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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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

The board (the "**Board**") of directors (the "**Directors**") of Renco Holdings Group Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2020 (the "**Period**"), together with the comparative figures for the corresponding period in 2019.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June	
		2020	2019
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
REVENUE	*4*	**52,243**	150,186
Cost of sales		**(191,486)**	(182,176)
GROSS LOSS		**(139,243)**	(31,990)
Other income	*4*	**4,659**	2,597
Other gains and losses, net	*5*	**(179,986)**	(297,751)
Selling and distribution costs		**(8,800)**	(10,728)
Administrative expenses		**(48,218)**	(32,715)
Finance costs	*6*	**(42,605)**	(39,276)
Share of results of associates		**(1,345)**	(3,491)
Share of results of joint ventures		**529**	–
Gain on bargain purchases	*20*	**55,118**	–

	Notes	Six months ended 30 June **2020** ***HK$'000*** **(Unaudited)**	 2019 *HK$'000* (Unaudited)
LOSS BEFORE INCOME TAX	*7*	**(359,891)**	(413,354)
Income tax credit	*8*	**6,800**	66,333
LOSS FOR THE PERIOD		**(353,091)**	(347,021)
Other comprehensive income for the period			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**1,243**	20,759
Total other comprehensive income for the period		**1,243**	20,759
LOSS AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**(351,848)**	(326,262)
Loss per share attributable to owners of the Company			
– Basic	*9*	**HK(15.99) cents**	HK(15.72) cents
– Diluted	*9*	**HK(15.99) cents**	HK(15.72) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 30 June 2020 HK$'000 (Unaudited)	At 31 December 2019 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*11*	**274,852**	280,555
Right-of-use assets		**16,215**	20,670
Interests in associates		**476,981**	473,672
Interests in joint ventures		**172,805**	172,276
Rental and utility deposits		**64**	64
Financial assets at fair value through profit or loss	*12*	**4,266**	4,266
Goodwill	*20*	**250,187**	–
Deposits paid		**1,224**	1,758
Deferred tax assets		**59,693**	50,145
Total non-current assets		**1,256,287**	1,003,406
CURRENT ASSETS			
Inventories		**60,295**	56,341
Trade receivables	*13*	**145,866**	226,519
Loan receivables	*14*	**1,267,892**	1,363,967
Note receivables	*15*	**200,664**	1,184,960
Prepayments, deposits and other receivables		**425,171**	312,656
Financial assets at fair value through profit or loss	*12*	**223,076**	329,589
Bank balances and deposits		**33,128**	19,449
Total current assets		**2,356,092**	3,493,481
CURRENT LIABILITIES			
Trade payables	*16*	**127,673**	113,319
Other payables and accruals		**185,323**	245,423
Tax payable		**276,849**	215,133
Lease liabilities		**9,768**	8,767
Borrowings	*17*	**303,005**	968,256
Loan from a related party		**4,000**	–
Loans from directors		**115,226**	91,055
Total current liabilities		**1,021,844**	1,641,953
NET CURRENT ASSETS		**1,334,248**	1,851,528
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,590,535**	2,854,934

	Notes	At 30 June 2020 HK$'000 (Unaudited)	At 31 December 2019 HK$'000 (Audited)
NON-CURRENT LIABILITIES			
Lease liabilities		**5,791**	9,660
Borrowings	*17*	**798,888**	660,000
Deferred tax liabilities		**6,492**	6,492
Total non-current liabilities		**811,171**	676,152
NET ASSETS		**1,779,364**	2,178,782
CAPITAL AND RESERVES			
Share capital	*18*	**220,800**	220,800
Reserves		**1,558,564**	1,910,412
Equity attributable to owners of the Company		**1,779,364**	2,131,212
Non-controlling interests		**–**	47,570
TOTAL EQUITY		**1,779,364**	2,178,782

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

(a) Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 Interim Financial Reporting ("**HKAS 34**"), issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Stock Exchange**") (the "**Listing Rules**").

These condensed consolidated interim financial statements have been prepared with the same accounting policies adopted in the 2019 annual financial statements, except for the adoption of new or revised standards for the first time during the Period as detailed in note 1(b).

In preparing this condensed consolidated interim financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to 2019 annual financial statements.

These condensed consolidated interim financial statements are presented in Hong Kong Dollars ("**HK$**"), unless otherwise stated. These condensed consolidated interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019 annual financial statements. These condensed consolidated interim financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (the "**HKFRSs**") and should be read in conjunction with the 2019 annual financial statements.

(b) Changes in HKFRSs

Adoption of new or revised HKFRSs during the Period that are relevant to the Group is as follows:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 7, HKFRS 9 and HKAS 39	Interest Rate Benchmark Reform
Amendments to HKFRS 16	COVID-19 – Related Rent Concessions (early adopted)

The adoption of these new or revised HKFRSs did not have any material impact on the Group's accounting policies. Except for the amendments to HKFRS 16, the Group has not applied any new or revised HKFRS that is not yet effective for the Period.

Amendments to HKFRS 3: Definition of a Business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process".

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions.

An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to HKAS 1 and HKAS 8: Definition of Material

The amendments clarify the definition and explanation of "material", aligning the definition across all HKFRSs and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

Amendments to HKFRS 7, HKFRS 9 and HKAS 39: Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

Amendments to HKFRS 16: COVID-19-Related Rent Concessions

The amendments to HKFRS 16 provide a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the Coronavirus Disease 2019 ("**COVID-19**") pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

During the Period, certain monthly lease payments for a lease of the Group's office building have been waived and deferred by the lessor as a result of the COVID-19 pandemic and there are no other changes to the terms of the lease. The Group has early adopted the amendments on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessor as a result of the COVID-19 pandemic during the Period. Accordingly, a reduction in the lease liabilities arising from the rent concession of HK$148,000 has been recorded in profit or loss during the Period.

2. SIGNIFICANT EVENT

Since the COVID-19 outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across the People's Republic of China (the "**PRC**") and Hong Kong. The epidemic caused temporary disruption in business. It can foresee that such disruptions will affect the sales and operations of the manufacturing segment and financial services segment of the Group in the second half year of 2020. As at the date of this announcement, the Group was not aware of any material effect on the financial results of the Group caused by the COVID-19 outbreak. The Group will actively place utmost importance on epidemic prevention and control, and closely monitor the daily operating management to reduce the adverse impacts on the Group's operations and financial performance caused by the epidemic.

