

	<i>HK\$'000</i>
At 1 January 2022	241,520
Fair value loss on revaluation	<u>(19,520)</u>
At 31 December 2022	222,000
Reclassified as held for sale	(160,000)
Fair value loss on revaluation	<u>(9,000)</u>
At 31 December 2023	<u><u>53,000</u></u>

At 31 December 2023, there was one (2022: two) investment property. The Group is still searching for potential tenant for the investment property.

The Group leased out its land and buildings under non-cancellable operating lease arrangements, the lease agreement was terminated on 15 March 2023 after maturity. The lease term was 3 years (2022: 3 years). The Group had classified these leases as operating leases. Rental income from this investment property for the year amounted to HK\$465,000 (2022: HK\$1,860,000).

(a) Valuation process of the Group

The Group's investment properties were valued as at 31 December 2023 and 31 December 2022 by an independent professionally qualified valuer, Vigers Appraisal & Consulting Limited, who holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued. For the investment properties, their current use equates to the highest and best use. The fair value losses are included in the consolidated statement of profit or loss.

The recurring fair value measurement for investment properties are included in level 3 of the fair value hierarchy. The Group's policy is to recognise transfers into and transfers out of the fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between levels 1, 2 and 3 during the year (2022: Nil).

(b) Valuation techniques

The valuations of investment properties were determined using the direct comparison method (Level 3 approach) (2022: direct comparison method) by making reference to comparable market transactions of similar properties. At the time of the fair value estimates, the highest and best use of the properties was their current use. For the properties valued based on the direct comparison method, the most significant input into this valuation approach is the unit sale price, taking into account the differences in transaction time, location and size etc. between the comparables and the properties, which amounted to HK\$22,600 (2022: HK\$26,300 and HK\$50,000) per square foot on a saleable area basis. An increase in the unit sale price adopted would result in an increase in the fair value measurement of the investment properties by the same magnitude, and vice versa.

12. LOAN AND INTEREST RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Loan and interest receivables		
– Property mortgage loans	271,727	207,817
– Personal loans	439,566	359,577
– Corporate loan	–	26,000
	<u>711,293</u>	<u>593,394</u>
Less: Provision for impairment	<u>(72,657)</u>	<u>(49,925)</u>
Loan and interest receivables, net of provision	638,636	543,469
Less: Non-current portion	<u>(485,959)</u>	<u>(475,232)</u>
Current portion	<u><u>152,677</u></u>	<u><u>68,237</u></u>

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

Except for personal loan and interest receivables of HK\$439,566,000 as at 31 December 2023 (2022: HK\$359,577,000) which are unsecured, the loan and interest receivables are secured by collaterals, interest-bearing and repayable with fixed terms agreed with the customers.

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within one year	152,677	68,237
One to two years	64,334	35,125
Two to five years	260,791	302,194
Over five years	<u>160,834</u>	<u>137,913</u>
	<u><u>638,636</u></u>	<u><u>543,469</u></u>

13. SUBSEQUENT EVENTS

On 8 November 2023, Termbray (China) Land Development Company Limited (“Termbray China”), an indirect wholly-owned subsidiary of the Company and Mr. Tommy Lee entered into a sale and purchase agreement, pursuant to which, Termbray China agreed to sell and Mr. Tommy Lee agreed to purchase the entire issued share capital of Termbray (Fujian) Land Development Company Limited (the “Disposal Company”), a direct wholly-owned subsidiary of Termbray China, and the total amount of loans due from Disposal Company to Termbray China, at the consideration of HK\$160,000,000 (subject to adjustment). The disposal transaction was completed on 12 January 2024.

On 17 January 2024, X8 Finance Limited, a wholly-owned subsidiary of the Company, as lender and Horn King Limited, Mr. Ho Shung Pun and Mr. Ho Sai Wing as borrowers, have entered into a loan agreement amounting to HK\$85,000,000, which is secured by two floors of a residential property and a portion of garage space located in Hong Kong. Interest on the loan is 29% per annum for the first and second month from the date of drawdown of the loan and 18% per annum thereafter. The outstanding principal amount of the loan shall be fully repaid in one lump sum on 17 January 2025. The loan was funded from a shareholder's loan from Mr. Tommy Lee in the amount of HK\$80,000,000 and internal resources of the Group. The shareholder's loan is not secured by any asset of the Group and interest thereon is charged at the rate of 3% per annum.

RESULTS

The Group recorded a revenue of HK\$196,609,000 and a profit of HK\$12,136,000 for the year ended 31 December 2023, compared with a revenue of HK\$162,870,000 and profit of HK\$15,189,000 for the year ended 31 December 2022.

DIVIDEND

No interim dividend was paid by the Company for the six months ended 30 June 2023 (30 June 2022: Nil).

