**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 2022

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 2022 (the "**Period**"), together with the comparative figures for the corresponding period in 2021.

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | | **Six months ended 30 June** | |
|---|---|---|---|
| | | **2022** | 2021 |
| | *Notes* | ***HK$'000*** | *HK$'000* |
| | | **(Unaudited)** | (Unaudited) |
| **REVENUE** | 4 | **164,718** | 240,626 |
| Cost of sales | | **(175,869)** | (238,368) |
| **GROSS (LOSS)/PROFIT** | | **(11,151)** | 2,258 |
| Other income | 4 | **24,218** | 16,891 |
| Other gains and losses, net | 5 | **(178,396)** | (128,700) |
| Selling and distribution costs | | **(6,965)** | (8,701) |
| Administrative expenses | | **(48,333)** | (48,231) |
| Finance costs | 6 | **(32,800)** | (31,629) |
| Share of results of associates | | **(22,886)** | (3,616) |
| Share of results of joint ventures | | **(20,662)** | (30,546) |

| | Notes | Six months ended 30 June<br>**2022**<br>***HK$'000***<br>**(Unaudited)** | <br>2021<br>*HK$'000*<br>(Unaudited) |
|---|---|---|---|
| **LOSS BEFORE INCOME TAX** | 7 | **(296,975)** | (232,274) |
| Income tax (expense)/credit | 8 | **(1,093)** | 15,126 |
| **LOSS FOR THE PERIOD** | | **(298,068)** | (217,148) |
| **Other comprehensive income for the period** | | | |
| Item that may be reclassified subsequently to profit or loss: | | | |
| Exchange difference arising on translation of foreign operations | | **(49,401)** | 51,304 |
| **Total other comprehensive income for the period** | | **(49,401)** | 51,304 |
| **LOSS AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | | **(347,469)** | (165,844) |
| **Loss per share attributable to owners of the Company** | | | |
| – Basic | 9 | **HK(13.34) cents** | HK(9.83) cents |
| – Diluted | 9 | **HK(13.34) cents** | HK(9.83) cents |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | *Notes* | **At 30 June 2022** ***HK$'000*** **(Unaudited)** | At 31 December 2021 *HK$'000* (Audited) |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **310,292** | 318,054 |
| Right-of-use assets | | **8,073** | 12,667 |
| Interests in associates | | **563,133** | 584,805 |
| Interests in joint ventures | | **–** | 20,662 |
| Rental and utility deposits | | **22** | 65 |
| Financial assets at fair value through profit or loss | 11 | **4,266** | 4,266 |
| Deposits paid | | **47** | 47 |
| **Total non-current assets** | | **885,833** | 940,566 |
| **CURRENT ASSETS** | | | |
| Inventories | | **49,679** | 56,700 |
| Trade receivables | 12 | **93,980** | 168,961 |
| Loan receivables | 13 | **956,100** | 1,070,223 |
| Note receivables | 14 | **92,066** | 138,099 |
| Prepayments, deposits and other receivables | 12 | **127,978** | 142,359 |
| Financial assets at fair value through profit or loss | 11 | **75,980** | 115,867 |
| Bank balances and deposits | | **34,177** | 36,328 |
| **Total current assets** | | **1,429,960** | 1,728,537 |
| **CURRENT LIABILITIES** | | | |
| Trade payables | 15 | **188,606** | 231,201 |
| Other payables and accruals | 15 | **276,013** | 276,628 |
| Tax payable | | **277,992** | 277,663 |
| Lease liabilities | | **1,946** | 5,689 |
| Borrowings | 16 | **347,120** | 819,744 |
| Loan from a related party | | **2,137** | 2,950 |
| Loans from a director | | **107,363** | 103,710 |
| **Total current liabilities** | | **1,201,177** | 1,717,585 |
| **NET CURRENT ASSETS** | | **228,783** | 10,952 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **1,114,616** | 951,518 |

| | Notes | At **30 June 2022** ***HK$'000*** **(Unaudited)** | At 31 December 2021 *HK$'000* (Audited) |
|---|---|---|---|
| **NON-CURRENT LIABILITIES** | | | |
| Lease liabilities | | **3,386** | 4,504 |
| Borrowings | 16 | **648,327** | 177,941 |
| Deferred tax liabilities | | **15,158** | 15,158 |
| **Total non-current liabilities** | | **666,871** | 197,603 |
| **NET ASSETS** | | **447,745** | 753,915 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | 17 | **264,800** | 220,800 |
| Reserves | | **182,945** | 533,115 |
| Equity attributable to owners of the Company | | **447,745** | 753,915 |
| **TOTAL EQUITY** | | **447,745** | 753,915 |

# 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 of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**").

In preparing these 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 note 4 and note 5 in 2021 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 2021 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 2021 annual financial statements.

### (b) Basis of measurement and going concern assumption

These condensed consolidated financial statements have been prepared under the historical cost basis except for certain properties and financial instruments, which are measured at fair values.

The outbreak of the COVID-19 pandemic and the lockdown measures imposed by governments in various countries which curtail the spreading of COVID-19 pandemic had resulted in reduced overseas sales of printed circuit boards ("**PCBs**") and delayed repayments from corporate borrowers in general. These imposed negative impacts on the financial results and the liquidity position of the Group during the reporting period.