3. SEGMENT INFORMATION

(a) Reportable segments

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to strategic decisions. No segment assets and liabilities are presented as the information is not regularly reported to the chief operating decision-maker.

During the Period, 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 printed circuit boards ("**PCBs**")
Treasury investments segment	–	Investment in securities and other treasury related activities
Financial services segment	–	Advisory on securities, asset management and consultancy and corporate solution services

The following is an analysis of the Group's revenue and results by operating and reporting segments for the Period:

	Manufacturing *HK$'000*	**Treasury investments** *HK$'000*	**Financial services** *HK$'000*	**Total** *HK$'000*
Six months ended 30 June 2020 (Unaudited)				
Revenue from external customers	**216,936**	**(164,693)**	**–**	**52,243**
Reportable segment (loss)/profit	**(9,353)**	**(337,063)**	**2,170**	**(344,246)**
Interest income	**12**	**41,908**	**–**	**41,920**
Finance costs	**(7,390)**	**(35,215)**	**–**	**(42,605)**
Depreciation				
– Own assets	**(7,011)**	**(1,030)**	**–**	**(8,041)**
– Right-of-use assets	**(1,979)**	**(2,476)**	**–**	**(4,455)**
Share of results of associates	**–**	**(1,345)**	**–**	**(1,345)**
Share of results of joint ventures	**–**	**529**	**–**	**529**
Impairment losses on loan receivables	**–**	**(115,256)**	**–**	**(115,256)**
Impairment loss on note receivable	**–**	**(2,446)**	**–**	**(2,446)**
Reversal of impairment loss on other receivables	**–**	**–**	**2,710**	**2,710**
Impairment on goodwill	**–**	**(69,807)**	**–**	**(69,807)**
Net loss on disposal of property, plant and equipment	**(176)**	**–**	**–**	**(176)**
Gain on debt assignment arrangements	**–**	**4,930**	**–**	**4,930**
Gain on bargain purchases	**–**	**55,118**	**–**	**55,118**

	Manufacturing *HK$'000*	Treasury investments *HK$'000*	Financial services *HK$'000*	Total *HK$'000*
Six months ended 30 June 2019 (Unaudited)				
Revenue from external customers	207,059	(56,873)	–	150,186
Reportable segment loss	(15,864)	(381,845)	(14,714)	(412,423)
Interest income	15	45,888	–	45,903
Finance costs	(7,111)	(32,165)	–	(39,276)
Depreciation				
– Own assets	(7,053)	(1,035)	–	(8,088)
– Right-of-use assets	(1,846)	(3,516)	–	(5,362)
Share of results of associates	–	(3,491)	–	(3,491)
Impairment loss on trade receivables	–	(9,586)	–	(9,586)
Impairment losses on loan receivables	–	(148,000)	–	(148,000)
Impairment loss on other receivables	–	–	(14,714)	(14,714)
Net loss on disposal of property, plant and equipment	–	(2,642)	–	(2,642)
Bad debt written-off	–	(6,650)	–	(6,650)

Reconciliation of reportable segment profit or loss:

	Six months ended 30 June 2020 HK$'000 (Unaudited)	2019 HK$'000 (Unaudited)
Profit or loss		
Reportable segment loss	**(344,246)**	(412,423)
Equity-settled share based compensation benefits	**–**	14,833
Other unallocated staff cost	**(15,645)**	(15,764)
Consolidated loss before income tax	**(359,891)**	(413,354)

(b) Geographical information

The following table provides an analysis of the Group's revenue from external customers by geographical market based on the location of customers.

	Six months ended 30 June 2020 HK$'000 (Unaudited)	2019 HK$'000 (Unaudited)
Europe	**90,984**	83,153
Hong Kong	**(164,907)**	(58,550)
The PRC	**82,599**	68,144
United States of America	**7,865**	13,160
Malaysia	**837**	1,093
Japan	**22,130**	29,402
Singapore	**9,436**	8,964
Others	**3,299**	4,820
	52,243	150,186

(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:

	Six months ended 30 June 2020 HK$'000 (Unaudited)	2019 HK$'000 (Unaudited)
Customer A[2]	**22,037**	29,401
Customer B[2]	**26,828**	20,175
Customer C[2]	**13,668**	18,019
Customer D[2]	**15,998**	13,804
Customer E[2]	**10,472**	13,549
Customer F[2]	**19,184**	N/A [1]
Customer G[2]	**18,443**	N/A [1]
Customer H[3]	**11,967**	N/A [1]
Customer I[2]	**7,206**	N/A [1]
Customer J[2]	**5,937**	N/A [1]
Customer K[3]	**5,872**	N/A [1]

[1] These customers contributed less than 10% of the Group's revenue for the six months ended 30 June 2019.
[2] Included in the manufacturing segment.
[3] Included in the financial services segment.

4. REVENUE AND OTHER INCOME

An analysis of revenue is as follows:

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Sales of goods	**216,936**	207,059
Total revenue from contracts with customers	**216,936**	207,059
Revenue from other sources:		
Fair value loss on trading purpose financial assets at fair value through profit or loss ("**FVTPL**")		
– Realised loss	**–**	(3,600)
– Unrealised loss	**(206,582)**	(99,117)
	(206,582)	(102,717)
Interest income:		
– Loan receivables	**32,513**	28,871
– Loan to an associate	**4,390**	4,576
– Note receivables	**4,986**	12,397
Total revenue from other sources	**(164,693)**	(56,873)
	52,243	150,186
Other income		
Interest income from bank deposits	**31**	59
Government grants	**952**	115
Others	**3,676**	2,423
	4,659	2,597

5. OTHER GAINS AND LOSSES, NET

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net exchange gains	**599**	901
Impairment loss on trade receivables	**–**	(9,586)
Reversal of impairment loss/(impairment loss) on other receivables	**2,170**	(14,714)
Impairment losses on loan receivables	**(115,256)**	(148,000)
Impairment loss on note receivable	**(2,446)**	–
Unrealised fair value loss on non-trading purpose financial assets at FVTPL	**–**	(143,371)
Realised fair value gain on non-trading purpose financial assets at FVTPL	**–**	17,019
Net loss on disposal of property, plant and equipment	**(176)**	–
Impairment loss on goodwill	**(69,807)**	–
Gain on debt assignment arrangements *(Note 19(a))*	**4,930**	–
	(179,986)	(297,751)