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (31 December 2022: Nil).

PROFIT FOR THE YEAR

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

- (i) interest income from the money lending business recorded of approximately HK\$194.5 million for the current year (2022: HK\$159.3 million), representing an increase of approximately HK\$35.2 million as compared with the year ended 31 December 2022;
- (ii) net impairment losses on financial assets of approximately HK\$83.8 million; and
- (iii) fair value losses of approximately HK\$9.0 million on the investment properties.

CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company (“AGM”) is scheduled to be held on Thursday, 13 June 2024. To determine the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 7 June 2024 to Thursday, 13 June 2024 (both days inclusive), during which no transfer of shares will be effected. In order to qualify for attendance of the AGM, all completed transfer forms accompanied with the relevant share certificates must be lodged with the Company’s share registrar, Tricor Standard Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Thursday, 6 June 2024.

REVIEW OF OPERATIONS

Property Development and Investment

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

There was not much improvement in the operating environment in the year of 2023. The sales activities of the Group's property project in Zhongshan for the remaining residential units were not satisfactory during the year.

During the year of 2023, no sale transactions were approved and registered in the government's property sale system. The Group had no sale of residential unit during the year of 2023 (2022: Nil). The rental income earned by the Group from Ever Success Plaza during the year ended 31 December 2023 decreased by approximately 5% compared with the year ended 31 December 2022. As at 31 December 2023, 56 residential units remained to be sold, out of which 5 residential units were let out.

Money Lending

In order to provide 24/7 borrowing experience, customers can apply for loans via the Group's automatic lending mobile application "X Wallet" App (the "X Wallet"), which is for unsecured loans only. The whole lending process through X Wallet involves no human intervention. Basically, it requires the provision of the customer's Hong Kong Identity Card and facial recognition, and offers loans using information technology such as big-data and a credit scoring model. The loan facilities granted through X Wallet are all revolving loan facilities which could be repaid and re-borrowed within the approved credit limit at any time during the loan period. The Group also offers unsecured loans such as debt consolidation loans and personal loans to customers granted by the credit committee. The credit clerk will obtain basic information such as the applicant's name, contact details, background information, TransUnion report, desired loan amount and purpose of the loan, etc from the applicant. The loan facilities granted by the credit committee are all term loan facilities with specific credit limit, loan period and repayment schedule. The Group primarily focuses its sales and marketing effort on sourcing new customers for unsecured loans, including advertising through public transportation, outdoor banner, television, online media platforms, pamphlets and other marketing campaigns. The majority of loan period for unsecured loans are ranged from 2 years to 7 years. The maximum amount of unsecured loan could be as high as HK\$700,000.

The number of active customers of unsecured loans increased from 10,993 as at 31 December 2022 to 13,491 as at 31 December 2023. The increase in number of active customers improved the results of unsecured loans and generated revenue of approximately HK\$157,548,000 during the year ended 31 December 2023 (2022: HK\$125,931,000).

The majority of interest rates for unsecured loans ranged from 25% to 48% per annum and the weighted average interest rate charged was approximately 41% per annum. Loan amounts for unsecured loans ranged from HK\$5,000 to HK\$700,000.

The Group also focuses on providing mortgage loans to customers for purchase of residential properties in Hong Kong. The management cautiously carries out the money lending business in Hong Kong. With the economic uncertainty and potential challenges, the management carefully assesses the creditworthiness of the borrowers as well as the quality and leverage of the mortgaged properties.

For mortgage loans, lower interest rates are charged compared to unsecured personal credit loans. The Group engaged mortgage referral agents, which are all independent third parties, to source new customers. The tenure of the majority of the mortgage loans ranged from 1 year to 20 years and the actual tenure may differ subject to customer's early repayment.

The majority of interest rates for secured loans granted ranged from 9% to 18% per annum and the weighted average interest rate charged was approximately 16% per annum. The majority of the collateral are residential properties and commercial properties, and all of the collaterals are located in Hong Kong. Loan amounts for secured loans granted ranged from HK\$80,000 to HK\$44,000,000.

As at 31 December 2023, the number of mortgage loans customers was 73, of which the top 10 customers represented 57.5% of total mortgage loan receivables, and the number of unsecured loans customers was 13,491, of which top 10 customers represented 1.1% of total unsecured loan receivables. The largest and five largest customers accounted for 6.3% and 16.5% respectively of the total loan receivables as at 31 December 2023.

Credit risk assessment policy

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

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

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

For unsecured loans such as debt consolidation loans and personal loans granted by the credit committee, the credit clerk will obtain all mandatory information and supporting documents from the applicant. To assess the credit risk of each applicant, the credit committee takes into account the applicant's background information, credit report and overall market conditions at the time of application.