During the six months ended 30 June 2022, the Group recorded consolidated net loss of approximately HK$347,469,000 and had net cash flows used in operating activities of HK$8,915,000. As at 30 June 2022, the Group had cash and cash equivalents of approximately HK$34,177,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

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

i) enhancing the collection of loan and note receivables by monitoring repayments when they fall due;

ii) a substantial shareholder, through a related company of which is also owned by this substantial shareholder, has undertaken to provide continuing financial support to the Group to remain continuing operations and to meet its liabilities and obligations when they fall due;

iii) the Group will actively negotiate with the lenders for debts restructuring and the renewal of the Group's borrowings when they fall due in order to secure necessary funds to meet the Group's working capital and financial requirements in the foreseeable future. In the opinion of the Directors, the Group will be able to roll over or refinance the borrowings upon their maturity;

iv) identifying new investment and business development opportunities to increase the Group's profitability; and

v) the Group is actively exploring the availability of various sources of financing including but not limited to the disposal of assets or obtain secured facilities by way of pledge of assets etc.

The Directors are therefore of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current asset and liabilities respectively. The effects of these adjustments have not been reflected in the condensed consolidated financial statements.

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

These condensed consolidated interim financial statements have been prepared with the same accounting policies adopted in the 2021 annual financial statements, except for the adoption of new or amended standards for the first time during the Period as detailed in note 2(b).

### (a) Adoption of new or amended HKFRSs

| | |
|---|---|
| Amendments to HKAS 16 | Proceeds before Intended Use |
| Amendments to HKAS 37 | Onerous Contracts – Cost of Fulfilling a Contract |
| Amendments to HKFRS 3 | Reference to the Conceptual Framework |
| Annual Improvements to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41 | Annual Improvements to HKFRSs 2018–2020 |

The adoption of the amendments listed above did not have material impact on the Group's accounting policies and financial statements.

### (b) New or amended HKFRSs that have been issued but are not yet effective and have not been early adopted

| | |
|---|---|
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current and HK (IFRIC) Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[1] |
| HKFRS 17 | Insurance Contracts[1] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2] |

[1] Effective for annual periods beginning on or after 1 January 2023.

[2] The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

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

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

| | **Manufacturing** | **Treasury investments** | **Financial services** | **Total** |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Six months ended 30 June 2022 (Unaudited)** | | | | |
| Revenue from external customers | **195,737** | **(31,019)** | **–** | **164,718** |
| Reportable segment (loss)/profit | **(14,497)** | **(275,759)** | **(109)** | **(290,365)** |
| Interest income | **8** | **8,868** | **–** | **8,876** |
| Finance costs | **(6,010)** | **(26,790)** | **–** | **(32,800)** |
| Depreciation | | | | |
| – Own assets | **(458)** | **(449)** | **–** | **(907)** |
| – Right-of-use assets | **–** | **(2,907)** | **–** | **(2,907)** |
| Share of results of associates | **–** | **(22,886)** | **–** | **(22,886)** |
| Share of results of joint ventures | **–** | **(20,662)** | **–** | **(20,662)** |
| Impairment losses on trade receivables | **–** | **(7,853)** | **–** | **(7,853)** |
| Impairment losses on loan receivables | **–** | **(124,752)** | **–** | **(124,752)** |
| Impairment loss on note receivable | **–** | **(46,033)** | **–** | **(46,033)** |
| Impairment loss on other receivables | **–** | **–** | **(109)** | **(109)** |

| | Manufacturing | Treasury investments | Financial services | Total |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Six months ended 30 June 2021 (Unaudited) | | | | |
| Revenue from external customers | 240,300 | 326 | – | 240,626 |
| Reportable segment (loss)/profit | (25,866) | (199,561) | 6,352 | (219,075) |
| Interest income | 8 | 21,730 | – | 21,738 |
| Finance costs | (5,446) | (26,183) | – | (31,629) |
| Depreciation | | | | |
| – Own assets | (783) | (1,322) | – | (2,105) |
| – Right-of-use assets | (1,118) | (1,182) | – | (2,300) |
| Share of results of associates | – | (3,616) | – | (3,616) |
| Share of results of joint ventures | – | (30,546) | – | (30,546) |
| Impairment losses on trade receivables | – | (7,853) | – | (7,853) |
| Impairment losses on loan receivables | – | (102,218) | – | (102,218) |
| Impairment loss on note receivable | – | (22,458) | – | (22,458) |
| Reversal of impairment loss on other receivables | – | – | 6,352 | 6,352 |

Reconciliation of reportable segment profit or loss:

| | **Six months ended 30 June** | |
|---|---|---|
| | **2022** | 2021 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Profit or loss | | |
| Reportable segment loss | **(290,365)** | (219,075) |
| Other unallocated staff cost | **(6,610)** | (13,199) |
| Consolidated loss before income tax | **(296,975)** | (232,274) |

**(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** | |
|---|---|---|
| | **2022** | 2021 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Europe | **87,325** | 89,880 |
| Hong Kong | **(9,262)** | 24,502 |
| The People's Republic of China ("**PRC**") | **49,037** | 77,865 |
| United States of America | **2,862** | 1,260 |
| Malaysia | **979** | 1,251 |
| Japan | **19,954** | 27,808 |
| Singapore | **6,197** | 10,133 |
| Others | **7,626** | 7,927 |
| | **164,718** | 240,626 |

**(c) Information about major customers**

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

| | **Six months ended 30 June** | |
|---|---|---|
| | **2022** | 2021 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Customer A[1, 2] | **19,594** | 27,552 |
| Customer B[2] | **13,010** | 21,294 |
| Customer C[2] | **5,216** | 9,144 |
| Customer D[2] | **9,370** | 14,484 |
| Customer E[2] | **17,361** | 15,753 |
| Customer F[2] | **–** | 10,982 |
| Customer G[1, 2] | **25,675** | 21,919 |
| Customer H[3] | **1,239** | 11,901 |
| Customer I[2] | **5,598** | 11,360 |
| Customer J[2] | **–** | 1,287 |