6. FINANCE COSTS

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interests on:		
– Borrowings	**38,278**	31,608
– Loan from a related company	**–**	2,975
– Loans from a director	**3,311**	3,014
– Interests on lease liabilities	**1,016**	1,679
	42,605	39,276

7. LOSS BEFORE INCOME TAX

This is arrived at after charging:

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cost of inventories recognised as an expense	**191,486**	182,176
Depreciation		
– Own assets	**8,041**	8,088
– Right-of-use assets	**4,455**	5,362
	12,496	13,450
Bad debt written-off	**–**	6,650

8. INCOME TAX CREDIT

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
The income tax credit comprises:		
Hong Kong Profits Tax:		
Current period	**1,646**	1,026
PRC Enterprise Income Tax:		
Current period	**1,102**	1,675
	2,748	2,701
Deferred tax credit	**(9,548)**	(69,034)
Income tax credit	**(6,800)**	(66,333)

9. LOSS PER SHARE

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

Loss

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss for the purpose of basic and diluted loss per share	**(353,091)**	(347,021)

Number of shares

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of basic loss per share	**2,208,000**	2,208,000
Effect of dilutive potential ordinary shares: – share award scheme	**N/A**	N/A
Weighted average number of ordinary shares for the purpose of diluted loss per share	**2,208,000**	2,208,000

No adjustment is made to the basic loss per share for both periods as the dilutive potential ordinary shares have an anti-dilutive effect on the basic loss per share amount presented.

10. DIVIDEND

The Directors do not recommend the payment of any interim dividend for the Period (six months ended 30 June 2019: HK$Nil).

11. PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group acquired property, plant and equipment with a cost of approximately HK$2,338,000 (six months ended 30 June 2019: approximately HK$7,242,000).

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 June 2020 *HK$'000* (Unaudited)	At 31 December 2019 *HK$'000* (Audited)
Non-current assets:		
Financial assets at FVTPL:		
– Club debentures, at fair value	**4,266**	4,266
Current assets:		
Financial assets at FVTPL:		
– Listed equity investments, at fair value *(Note)*	**223,076**	329,589

Note:

Assuming the portfolio of the Group's listed equity investments has remained unchanged, the market value of the Group's listed equity investments at the date of publication of these unaudited condensed consolidated interim financial statements was approximately HK$172,742,000.

13. TRADE RECEIVABLES

Customers of manufacturing segment are generally granted with credit terms of 30 to 120 days (31 December 2019: 30 to 120 days) while no credit period will be granted to customers in treasury investments and financial services segments. The Group closely monitors its outstanding trade receivables. Overdue balances are reviewed regularly by the Group's senior management. The ageing analysis of trade receivables (net of allowance for doubtful debts) based on invoice date at the end of the reporting period is as follows:

	At 30 June 2020 *HK$'000* (Unaudited)	At 31 December 2019 *HK$'000* (Audited)
0 – 30 days	**32,070**	39,983
31 – 60 days	**38,987**	42,123
61 – 90 days	**20,256**	27,269
Over 90 days	**54,553**	117,144
	145,866	226,519

14. LOAN RECEIVABLES

	At 30 June 2020	At 31 December 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Secured loans	**1,678,968**	1,659,787
Less: Allowances for doubtful debts	**(411,076)**	(295,820)
	1,267,892	1,363,967

The balance represents secured loans to independent third party corporate borrowers which bear fixed interest rates ranging from 3% to 36% (31 December 2019: 9% to 36%) per annum with loan period ranging from 12 months to 24 months. These loans were secured by the following:

– fund investment of a borrower;

– interest in certain properties of a borrower;

– equity investment owned by the shareholder of a borrower;

– listed shares owned by the related companies of a 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.

During the Period, loan receivables amounted to HK$461,990,000 were assigned to the lenders of the Group. Further details are set out in note 19.

15. NOTE RECEIVABLES

	At 30 June 2020	At 31 December 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Secured	**225,124**	1,206,974
Less: Allowances for doubtful debts	**(24,460)**	(22,014)
	200,664	1,184,960

As at 30 June 2020, the Group subscribed from third party issuers 5% (31 December 2019: 5% to 10%) fixed redeemable coupon bonds. Both the principal and interests on the bonds are repayable within the next year. The bonds are secured by an issuer's interests in certain bonds issued by a company listed on the Stock Exchange. As at 31 December 2019, the bonds were also secured by personal guarantee executed by the director of certain issuer.

During the Period, bonds amounted to HK$986,836,000 were assigned to the lenders of the Group and a limited partner of several Cayman Islands funds set up by the Group in which the Group has no control. Further details are set out in note 19.

16. TRADE PAYABLES

	At 30 June 2020 HK$'000 (Unaudited)	At 31 December 2019 HK$'000 (Audited)
0 – 30 days	**32,256**	31,162
31 – 60 days	**18,048**	24,960
61 – 90 days	**22,521**	26,314
Over 90 days	**54,848**	30,883
	127,673	113,319

The trade payables are non-interest bearing and are normally settled on terms of 60 to 120 days (31 December 2019: 60 to 120 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

17. BORROWINGS

	At 30 June 2020 HK$'000 (Unaudited)	At 31 December 2019 HK$'000 (Audited)
Secured bank loans repayable within one year *(Note (a))*	**114,116**	139,367
Other loans, unsecured *(Note (b))*	**138,888**	640,000
Other loans, secured *(Note (c))*	**848,889**	848,889
	1,101,893	1,628,256
Current portion	**303,005**	968,256
Non-current portion	**798,888**	660,000
	1,101,893	1,628,256

Notes:

(a) The bank loans were 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 ("**Mr. Cheok**"), an executive director of the Company. As at 30 June 2020, bank loans of approximately HK$114,116,000 (31 December 2019: HK$139,367,000) carried fixed interest rate ranged from 1.1% to 4.35% (31 December 2019: 2.58% to 4.35%) per annum.

(b) As at 31 December 2019, unsecured other loans with independent third parties amounting to approximately HK$640,000,000 were unsecured, bore interest at a rate of 3% per annum and were repayable within the next twelve months. These loans were fully settled during the Period through the debt assignment arrangement as set out in notes 19(a) and 19(c).