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

As at 31 December 2023, the net loan and interest receivables of the Group amounted to HK\$638,636,000. The provision for impairment of loan and interest receivables as at 31 December 2023 under the ECL model amounted to HK\$72,657,000.

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

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

During the year ended 31 December 2023, the Group had written off loan and interest receivables totalling approximately HK\$63,634,000, based on the (1) bankruptcy of the borrowers, and (2) death of the debtors.

Internal Control Procedures

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

Credit approval process

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

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

For unsecured loans such as debt consolidation loans and personal loans granted by the credit committee, the credit clerk will obtain basic information such as the applicant's name, contact details, background information, TransUnion report, desired loan amount and purpose of the loan, etc from the applicant. The credit officer will perform a preliminary review and verification of the application materials. The credit committee will then review the application and determine the amount of loan, interest rate and loan period based on the applicant's information and the internal credit policies and guidelines.

Ongoing monitoring of loan recoverability and loan collection

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

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

OUTLOOK

Looking ahead to 2024, economic conditions are expected to remain challenging to Hong Kong along with the global economy slowdown, inflation, political uncertainty, etc. Nevertheless, with a newly launched product X Pay, a "Buy Now, Pay Later" payment function in the X Wallet App was introduced to the market in the second half of 2023, and the management believes that the Group will become a comprehensive financial service platform and provide users with more diversified services in payment solutions, shopping experiences, money management and more. With our "Buy Now, Pay Later" service and innovative payment solutions, users can take control of their finances and pursue the lifestyle they aspire, without being held back by financial constraints.

The Group will actively review its loan portfolio and risk control status, conduct more comprehensive assessments of collaterals and exercise stringent loan application requirements to minimise default risk. Furthermore, the Group will adhere to its core risk management and endeavour to improve and perfect its risk pricing model, and will adopt a variety of marketing strategies to popularise the brand of X Wallet and X Pay to achieve greater market recognition.

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

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

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2023, the Group remained cash-sufficient and there were no material capital expenditure commitments. The balance of the purchase consideration payable of approximately HK\$161 million under the acquisition of aEasy Credit Investment Limited together with its subsidiaries will be settled by way of setting off against the equivalent amount of the consideration for the sale and purchase of the entire issued share capital of and the total amount of loans due from the Disposal Company. The operations are financed by capital and reserves.

Bank balances and cash amounted to approximately HK\$101 million and accounted for approximately 30% of total current assets.

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

The Group was in a net debt position as at 31 December 2023 and 2022.

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

STAFF

As at 31 December 2023, the Group employed 68 staff at market remunerations with staff benefits such as insurance, provident fund scheme and discretionary bonus.

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

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

CORPORATE GOVERNANCE

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

The Company has adopted all the code provisions in the Corporate Governance Code ("the CG Code") contained in Appendix C1 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code on corporate governance practices.

The Company has complied with the CG Code during the year ended 31 December 2023 save as disclosed below.

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 of the Listing Rules (the "Model Code"), as the code of conduct regarding directors' securities transactions.

In response to specific enquiry made, all directors confirmed that they have complied with the Model Code throughout the year ended 31 December 2023.

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

AUDIT COMMITTEE

The audit committee, which is chaired by Mr. Shu Wa Tung, Laurence, has been established with defined terms of reference in alignment with the recommendations set out in “A Guide for Effective Audit Committees” issued by the Hong Kong Institute of Certified Public Accountants and the code provisions set out in the CG Code of the Listing Rules. Other members of the audit committee during the year are Mr. Wu Wai Pan and Ms. Chak Wai Ting. The audit committee meets no less than twice a year with the senior management and the external auditors to review the accounting principles and practices adopted by the Group and other financial reporting matters, assures the completeness, accuracy and fairness of the financial statements of the Group, discuss the effectiveness of the systems of internal control throughout the Group and most importantly, reviews all significant business affairs managed by the executive directors in particular on connected transactions. The audit committee also provides advice and recommendations to the Board and oversees all matters relating to the external auditors, and it plays an important role in monitoring and safeguarding the independence of external auditors.

REVIEW OF RESULTS BY AUDIT COMMITTEE

The audit committee has reviewed the accounting principles and practices adopted by the Company and discussed with the management of the Company on financial reporting matters including a review of the audited consolidated financial statements of the Company for the year ended 31 December 2023.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s draft consolidated financial statements for the year ended 31 December 2023. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

OTHER INFORMATION

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

Executive Directors:

Mr. Lee Lap (*Chairman*)

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

Mr. Chau Hau Shing

Independent Non-Executive Directors:

Mr. Shu Wa Tung, Laurence

Mr. Wu Wai Pan

Ms. Chak Wai Ting

By order of the Board

Termbray Industries International (Holdings) Limited

Lee Lap

Chairman

Hong Kong, 28 March 2024