1 These customers contributed more than 10% of the Group's revenue for the six months ended 30 June 2022.

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 | |
|---|---|---|
| | **2022** | 2021 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Revenue from contracts with customers | | |
| Sales of goods | **195,737** | 240,300 |
| Total revenue from contracts with customers | **195,737** | 240,300 |
| Revenue from other sources: | | |
| Fair value loss on trading purpose financial assets at fair value through profit or loss ("**FVTPL**") | | |
| – Realised loss | **–** | – |
| – Unrealised loss | **(39,887)** | (21,404) |
| | **(39,887)** | (21,404) |
| Interest income: | | |
| – Loan receivables | **8,868** | 12,405 |
| – Loan to an associate | **–** | 4,366 |
| – Note receivables | **–** | 4,959 |
| Total revenue from other sources | **(31,019)** | 326 |
| | **164,718** | 240,626 |
| Other income | | |
| Interest income from bank deposits | **8** | 8 |
| Government grants | **80** | – |
| Service income | **976** | – |
| Others | **23,154** | 16,883 |
| | **24,218** | 16,891 |

## 5. OTHER GAINS AND LOSSES, NET

| | Six months ended 30 June | |
|---|---|---|
| | **2022** | 2021 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Net exchange loss | **(2,038)** | (2,523) |
| Impairment loss on trade receivables | **(5,464)** | (7,853) |
| (Impairment loss)/reversal of impairment loss on other receivables | **(109)** | 6,352 |
| Impairment losses on loan receivables | **(124,752)** | (102,218) |
| Impairment loss on note receivable | **(46,033)** | (22,458) |
| | **(178,396)** | (128,700) |

## 6. FINANCE COSTS

| | Six months ended 30 June | |
|---|---|---|
| | **2022** | 2021 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Interests on: | | |
| – Borrowings | **28,777** | 27,803 |
| – Loans from a director | **3,652** | 3,405 |
| – Interests on lease liabilities | **371** | 421 |
| | **32,800** | 31,629 |

## 7. LOSS BEFORE INCOME TAX

This is arrived at after charging:

| | Six months ended 30 June | |
|---|---|---|
| | **2022** | 2021 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Cost of inventories recognised as an expense | **–** | 198,784 |
| Depreciation | | |
| – Own assets | **907** | 2,105 |
| – Right-of-use assets | **2,907** | 2,300 |
| | **3,814** | 4,405 |

## 8. INCOME TAX (EXPENSE)/CREDIT

| | Six months ended 30 June | |
|---|---|---|
| | **2022** | 2021 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| The income tax (expense)/credit comprises: | | |
| PRC Enterprise Income Tax: | | |
| Current period | **(1,093)** | (1,596) |
| | **(1,093)** | (1,596) |
| Deferred tax credit | **–** | 16,722 |
| Income tax (expense)/credit | **(1,093)** | 15,126 |

## 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 | |
|---|---|---|
| | **2022** | 2021 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Loss for the purpose of basic and diluted loss per share | **(298,068)** | (217,148) |

**Number of shares**

| | Six months ended 30 June | |
|---|---|---|
| | **2022** | 2021 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Weighted average number of ordinary shares for the purpose of basic loss per share | **2,234,740** | 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 | **2,234,740** | 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 2021: HK$Nil).

## 11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | **At 30 June** | At 31 December |
|---|---|---|
| | **2022** | 2021 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (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)* | **75,980** | 115,867 |

*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$74,104,000.

## 12. TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | **At 30 June 2022** | At 31 December 2021 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Audited) |
| Trade receivables *(Note (a))* | **186,606** | 256,123 |
| Less: Allowance for doubtful debts *(Note (a))* | **(92,626)** | (87,162) |
| | **93,980** | 168,961 |
| Prepayments, deposits and other receivables *(Note (b))* | | |
| – Prepayments | **11,530** | 13,298 |
| – Deposits paid | **4,116** | 9,960 |
| – Other receivables | **112,332** | 119,101 |
| | **127,978** | 142,359 |
| | **221,958** | 311,320 |

*Notes:*

**a) Trade receivables**

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

| | **At 30 June 2022** | At 31 December 2021 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Audited) |
| 0–30 days | **28,240** | 47,230 |
| 31–60 days | **32,887** | 51,917 |
| 61–90 days | **20,858** | 38,726 |
| Over 90 days | **11,995** | 31,088 |
| | **93,980** | 168,961 |

The movement in impairment loss on trade receivables from contract with customers during the reporting period is as follows:

| | **At 30 June 2022** *HK$'000* **(Unaudited)** | At 31 December 2021 *HK$'000* (Audited) |
|---|---|---|
| At beginning of the year | **87,162** | 64,832 |
| Impairment loss recognised | **5,464** | 22,307 |
| Exchange realignment | **–** | 23 |
| At end of the Period/year | **92,626** | 87,162 |

b) **Prepayments, deposits and other receivables**

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

## 13. LOAN RECEIVABLES

| | **At 30 June 2022** *HK$'000* **(Unaudited)** | At 31 December 2021 *HK$'000* (Audited) |
|---|---|---|
| Secured loans | **1,785,647** | 1,775,018 |
| Less: Allowances for doubtful debts | **(829,547)** | (704,795) |
| | **956,100** | 1,070,223 |

The balance represents secured loans to independent third party corporate borrowers which bear fixed interest rates ranging from 3% to 36% (31 December 2021: 3% 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.