As at 30 June 2020, unsecured other loan with an associate amounting to HK$138,888,000 was interest-free and repayable within the next 4 years.

(c) Secured other loans bears interest at a rate of 5% to 8% per annum (31 December 2019: 5% to 8% per annum) and HK$188,889,000 and HK$660,000,000 of which are repayable within the next twelve months and within the next 3 years respectively. 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 aggregate carrying amount of HK$212,656,000; and

– Financial assets at FVTPL with carrying amount of HK$12,081,000.

18. SHARE CAPITAL

	Number of ordinary shares of HK$0.1 each *('000)*	*HK$'000*
Authorised:		
At 1 January 2019, 31 December 2019 (audited) and 30 June 2020 (unaudited)	5,000,000	500,000
Issued and fully paid:		
At 1 January 2019, 31 December 2019 (audited) and 30 June 2020 (unaudited)	2,208,000	220,800

19. SIGNIFICANT NON-CASH TRANSACTIONS

During the Period, the general partners and limited partners of several Cayman Island funds set up by the Group (some of which are controlled by the Group) entered into several restructuring and debt assignment agreements which give rise to the following non-cash transactions:

(a) Loan receivables, note receivables and other receivables with carrying amount of HK$461,990,000, HK$165,873,000 and HK$96,049,000 respectively were assigned to lenders of the Group to settle loan payables and accrued interests thereon to the extent of HK$684,857,000 and future interest expenses of HK$43,985,000, which resulted in a gain of HK$4,930,000.

(b) A limited partner in two Cayman Islands funds ("**Fund I and Fund II**") has withdrawn from Fund I and Fund II. Certain subsidiaries of the Company, which have contributed HK$1 in each of Fund I and Fund II, have become the sole investors in Fund I and Fund II since then. HKFRS 3 has been applied to account for the deemed acquisition. Further details are set out in note 20.

(c) Note receivables of two Cayman Islands funds owned by the Group and trade receivables with carrying amount of HK$820,963,000 and HK$66,000,000 respectively were transferred to limited partners (the "**LPs**") of certain Cayman Islands funds in which the Group had no control ("**Funds III & IV and Fund V**") in exchange for i) 100% equity interests in Funds III & IV and Fund V held by the LPs and additional 25% equity interest in a Cayman Islands fund in which the Group owned 75% equity interest prior to this arrangement; and ii) settlement of future interest expenses of the Group's loan payable of HK$235,366,000. Further details are set out in note 20.

20. BUSINESS COMBINATIONS

During the Period, following the debt assignment arrangements, the Group deemed acquired 100% equity interest in several Cayman Islands funds in which several subsidiaries of the Company are general partners as set out in notes 19(b) and 19(c).

The fair value of identifiable assets and liabilities of these Cayman Islands funds as at their respective dates of acquisition were:

	Fund I	Fund II	Funds III & IV	Fund V	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Loan receivables	–	–	241,299	93,366	334,665
Deposit and other receivables	57,395	45,078	–	2,402	104,875
Financial assets at FVTPL	4,972	–	–	70,754	75,726
Trade and other payables	(8,868)	–	(104,456)	(1,737)	(115,061)
Tax payable	(25,962)	(17,497)	(17,595)	–	(61,054)
Net identifiable assets	27,537	27,581	119,248	164,785	339,151
Add: 25% additional equity interest in a subsidiary held by one of the funds	–	–	47,570	–	47,570
Net identifiable assets attributable to the Group	27,537	27,581	166,818	164,785	386,721
The fair value of considerations transfer:					
Note receivables	–	–	411,688	234,592	646,280
Trade receivables	–	–	5,317	–	5,317
Financial assets at FVTPL	–	–	–	–	–
	–	–	417,005	234,592	651,597
(Gain on bargain purchase)/goodwill	(27,537)	(27,581)	250,187	69,807	264,876
Impairment loss recognised upon acquisition	–	–	–	(69,807)	(69,807)
(Gain on bargain purchase)/goodwill net of impairment	(27,537)	(27,581)	250,187	–	195,069

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

For the Period, the Group recorded a total revenue of HK$52.24million, representing a decrease of approximately 65.21% as compared with the total revenue of HK$150.19 million for the corresponding period in 2019. Such a decrease in revenue was mainly due to unrealised fair value losses of listed securities incurred by treasury investments segment of the Group. The total revenue of the Group for the Period represented by the manufacturing segment amounted to HK$216.94 million (six months ended 30 June 2019: HK$207.06 million). The loss for the treasury investments segment was HK$164.69 million (six months ended 30 June 2019: HK$56.87 million).

Loss before income tax for the Period amounted to approximately HK$359.89 million (six months ended 30 June 2019: HK$413.35 million), which was mainly attributable to unrealised fair value losses on financial investments held for trading at fair value through profit or loss ("**FVTPL**") of approximately HK$206.58 million and the impairment losses on loan receivables and note receivable of HK$117.70 million in total in respect of the Group.

Loss attributable to owners of the Company for the Period amounted to approximately HK$353.09 million, as compared with that of approximately HK$347.02 million for the corresponding period in 2019. Basic loss per share attributable to owners of the Company for the Period was approximately 15.99 Hong Kong cents, as compared with that of 15.72 Hong Kong cents for the corresponding period in 2019.

INTERIM DIVIDENDS

The Board has resolved not to recommend any declaration of interim dividend payment for the Period (six months ended 30 June 2019: HK$Nil).

BUSINESS REVIEW

Manufacturing business

During the Period, 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 six months ended 30 June 2019, the sales of goods in the Group's manufacturing segment increased by approximately 4.77% from approximately HK$207.06 million in 2019 to approximately HK$216.94 million in 2020 whereas its gross profit margin decreased from 12.02% in 2019 to 11.73% in 2020.

Treasury investments

During the Period, the Group's treasury investments team continued 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 Period, the Group's treasury investments segment recorded a loss of approximately HK$337.06 million in the form of 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 was mainly due to the downturn of the Hong Kong stock market and the downward share price performance of the individual listed securities held during the Period. The impairment losses were arisen as a result of the increase in credit-impaired receivables of the treasury investments segment.

Financial services

The Group currently has the licenses to conduct Type 1 (Dealing in Securities), Type 4 (Advising on Securities), Type 6 (Advising on Corporate Finance) and Type 9 (Asset Management) regulated activities under section 127(1) of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**") and to participate in the debt, asset and shareholding restructuring business in the PRC.