## 14. NOTE RECEIVABLES

| | **At 30 June 2022** *HK$'000* **(Unaudited)** | At 31 December 2021 *HK$'000* (Audited) |
|---|---|---|
| Secured | **230,165** | 230,165 |
| Less: Allowances for doubtful debts | **(138,099)** | (92,066) |
| | **92,066** | 138,099 |

As at 30 June 2022, the Group subscribed from third party issuers 5% (31 December 2021: 5%) 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 2021, the bonds were also secured by personal guarantee executed by the director of certain issuer.

## 15. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

| | **At 30 June 2022** *HK$'000* **(Unaudited)** | At 31 December 2021 *HK$'000* (Audited) |
|---|---|---|
| Trade payables | **188,606** | 231,201 |
| Other payables and accruals | | |
| – Other payables | **136,771** | 118,296 |
| – Interests payables | **67,186** | 40,765 |
| – Accruals | **72,056** | 117,567 |
| | **276,013** | 276,628 |
| | **464,619** | 507,829 |

The ageing analysis of trade payables based on invoice date at the end of reporting period is as follows:

| | **At 30 June 2022** *HK$'000* **(Unaudited)** | At 31 December 2021 *HK$'000* (Audited) |
|---|---|---|
| 0–30 days | **24,352** | 22,973 |
| 31–60 days | **14,718** | 26,163 |
| 61–90 days | **18,019** | 30,306 |
| Over 90 days | **131,517** | 151,759 |
| | **188,606** | 231,201 |

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

## 16. BORROWINGS

| | **At 30 June 2022** | At 31 December 2021 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Audited) |
| Secured bank loans repayable within one year *(Note (a))* | **140,179** | 144,417 |
| Other loans, unsecured *(Note (b))* | **182,559** | 180,559 |
| Other loans, secured *(Note (c))* | **672,709** | 672,709 |
| | **995,447** | 997,685 |
| Current portion | **347,120** | 819,744 |
| Non-current portion | **648,327** | 177,941 |
| | **995,447** | 997,685 |

*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 2022, bank loans of approximately HK$140,179,000 (31 December 2021: HK$144,417,000) carried fixed interest rate ranged from 3.45% to 3.85% (31 December 2021: 2.36% to 3.85%) per annum.

(b) As at 30 June 2022, unsecured other loans obtained from Jade Summit Holdings Limited (an associate) and independent third parties amounting to approximately HK$177,941,000 and HK$4,618,000 respectively. The loan from the associate is non-interest bearing, unsecured and repayable within the next 3 years; whereas the loan from the independent third parties bears interest at a rate of 9.6% per annum and is repayable within the next twelve months.

(c) Secured other loans borrowed from independent third parties as lenders bear interest at a rate of 3% to 8% per annum (31 December 2021: 3% to 8% per annum) and HK$202,323,000 are repayable within the next twelve months and HK$470,386,000 are repayable within the next 2 years. The balance is secured by:

- Corporate guarantee of the Company;
- Equity interests in certain subsidiaries of the Company;
- The Group's interest in an associate;
- Trade and loan receivables with carrying amount of HK$220,792,000; and
- Financial assets at FVTPL with carrying amount of HK$46,031,000.

## 17. SHARE CAPITAL

| | Number of ordinary shares of HK$0.1 each | |
|---|---|---|
| | *('000)* | *HK$'000* |
| Authorised: | | |
| At 1 January 2021, 31 December 2021 (audited) and 30 June 2022 (unaudited) | 5,000,000 | 500,000 |
| Issued and fully paid: | | |
| At 1 January 2021 and 31 December 2021 (audited) | 2,208,000 | 220,800 |
| At 30 June 2022 (unaudited) | 2,648,000 | 264,800 |

## MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL PERFORMANCE

For the Period, the Group recorded a total revenue of HK$164.72 million, representing a decrease of approximately 31.55% as compared with the total revenue of HK$240.63 million for the corresponding period in 2021. Such a decrease in revenue was mainly due to the decrease in sales volume from manufacturing segment of the Group and an increase of loss attributable to the treasury investments segment. The revenue generated by the manufacturing segment during the Period amounted to HK$195.74 million (six months ended 30 June 2021: HK$240.30 million). The loss for the Period generated by the treasury investments segment was HK$31.02 million (six months ended 30 June 2021: Profit of HK$3.26 million).

For the Period, the Group recorded a loss before income tax of approximately HK$296.98 million (six months ended 30 June 2021: HK$232.27 million), which was mainly attributable to the unrealised fair value losses on financial investments held for trading through profit or loss of approximately HK$57.27 million (six months ended 30 June 2021: HK$21.40 million) and the impairment losses on trade receivables, other receivables, loan receivables and note receivables of HK$249.51 million in total in respect of the Group (six months ended 30 June 2021: HK$126.18 million).

Loss attributable to owners of the Company for the Period amounted to approximately HK$298.07 million, as compared with the loss attributable to owners of the Company of approximately HK$217.15 million for the corresponding period in 2021. Basic loss per share attributable to owners of the Company for the Period was approximately 13.34 HK cents, as compared with that of 9.83 HK cents for the corresponding period in 2021.