Asset management

During the Period, the Group continued to act as 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 security investments and unlisted debt investments.

Due to the global macroeconomic downturn, some limited partners of several offshore private funds had withdrawn their contribution of capital, and their general partners had been carrying out a series of restructuring schemes for several offshore private funds. Out of the total of 12 investment funds established by the Group, 8 were related to OBOR and 4 were related to HKBridge Funds. The aggregated amount of assets under management was approximately HK$2.38 billion. Up to 30 June 2020, the Group made a total sum of contributions of approximately HK$1.13 billion (six months ended 30 June 2019: HK$1.56 billion) to some of the funds.

The Group gradually started to build up its credential in the asset management business and established a solid foundation for further development in the years to come.

Investment, consultancy and corporation solution services

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

During the Period, the Group did not engage in any consultancy and corporate solution services due to the current capital market fluctuations and the adverse impacts of the Coronavirus Disease 2019 ("**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 30 June 2020, the Group had total equity of approximately HK$1,779.36 million (31 December 2019: HK$2,178.78 million) and net debts (trade payables, other payables and accruals, loan from a related party, loans from Directors, and borrowings less bank balances and deposits) of approximately HK$1,500.99 million (31 December 2019: HK$2,058.60 million), representing a gearing ratio, defined as net debts over total equity plus net debts, of 45.76% (31 December 2019: 48.58%).

The Group's net current assets of approximately HK$1,334.25 million (31 December 2019: HK$1,851.53 million) consisted of current assets of approximately HK$2,356.09 million (31 December 2019: HK$3,493.48 million) and current liabilities of approximately HK$1,021.84 million (31 December 2019: HK$1,641.95 million), representing a current ratio of 2.31 (31 December 2019: 2.13).

As at 30 June 2020, the Group's current assets consisted of approximately HK$33.13 million (31 December 2019: HK$19.45 million) held as bank balances and deposits, which were mainly denominated in HK$ and RMB.

The Group's manufacturing segment's current assets also consisted of approximately HK$92.24 million (31 December 2019: HK$109.09 million) held as trade receivables. Debtors turnover days was 77 days (31 December 2019: 94 days).

The Group's inventories increased from approximately HK$56.34 million as at 31 December 2019 to approximately HK$60.30 million as at 30 June 2020. Inventory turnover days in the Group's manufacturing segment was 57 days (31 December 2019: 53 days). Trade payables increased from approximately HK$113.32 million as at 31 December 2019 to approximately HK$127.67 million as at 30 June 2020. Creditors turnover days was approximately 121 days (31 December 2019: 107 days).

Interest-bearing Borrowings

The bank loans were secured by certain buildings and right-of-use asset related to leasehold land, corporate guarantee of the Company and personal guarantee of a Director during the Period. As at 30 June 2020, bank loans of approximately HK$114.12 million (31 December 2019: HK$139.37 million) carried fixed interest rates ranging from 1.10% to 4.35% per annum (31 December 2019: 2.58% to 4.35% per annum).

As at 30 June 2020, other loan with an associate amounting to approximately HK$138.88 million was unsecured, non-interest bearing and repayable within the next 4 years. The remaining balance of other loans was secured by equity interests in certain subsidiaries of the Group's manufacturing segment and other securities and guarantee, bearing interest at a rate of 5% to 8% per annum (31 December 2019: 5% to 8% per annum), of which HK$188.89 million and HK$660.00 million were repayable within the next twelve months and next 3 years respectively.

Apart from the secured borrowings described above, there were loans advanced by Mr. Cheok Ho Fung ("**Mr. Cheok**"), an executive Director, of HK$115.23 million at an effective interest rate of 7% per annum (2019: 7% per annum) which are repayable on demand. Furthermore, there was another loan advanced by Mr. Liu Tingan ("**Mr. Liu**"), who resigned as an executive Director and chief executive officer of the Company on 6 April 2020, for an amount of HK$4.00 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 Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). However, they are fully exempt from the reporting, announcement and independent shareholders' approval 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 Company.

SIGNIFICANT INVESTMENTS

As at 30 June 2020, the Group held financial assets at FVTPL of approximately HK$227.34 million of which the club debenture of HK$4.27 million was classified as non-current assets and the listed equity investments of HK$223.07 million was classified as current assets in the condensed consolidated statement of financial position of the Group for the Period.

Subscription of Interest in Funds

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

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 (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 Partner 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 2019, the Group obtained joint control of the Partners Fund. The Partners Fund has been transferred to "Investments in joint ventures" in the Group's consolidated financial statements since then.

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

On 10 April 2017, the Group contributed HK$340.00 million in Huarong Fund as one of the limited partners. 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 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 Huarong Fund. The contributions made to 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 chargers which are 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 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 asset as at 31 December 2018 and disposed of all Zall Shares in 2019.

As at 30 June 2020, with reference to the substantial fair value losses arising from the adverse market price changes of the listed securities held by Huarong Fund, the fair value of the investment in Huarong Fund was zero (31 December 2019: zero) if the distribution of the net sale proceeds of the Huarong Fund was calculated.

The Group is undergoing litigation proceedings in connection with the Huarong Fund. Further announcement(s) will be published regarding any significant developments on the litigation matters as and when appropriate.

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 second-tier limited partners. 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.

On 16 May 2019, all parties of the Natural Resource Fund entered into a memorandum of understanding to agree that the first-tier limited partner should have withdrawn from the partnership and has no further or continuing interests in the partnership upon receipt of all contributions and returns on 29 March 2019. Under such circumstances and according to the accounting policy of the Group, the investment in the Natural Resource Fund should be derecognized from the financial assets at FVTPL, and its assets, liabilities and returns have been consolidated to the Group since then.

Suffering from the adverse impact on the current worldwide capital market fluctuations and the outbreak of COVID-19, the Group has withdrawn the contribution from the Natural Resource 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 loan receivables with carrying amount of HK$231.26 million.