## INTERIM DIVIDENDS

The Board has resolved not to recommend any declaration of interim dividend for the Period (six months ended 30 June 2021: 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 corresponding period of 2021, the sales of goods in the Group's manufacturing segment decreased by approximately 18.54% from approximately HK$240.30 million for the six months ended 30 June 2021 to approximately HK$195.74 million for the Period whereas its gross profit margin decreased from 17.28% for the six months ended 30 June 2021 to 10.15% for the Period.

**Treasury Investments**

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

For the Period, the Group's treasury investments segment recorded a loss of approximately HK$275.76 million (six months ended 30 June 2021: HK$199.56 million) in the form of realised and unrealised fair value losses and interest income. The substantial fair value losses arising from the adverse market price changes of listed securities held by the Group were mainly due to the downturn of the Hong Kong stock market and the downward share price performance of the listed securities held by the Group during the Period. The provision for impairment losses were arisen as a result of the increase in credit-impaired receivables of the treasury investments segment.

**Financial Services**

Renco Investments Limited ("**Renco Investments**") held the licenses to conduct Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) during the Period. Renco Investments, which is an indirect wholly-owned subsidiary of the Company, actively participated in asset management, consultancy services, corporate solution services and debt, asset and shareholding restructuring business in the PRC and Hong Kong during the past four years.

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

**Asset Management**

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

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

The Group had gradually built up its credential in the asset management business and established a solid foundation for further development in the years to come. Up to 30 June 2022, the Group made a total sum of original capital contributions of approximately HK$1.38 billion (31 December 2021: HK$1.38 billion) to some of the offshore private funds disclosed in the above.

**Investment, Consultancy and Corporation Solution Services**

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

During the 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 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 2022, the Group had total equity of approximately HK$447.75 million (31 December 2021: HK$753.92 million) and net debts (trade payables, other payables and accruals, loan from a related party, loan from a Director, and borrowings less bank balances and deposits) of approximately HK$1,535.39 million (31 December 2021: HK$1,575.85 million), representing a gearing ratio, defined as net debts over total equity plus net debts, of 77.42% (31 December 2021: 67.64%).

The Group's net current assets of approximately HK$228.78 million (31 December 2021: HK$10.95 million) consisted of current assets of approximately HK$1,429.96 million (31 December 2021: HK$1,728.54 million) and current liabilities of approximately HK$1,201.18 million (31 December 2021: HK$1,717.59 million), representing a current ratio of 1.19 (31 December 2021: 1.01).

As at 30 June 2022, the Group's current assets consisted of approximately HK$34.18 million (31 December 2021: HK$36.33 million) held as bank balances and deposits, which were mainly denominated in HK$, US$ and RMB.

The Group's manufacturing segment's current assets also consisted of approximately HK$93.98 million (31 December 2021: HK$163.40 million) held as trade receivables. Debtors turnover days was approximately 87 days (31 December 2021: 108 days).

The Group's inventories decreased from approximately HK$56.70 million as at 31 December 2021 to approximately HK$49.68 million as at 30 June 2022. Inventory turnover days in the Group's manufacturing segment was approximately 51 days (31 December 2021: 42 days). Trade payables decreased from approximately HK$231.20 million as at 31 December 2021 to approximately HK$188.61 million as at 30 June 2022. Creditors turnover days was approximately 194 days (31 December 2021: 171 days).

**Interest-bearing Borrowings**

The bank loans were secured by certain buildings and right-of-use assets related to leasehold land, corporate guarantee of the Company and personal guarantee of a Director during the Period. As at 30 June 2022, bank loans of approximately HK$140.18 million (31 December 2021: HK$144.42 million) carried fixed interest rates ranging from 3.45% to 3.85% per annum (31 December 2021: 2.36% to 3.85% per annum).

As at 30 June 2022, other loan obtained from an associate amounting to approximately HK$177.94 million was unsecured, non-interest bearing and repayable in 2024. The remaining balance of other loans was secured by equity interests in certain subsidiaries and an associate of the Group, other trade and loan receivables and financial assets at FVTPL, bearing interest at a rate for the range of 3% to 8% per annum (31 December 2021: 3% to 8% per annum), of which HK$210.42 million (31 December 2021: HK$672.71 million) and HK$462.29 million (31 December 2021: HK$Nil) were repayable within the next twelve months and within next two 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$107.36 million (31 December 2021: HK$103.71 million) at an effective interest rate of 7% per annum (31 December 2021: 7% per annum) which are repayable on demand. Furthermore, there was another loan advanced by Mr. Liu Tingan ("**Mr. Liu**"), who is a former Director and former chief executive officer of the Company and resigned as director of various subsidiaries of the Company on 21 July 2022 and will resign as advisor of the Company with effect from 31 August 2022, for an amount of HK$2.14 million (31 December 2021: HK$2.95 million) which is non-interest bearing and has no fixed terms of repayment. The financial assistances provided by Mr. Cheok and Mr. Liu were connected transactions under Chapter 14A of the Rules (the "**Listing Rules**") Governing the Listing of the Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). However, they are fully exempted from the reporting, announcement, and approval from independent shareholders of the Company (the "**Shareholders**") requirements pursuant to the Listing Rules because they are conducted on normal commercial terms or better and are not secured by the assets of the Group.