On the same date, 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 have decided to adjust the investment strategies and entered into a series of restructuring and debt assignments agreements with several funds (the "**OBOR Funds Restructuring**"). Pursuant to the restructuring and debt assignments agreements, each of the Natural Resource Fund and the Fixed Income Fund acquired the interest of 50% of Hong Kong Bridge High-tech Investment Fund, L.P. (the "**High-tech Investment Fund**") by assigning their note receivables to the previous limited partners respectively to become the new limited partners; and each of the Natural Resource Fund and the Fixed Income Fund further acquired the interest of 50% of HKBridge Special Situation Fund, L.P. (the "**Special Situation Fund**") by assigning the note receivables to the previous limited partners respectively to become the new limited partners; meanwhile the Natural Resource Fund acquired the interest of 100% of Hong Kong Bridge One Belt One Road M&A Fund, L.P. (the "**M&A Fund**") by assigning its note receivables to the previous limited partner to become the new limited partner.

Upon the completion of the OBOR Funds Restructuring, the capital of the High-tech Investment Fund and the Special Situation Fund is contributed respectively as to 50% by the Natural Resource Fund and 50% by the Fixed Income Fund since 1 January 2020.

Subsequently, the Fixed Income Fund transferred its 50% interest in the Special Situation Fund to the Natural Resource Fund with effect from 17 July 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 continues to look for a new first-tier limited partner to expand the fund investing activities. The Board considers that all the subscriptions of interests in the Natural Resource Fund were beneficial to the Group and the shareholders of the Company (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.

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 partners. 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 the loans, convertible bonds, fixed income securities, money market and convertible securities.

On 16 May 2019, all parties of the Fixed Income Fund entered into a memorandum of understanding to agree that the first-tier limited partner has withdrawn from the partnership and have no further or continuing interests in the partnership upon receipt of all contributions and returns on 29 March 2019. Under such circumstances and according to the accounting policy of the Group, the investment in the Fixed Income Fund should be derecognized from the financial assets at FVTPL, and its assets, liabilities and results have been consolidated to the Group.

Suffering from the adverse impact on the current worldwide capital market fluctuations and the outbreak of COVID-19, the Group has 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 loan receivables with carrying amount of HK$230.73 million.

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

Subsequently, the Natural Resource Fund transferred its 50% interest in the High-tech Investment Fund to the Fixed Income Fund with effect from 17 July 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 considers 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.

Subscription of Listed Securities

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

				For the six months ended 30 June 2020							
Name of investees	*Notes*	Number of shares	Approximate percentage of interest held	Cost/ Fair value as at 1 January 2020 *(HK$'000)*	Additions *(HK$'000)*	Market prices as at 30 June 2020 *(HK$)*	Market value *(HK$'000)*	Approximate percentage of investments attributable to the Group's total assets	Dividend received *(HK$'000)*	Disposal loss *(HK$'000)*	Fair value Gain/(loss) *(HK$'000)*
SuperRobotics Holdings Limited (HKSE Stock Code: 8176) (the "**SuperRobotics Shares Batch 1**")	*(a)*	41,666,666	8.23%	120,833	–	1.42	59,167	1.64%	N/A	N/A	(61,667)
SuperRobotics Holdings Limited (HKSE Stock Code: 8176) (the "**SuperRobotics Shares Batch 2**")	*(b)*	64,148,063	12.67%	186,029	–	1.42	91,090	2.52%	N/A	N/A	(94,939)
SuperRobotics Holdings Limited (HKSE Stock Code: 8176) (the "**SuperRobotics Shares Batch 3**")	*(c)*	24,397,946	4.82%	–	70,754	1.42	34,645	0.96%	N/A	N/A	(36,109)
Huarong Investment Stock Corporation Limited (HKSE Stock Code: 2277) (the "**Huarong Investment**")	*(d)*	84,170,000	4.63%	22,726	–	0.31	26,093	0.72%	N/A	N/A	3,367
Bank of Gansu Co., Ltd. (HKSE Stock Code: 2139) (the "**Bank of Gansu**")	*(e)*	11,506,000	0.45%	–	29,316	1.05	12,081	0.33%	N/A	N/A	(17,234)

(a) SuperRobotics Shares Batch 1

On 23 November 2016, the Group agreed to enter into a placing letter with a placing agent, pursuant to which, among others, the Group (i) subscribed for a total number of 35,416,666 shares (the "**SuperRobotics Shares**") in SuperRobotics Holdings Limited ("**SuperRobotics**") at a subscription price of HK$4.80 each, of which its shares are listed on the GEM of the Stock Exchange (HKSE Stock Code: 8176); and (ii) acquired 6,250,000 SuperRobotics Shares from New Cove Limited (a then substantial shareholder of SuperRobotics) at a purchase price of HK$4.80 each. 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 has been in full swing based upon the artificial intelligent technology. The wide application of intelligent robotics covers from police use to various aspects such as services and security. The investment team of the Group considered that the long-term investment in SuperRobotics would expect to generate the returns to the Group after the realization 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 HKBridge Absolute Return Fund, L.P. (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.

The Absolute Return Fund's investment objective is 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 may choose to invest all or substantially all of its assets in a single investment. It is therefore possible that the underlying investments of the Portfolio Investment I will be concentrated.

With reference to the investment objectives of the Absolute Return Fund, the Absolute Return Fund currently holds 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 are continuing to research on the industry of high and new technology to expand the fund investing activities. The Board considers 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 medium to long term 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 a series of restructuring and debt assignments agreements, 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 assignments agreements have been effective 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 has 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 hi-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 are continuing to research on the industry of high and new technology to expand the fund investing activities. The Board considers 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 medium to long term investments and to enhance the experience of assets management in the coming years.

(d) Huarong Investment

On 8 December 2017, the Group acquired a total number of 88,000,000 shares (the "**Huarong Shares**") in Huarong Investment Stock Corporation Limited ("**Huarong Investment**") (whose shares are 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 Shares was financed by the net proceeds received from the exercise of a put option during 2017. On 5 February 2018 and 6 February 2018, the Group further acquired a total of 2,600,000 Huarong Shares at the average price of HK$1.32 per share through a broker from an independent third party. Further details of the acquisition 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 share price performance of Huarong Investment, the Group's investment team decided to minimise the continuing unrealised losses by completing the disposal of the total number of 6,430,000 Huarong Shares through a broker at the total consideration of approximately HK$3.35 million during the year of 2018.