## SIGNIFICANT INVESTMENTS

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

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

#### *(a) Partners Special Opportunities Fund I (the "Partners Fund")*

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

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

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

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

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

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

Since the current financial performance and the status of the business operations of the Bond Issuer for the six months ended 30 June 2022 was worse than that of the previous year, no settlement was received during the last three years and the Bond Issuer was unable to meet the repayment deadline under the plan. Default payment by the Bond Issuer caused significant increase in credit risk on the above trade receivables when compared with the same period of the previous year. It was therefore considered as credit-impaired under Hong Kong Financial Reporting Standard (the "**HKFRS**") 9 as at 30 June 2022. Accordingly, the carrying amount of the trade receivables as at 30 June 2022 was HK$Nil (31 December 2021: HK$Nil) and fully impaired with the accumulated impairment loss on the bond receivables held by the Partners Fund amounted to HK$60.41 million in total.

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

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

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

As at 30 June 2022, with reference to the substantial fair value losses arising from the adverse market price changes of the listed securities held by the Huarong Fund, the fair value of the investment in the Huarong Fund was HK$Nil (31 December 2021: HK$Nil) if the distribution of the net sale proceeds of the Huarong Fund was calculated.

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

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

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

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

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

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

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

On 29 May 2020, in order to enhance the investment quality of the fund, the general partner and manager of the Natural Resource Fund together with that of the Fixed Income Fund (as defined below) had decided to adjust the investment strategies and entered into a series of restructuring and debt assignment agreements with several funds (the "**OBOR Funds Restructuring**"). Pursuant to the restructuring and debt assignment agreements, each of the

Natural Resource Fund and the Fixed Income Fund acquired 50% interest of Hong Kong Bridge High-Tech Investment Fund, L.P. (the "**High-Tech Investment Fund**") and HKBridge Special Situation Fund, L.P. (the "**Special Situation Fund**") respectively; and the Natural Resource Fund acquired 100% interest of Hong Kong Bridge One Belt One Road M&A Fund, L.P. (the "**M&A Fund**"), by respectively assigning Bond I and Bond II (as defined below) to the original limited partners of the High-Tech Investment Fund, the Special Situation Fund and the M&A Fund and became the new limited partners of these funds. The OBOR Funds Restructuring took retrospective effect on 1 January 2020.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### *(e) Hong Kong Bridge One Belt One Road M&A Fund LP (the "M&A Fund")*

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

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

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

The M&A Fund had not received the settlement of the outstanding amounts due from the Strait Borrower during the past three years as the Strait Borrower was still suffering from the adverse impacts caused by the COVID-19 outbreak. The recoverable value of the bonds issued by CRTG as the securities decreased significantly due to the poor financial performance of CRTG as disclosed in its annual report 2022 published on 9 August 2022. Having considered the worsened situation, the general partner and the manager of the M&A Fund decided to provide further impairment loss of HK$50.27 million (six months ended 30 June 2021: HK$24.36 million) in respect of the Loan I for the Period according to the HKFRS 9. The carrying value of the Loan I after the accumulated impairment loss of HK$150.80 million as at 30 June 2022 (31 December 2021: HK$100.53 million) amounted to approximately HK$100.53 million (31 December 2021: HK$150.80 million).

*(f) Hong Kong Bridge High-Tech Investment Fund LP (the "High-Tech Investment Fund")*

The High-Tech Investment Fund entered into the sale and purchase agreement with independent third parties to acquire 24,397,946 shares of the SuperRobotics Shares Batch 3 (as defined below). Details of the subscription of interest in the High-Tech Investment Fund were set out in the paragraph headed "(III) Subscription and/or Holding of Listed Securities" under the section headed "Management Discussion and Analysis" of this announcement on pages 31 to 36.

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

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

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

The High-Tech Investment Fund had not received the outstanding amounts from the Strait Borrower during the past three years. Having considered the worsened situation and the aforesaid reasons, the general partner and the manager of the High-Tech Investment Fund decided to provide further impairment loss of HK$19.48 million (six months ended 30 June 2021: HK$9.46 million) in respect of the Loan II for the Period according to the HKFRS 9. The carrying value of the Loan II after the accumulated impairment loss of HK$58.43 million as at 30 June 2022 (31 December 2021: HK$38.95 million) amounted to approximately HK$38.95 million (31 December 2021: HK$58.43 million).

### *(g) Hong Kong Bridge Landmark Investment Fund LP (the "Landmark Fund")*

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

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

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

The Landmark Fund had not received the outstanding amounts due from the Strait Borrower during the past three years. After having considered the worsened situation and the aforesaid reasons, the general partner and the manager of the Landmark Fund decided to provide further impairment loss of HK$50.03 million (six months ended 30 June 2021: HK$24.26 million) in respect of the Bond III for the Period according to the HKFRS 9. The carrying value of the Bond III after the accumulated impairment loss of HK$150.10 million as at 30 June 2022 (31 December 2021: HK$100.07 million) amounted to approximately HK$100.07 million (31 December 2021: HK$150.10 million).

### *(h) HKBridge Absolute Return Fund LP (the "Absolute Return Fund")*

The Absolute Return Fund entered into the sale and purchase agreement with four independent third parties to acquire 64,148,063 shares of the SuperRobotics Shares Batch 2 (as defined below). Details of the subscription of interest in the Absolute Return Fund were set out in the paragraph headed "(III) Subscription and/or Holding of Listed Securities" under the section headed "Management Discussion and Analysis" of this announcement on pages 31 to 36.

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

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

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

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

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

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

Upon completion of the OBOR Funds Restructuring, the Group received the distribution in kind of subscription of Bond IV and assigned it to offset the borrowings of the Group in 2020. The carrying value of the Bond IV amounted to approximately HK$165.87 million as at 31 December 2019. The Group remained as the only second-tier limited partner of the Infrastructure Fund III with contribution amount of HK$1 as at 30 June 2022 (31 December 2021: HK$1).

## (II) Goodwill Arising from the OBOR Funds Restructuring

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

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

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

## (III) Subscription and/or Holding of Listed Securities

As at 30 June 2022, the Group held financial assets at FVTPL of approximately HK$80.25 million (31 December 2021: HK$120.13 million) of which the club debenture of HK$4.27 million (31 December 2021: HK$4.27 million) was classified as non-current assets and the listed equity investments of HK$75.98 million (31 December 2021: HK$115.87 million) was classified as current assets in the consolidated statement of financial position of the Group.

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

| | | | | For the six months ended 30 June 2022 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Name of investees** | *Notes* | **Number of shares** | **Approximate percentage of interest held** | **Cost/fair value as at 1 January 2022** *(HK$'000)* | **Additions/ (transfer)** *(HK$'000)* | **Market prices as at 30 June 2022** *(HK$)* | **Market value** *(HK$'000)* | **Approximate percentage of investments attributable to the Group's total assets** | **Dividend received** *(HK$'000)* | **Disposal gain/(loss)** *(HK$'000)* | **Fair value gain/(loss)** *(HK$'000)* |
| SuperRobotics Holdings Limited ("**SuperRobotics**") (HKSE Stock Code: 8176) (the "**SuperRobotics Shares Batch 1**") | *(a)* | 41,666,666 | 8.23% | 16,667 | N/A | 0.230 | 9,583 | 0.41% | N/A | N/A | (7,084) |
| SuperRobotics (the "**SuperRobotics Shares Batch 2**") | *(b)* | 64,148,063 | 12.67% | 25,659 | N/A | 0.230 | 14,754 | 0.63% | N/A | N/A | (10,905) |
| SuperRobotics (the "**SuperRobotics Shares Batch 3**") | *(c)* | 24,397,946 | 4.82% | 9,759 | N/A | 0.230 | 5,611 | 0.24% | N/A | N/A | (4,148) |
| Huarong International Financial Holdings Limited (HKSE Stock Code: 993) (the "**Huarong Financial**") | *(d)* | 237,359,400 | 2.73% | 46,522 | N/A | 0.144 | 34,180 | 1.47% | N/A | N/A | (12,342) |
| Bank of Gansu Co., Ltd. (HKSE Stock Code: 2139) (the "**Bank of Gansu**") | *(e)* | 11,506,000 | 0.30% | 17,259 | N/A | 1.030 | 11,851 | 0.51% | N/A | N/A | (5,408) |

***(a) SuperRobotics Shares Batch 1***

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

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

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

***(b) SuperRobotics Shares Batch 2***

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

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

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

*(c)* ***SuperRobotics Shares Batch 3***

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

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

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

*(d)* ***Huarong Financial Shares***

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

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

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

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

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

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

***(e) Bank of Gansu Shares***

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

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

During the Period, the investment in the Bank of Gansu Shares recorded an unrealised fair value loss of HK$0.54 million (six month ended 30 June 2021: HK$11.83 million) due to the unexpected downturn in the share price performance of Bank of Gansu. With reference to the investment objectives of the Fixed Income Fund and the Growth Fund, the general partner and manager considered that the investment in Bank of Gansu was beneficial to the Group and the Shareholders as a whole, by generating the returns from medium to long term investments and by enhancing the experience of assets management in the coming years.

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

**(IV) Deposits of Investment in Potential Business**

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

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

On 17 May 2021, the Group entered into an agreement with two different independent third parties respectively to receive the deposit of HK$50.00 million on or before 31 December 2022 by assigning its investment rights. Thus, the accumulated impairment loss of HK$23.00 million as at 31 December 2020 was expected to be reduced to HK$20.00 million as at 31 December 2021. The carrying value of the other receivables in relation to this deposit amounted to HK$80.00 million as at 30 June 2022 (31 December 2021: HK$80.00 million) and no further impairment loss was provided during the Period because the Group is currently in the process of finalising the restructuring agreement.

## 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 2022, the total outstanding receivables in relation to this activity amounted to approximately HK$1,048.17 million (31 December 2021: HK$1,208.32 million) and those transactions set out below were relatively significant to the Group at the time of entering into the relevant agreements between the Group and those relevant independent third parties respectively.

The Group had provided additional impairment of approximately HK$170.79 million (six months ended 30 June 2021: HK$126.18 million) for those overdue financial assistances during the Period. The Board was of the opinion that such impairment provided by the Group were made in accordance with the requirements of the accounting standards. In order to lower the investment risks and reduce the losses, the Group puts its best efforts to maximise the recovery of the relevant financial assistances by restructuring or conducting lawsuits against several debtors.

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

### (a) Zhanjiang Advance

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

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

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

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

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

Due to the failure of Zhanjiang Borrower to make repayment and having regard to the lengthy legal proceedings and enforcement process, the management of the Group considered that the loan amount due from the Zhangjiang Borrower would probably not be able to be recovered until second half of year 2023. Having considered the existing market value of the collaterals, no further impairment loss was provided for the Period for the loan receivable according to the HKFRS 9 (six months ended 30 June 2021: HK$16.53 million) in the opinion of the management of the Group. The carrying amount of the amount due from the Zhanjiang Borrower after the accumulated impairment loss of HK$76.96 million as at 30 June 2022 was approximately HK$197.88 million (31 December 2021: HK$197.88 million).