The Board noted that Huarong Investment published the joint announcements dated 6 July 2020 and 10 August 2020 to disclose the proposal for privatization by way of a scheme of arrangement and the delay in dispatch of the documents in relation to the privatization scheme respectively. The Board and the management of the Company will keep on monitoring the progress of the said privatization and will consider whether to hold the remaining Huarong Shares in the coming years.

(e) Bank of Gansu

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 totally hold 3,336,740 shares in Bank of Gansu (the "**Bank of Gansu Shares**") upon completion of the OBOR Funds Restructuring. The initial cost of the shares is HK$4.97 million at the date of the execution of the restructuring. During the Period, the Group also acquired 8,169,260 of Bank of Gansu Shares at an initial cost of HK$24.34 million.

Bank of Gansu operates its businesses through three segments: the Corporate Banking Segment offers financial products and services, including loans, discounted bills, deposits, and fee-and commission-based products and services; the Financial Market Operation Segment issues debit cards denominated in Renminbi to retail customers holding deposit accounts with the Company and the Retail Banking Segment offers retail customers financial products and services, including loans, discounted bills, deposits, and fee-and commission-based products and services.

During the Period, the investment in the Bank of Gansu Shares recorded the unrealized fair value loss of HK$17.23 million due to the unexpected downturn 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 consider that the investment in Bank of Gansu was beneficial to the Group and the Shareholders, by generating the returns from medium to long term investments and to enhance the experience of assets management in the coming years.

PROVISION OF FINANCIAL ASSISTANCE

During the Period, the Group also engaged in the provision of financial assistance to some independent third parties. As at 30 June 2020, the total outstanding receivables in relation to this activity amounted to approximately HK$1,468.56 million (31 December 2019: HK$2,548.93 million) and those transactions that were summarized 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 has provided additional impairment of approximately HK$117.71 million for those overdue financial assistances during the Period. The Board is 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 maximize the recovery of the relevant financial assistances by restructuring or conducting law suits against several debtors.

Due to the adverse impact of the COVID-19 outbreak, the Board will keep assess and ascertain the recoverability of following transactions closely and may further increase the provisions for impairment for the financial year ending 31 December 2020.

Zhanjiang Advance

On 22 March 2017, the Group entered into a loan facility agreement with 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 "**Loan Facility**"). Details in relation to the provision of the financial assistance was set out in the Company's announcement dated 22 March 2017.

Due to the default of repayment and failure of the negotiation for settlement of the Loan Facility, the Group filed a statement of claims（起訴狀）on 30 June 2019 at the Intermediate People's Court of Shaoguan 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 Loan Facility of RMB200.00 million and the interest accrued which remained outstanding and 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 Shaoguan Court on 16 July 2019. On 24 July 2019, the Group paid the required litigation fee to 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 Shaoguan Court on 2 February 2020 that the date of the first hearing of the said litigation proceedings was adjourned to the date and time to be determined in due course. Finally, the first hearing of the said litigation proceedings was being held on 9 July 2020.

As at the date of this announcement, the Group has not yet received the judgements from Shaoguan Court and will continue to consult with the PRC legal advisors for further legal actions. Further announcement(s) will be published regarding any significant developments on the above litigation as and when appropriate.

Zhonghong Advance

On 25 January 2018, the Group entered into a loan agreement with Zhonghong Holding Co., Ltd. (the "**Zhonghong Borrower**") in the amount of RMB200.00 million (the "**Zhonghong Advance**"). To secure the recovery of the principal amount of the provision of financial assistance and to reduce the risk of impairment loss, on 13 September 2018, the Group filed an application for arbitration proceedings at the Shenzhen Court of International Arbitration (the "**SCIA**") against Zhonghong Borrower and the relevant guarantors for the breach of the supplemental agreements and the guarantee agreement dated 3 September 2018. 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) dated 25 April 2019 given by 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) through public auction approved by the Court and the relevant properties held by the guarantors of the Zhonghong Borrower as pledged securities of the Zhonghong Advance held by the Group have not yet been initiated. The Group will continue to consult the PRC legal advisors for further legal opinions on potential actions against Zhonghong Borrower and the relevant guarantors. Further announcement(s) will be published regarding any significant developments on the above arbitrations as and when appropriate.

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

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 Period are denominated in RMB. As such, the Group had incurred a net exchange gain of HK$0.60 million for the Period (six months ended 30 June 2019: HK$0.90 million) due to the depreciation of RMB.

As at 30 June 2020, the Group had not entered into any financial instruments for hedging purpose. Nevertheless, the Board will continue to monitor foreign exchange exposure in the future and will consider hedging such exposure to minimise exchange risk should the need arise.

RISK AND UNCERTAINTIES

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 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.

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 team 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 will 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 condensed consolidated statement of financial position of the Group as at 30 June 2020.

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 converted net asset value fluctuations of investment projects in the PRC. To effectively manage the foreign currency risk, the Company closely monitors foreign exchange markets and utilises multiple strategic approaches, such as optimising cash management strategy and deploying project finance instruments, to contain foreign exchange risk.

NUMBER AND REMUNERATION OF EMPLOYEES

As at 30 June 2020, excluding those employed by the Company's associates, the Group had 1,195 employees (31 December 2019: 1,183 employees). For the Period, our total staff costs amounted to HK$66.91 million (six months ended 30 June 2019: HK$69.02 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.

SHARE AWARD SCHEME

On 17 May 2016, the Company adopted a share award scheme (the "**Share Award Scheme**"), which is not subject to the provisions of Chapter 17 of the Listing Rules. The purposes of the Share Award Scheme are (i) to provide those eligible persons with an opportunity to acquire a proprietary interest in the Company, (ii) to encourage and retain such individual to work with the Company; and (iii) to provide additional incentive for them to achieve performance goals, with a view to achieving the objectives of increasing the value of the Company and aligning with the interests of those eligible persons directly to the Shareholders through their ownership of shares in the Company (the "**Shares**"). Further details of the Share Award Scheme in relation to the adoption, amendments and fulfilments were set out in the Company's announcements and circulars dated 17 May 2016, 7 June 2016, 21 June 2016, 5 July 2016, 24 August 2016, 14 September 2016, 30 September 2016, 31 March 2017 and 3 April 2018 respectively.

At the special general meetings held on 20 July 2016 and 27 October 2016 respectively, each of Mr. Liu and Mr. Zhou Huorong ("**Mr. Zhou**") as the then executive Directors of the Company was entitled under the certain vesting conditions to receive an aggregate of 60,000,000 new Shares in the following five years respectively pursuant to the Share Award Scheme.

Up to the date of this announcement, 12,000,000 Shares awarded under the Share Award Scheme ("**Award Shares**") for the year of 2016 and 12,000,000 Award Shares for the year of 2017 were issued and vested to Mr. Liu, 24,000,000 unissued Award Shares for the years of 2018 and 2019 were forfeited. Mr. Liu indicated his willingness to relinquish his right of entitlement to 12,000,000 unissued Award Shares for year of 2019 (forfeited) and 12,000,000 unissued Award Shares for the year of 2020 voluntarily.

Mr. Liu, who resigned as an executive Director and chief executive officer of the Company on 6 April 2020, proposed to the Board to consider the termination of the Share Award Scheme in order to reduce the operating cost. In view of the changes in the operating strategies of the Group as reported at the Board meeting held on 27 March 2020, the Board resolved (i) to enter into an agreement with Mr. Liu for the termination and cancellation of the remaining 24,000,000 unissued Award Shares, and (ii) to terminate and cancel the Share Award Scheme. As a result, no further grant of Award Shares will be made thereunder with effect from 27 March 2020. Further details in relation to the termination of the Share Award Scheme was set out in the Company's announcement dated 27 March 2020.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2020, the Group had no significant capital commitments (31 December 2019: Nil) and had no material contingent liabilities (31 December 2019: Nil).

SIGNIFICANT EVENTS

There were no significant events occurred subsequent to 30 June 2020 which would materially affect the Group's operating and financial performance as of the date of this announcement, except those matters as set forth in Note 2 to the condensed consolidated interim financial statements for the Period of the Group.

MATERIAL ACQUISITIONS OR DISPOSALS

During the Period, the Group did not carry out any material acquisitions or disposals of its subsidiaries and associates since the publication of the Company's 2019 Annual Report except for those set forth in Note 20 to the condensed consolidated interim financial statements for the Period of the Group.

PURCHASE, SALE 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 Period.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Company are of the opinion that, during the Period, the Group has properly operated in accordance with the "Corporate Governance Code and Corporate Governance Report" (the "**CG Code**") which sets out (a) the code provisions (which are expected to comply with); and (b) the recommended best practices (which are for guidance only) in Appendix 14 to the Listing Rules. The Group has complied with the code provisions and one of the recommended best practices of the CG Code for the period from 1 January 2020 to 30 June 2020 except for one deviation of code provisions as stated in the section headed "Compliance with CG Code" below during the period from 1 January 2020 to 5 April 2020.

The Board is committed to the principles of transparency, accountability and independence highlighted by the CG Code to better enhance the value of the Shareholders and proper management of corporate assets in the following ways:

1. ensuring the decision-making process, risk management process, internal audit and controls, disclosure of information and the communication with stakeholders are carried out in accordance with good management practices and compliance with the respective regulatory standards;

2. cultivating a culture of integrity, transparency and accountability for the Company, its staff and the Directors and emphasising the importance of their roles in such an environment; and

3. adopting quality standards widely recognised to foster quality management in every aspect of daily operations to enhance the performance and value of the Company as a whole.

Corporate Strategy

The primary objective of the Company is to enhance long-term business return for the Shareholders. To achieve this objective, the Group's strategy is to place high emphasis on achieving long-term financial performance and maintaining the Group's strong financial profits. The section headed "Management Discussion and Analysis" in this announcement contains the discussions and analyses of the Group's performance and the basis on which the Group generates or preserves its value over the longer term, and the basis on which the Group will execute its strategy for achieving the Group's objectives.

COMPLIANCE WITH CG CODE

The Directors confirm that, during the Period, the Company acted in compliance with the code provisions set out in the CG Code contained in Appendix 14 to the Listing Rules save for the deviation mentioned below:

From 1 January 2020 to 5 April 2020, Mr. Liu has been acting as an executive Director, the chairman of the Board as well as the chief executive officer of the Company. Mr. Liu tendered his resignation from the aforesaid positions with effect from 6 April 2020. The aforesaid arrangement during the period from 1 January 2020 to 5 April 2020 deviates from the provision of A.2.1 of the CG Code, which provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

The Directors are of the opinion that such arrangement during the period from 1 January 2020 to 5 April 2020 enabled stronger leadership for managing the Company and carried out effective and efficient management and solid business and strategic planning. The Directors believe that such arrangement did not have a material adverse impact on the corporate governance of the Company during the aforesaid period.

Following Mr. Liu's resignation as an executive Director, the chairman of the Board as well as the chief executive officer of the Company with effect from 6 April 2020, Mr Li Yongjun, a non-executive Director, was appointed as the chairman of the Board in place of Mr. Liu on 6 April 2020. The office of the chief executive officer of the Company has been vacant since then. Starting from 6 April 2020, the Company does not have the same individual acting in the capacity as the chairman of the Board as well as the chief executive officer and accordingly, the Company has complied with the requirements under code provision A.2.1 of the CG Code since 6 April 2020.

The Company has in practice complied with the requirements relating to risk management and internal control under the CG Code during the Period. The existing terms of reference for the audit committee of the Board (the "**Audit Committee**") are in compliance with the requirements under code provision C.3.3 of the CG Code.

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 Period. 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.

AUDIT COMMITTEE

The Audit Committee, comprising all the three independent non-executive Directors, had reviewed this announcement and the Group's interim report (including the interim results and the unaudited condensed consolidated interim financial statements) for the Period and had discussed with the management of the Company about the accounting principles and accounting standards adopted by the Group and the matters relating to the risk management, internal control and financial reporting of the Group. The Audit Committee has the delegated responsibility from the Board to assure that adequate internal controls are in place and followed.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the HKEXnews 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 2020 interim report of the Company, which contains all the information required by the Listing Rules, will be despatched to the Shareholders and published on the aforesaid websites in due course.

APPRECIATION

On behalf of the Board, the chairman of the Board would like to extend his gratitude and sincere appreciation to all 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, 28 August 2020

As at the date of this announcement, the Board comprises Mr. Cheok Ho Fung and Mr. Shan Yongxin being executive Directors; Mr. Li Yongjun being non-executive Director; and Mr. Ng Man Kung, Mr. Lau Fai Lawrence and Mr. Mak Kwok Kei being independent non-executive Directors.