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

**(b) Zhonghong Advance**

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

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

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

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

Pursuant to the Arbitral Awards, the Group could apply to the Hainan Court to auction the relevant guarantor's assets. However, the recovering process of the New Zhonghong Advance would involve restructuring discussion with other major creditors of the Zhonghong Borrower. In the opinion of the management of the Group, the outstanding amount of the New Zhonghong Advance would likely to be recovered within three to four years. Although the restructuring plan would be complicated and time consuming, however, having considered the existing market values of the collaterals, no further impairment loss was provided during the Period for the New Zhonghong Advance in the opinion of the management of the Group according to the HKFRS 9 (six months ended 30 June 2021: HK$16.30 million). The carrying amount of the amount due from the Zhonghong Borrower after the accumulated impairment loss of HK$246.10 million as at 30 June 2022 was approximately HK$215.33 million (31 December 2021: HK$215.33 million).

**(c) China Gem Jiangsu Advance**

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

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

Since the financial performance and the status of business operations of China Gem Jiangsu Borrower as at 30 June 2022 were worse than those of the previous year, therefore no settlement had been received during the Period. In addition, the market value of the collaterals of the loan had been declined enormously as trading in the China Gem Shares on the Stock Exchange had been suspended since 30 August 2021 and China Gem is in the proceeding of winding-up petition by the Court of First Instance of High Court of Hong Kong. As the default in repayment by China Gem Jiangsu Borrower caused significant increase in the credit risk on the Group's loan receivable, it was considered that credit-impairment loss should be made for China Gem Jiangsu Borrower as at 30 June 2022. The management of the Group decided to provide additional impairment loss of HK$5.92 million for the Period (six months ended 30 June 2021: HK$18.86 million) in view of the loan receivable overdue from China Gem Jiangsu Borrower. The carrying amount due from China Gem Jiangsu Borrower after the accumulated impairment loss of HK$151.01 million as at 30 June 2022 (31 December 2021: HK$145.09 million) was HK$Nil (31 December 2021: HK$5.92 million).

## PROVISION OF FINANCIAL ASSISTANCE AND ASSET AND SHAREHOLDING RESTRUCTURING BUSINESS

### (a) Description of the Business Model

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

The provision of financial assistance is a kind of business activities in the treasury investments segment. The treasury investments team has been continuing to make effective use of its available financial resources in monitoring and making investment/disposal on a wide variety of financial assets including investments in listed equity securities, investments in funds and the provision of financial assistance to independent third parties. For details of the provision of financial assistance, please also refer to the paragraphs headed "Provision of Financial Assistance" above on pages 37 to 40.

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

As at the date of this announcement, the Group did not hold any licenses in relation to the provision of financial assistance and the asset and shareholding restructuring business. The Group did not target to provide loans to a specific group of customers. The customers of the Group prior to the date of this announcement are mainly the Group's business partners or companies referred by the former and existing substantial shareholders and/or former executive Directors of the Company.

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

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

The total loan receivables of the Group as at 30 June 2022 and 31 December 2021 were HK$956 million and HK$1,070 million respectively. The carrying amount of loan receivables due from the five largest borrowers together with the percentage to the total loan receivables of the Group are set out below:

| **Counterparty** | **As at 30 June 2022** | | As at 31 December 2021 | |
|---|---|---|---|---|
| | ***Amount*** **(unaudited)** | ***% to total loan receivables*** | *Amount* (audited) | *% to total loan receivables* |
| The Zhanjiang Borrower | HK$197,884,643 | 21% | HK$197,884,643 | 18% |
| The Strait Borrower | HK$147,481,370 | 15% | HK$221,222,054 | 21% |
| The Zhonghong Borrower | HK$112,224,217 | 12% | HK$112,224,217 | 10% |
| The Weifang Borrower | HK$71,960,548 | 8% | HK$71,960,548 | 7% |
| Shenzhen Zehua International Trade Co., Ltd.* (深圳市澤華國際貿易有限公司) (the "**Zehua Borrower**") | HK$67,086,285 | 7% | HK$89,448,380 | 8% |

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

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

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

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

The Group acknowledged that the COVID-19 outbreak may continue to hinder the repayment of the debts by the borrowers of the loans and issuers of the bonds to the Group in the coming years, resulting in additional provision for impairment loss for the loan receivables and note receivables and material impact on the financial results of the Group. The Group will actively place the utmost importance on pandemic prevention and control, and closely monitor the day-to-day operations and management of its principal businesses to reduce the adverse impacts on the Group's operations and financial performance caused by the COVID-19 outbreak.

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

### (a) Credit Risk Assessment

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

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

### (b) Mechanism in Determining Loan Term

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

**(c) Monitoring Loan Repayment and Recovery**

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

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

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

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

**(d) Impairment Loss and Write-off Treatment**

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

– the customers experienced operational difficulties;

– worsened macroeconomic and industry conditions, leading to further deterioration of the financial conditions of the customers; and

– the customers have been involved in lawsuits for debt collection.

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

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

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

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

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

## PLACING OF NEW SHARES UNDER GENERAL MANDATE

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

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

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

The gross proceeds from the Placing amounted to HK$44,000,000, the net proceeds from the Placing (after deducting all applicable costs and expenses, including commission and levies) amounted to approximately HK$41,360,000 and the net price per Placing Share was approximately HK$0.094. As disclosed in the Company's announcements dated 26 May 2022 and 20 June 2022, the Company intended to apply the net proceeds from the Placing for general corporate expenses purpose (such as payment for salaries and emoluments of staff of the Group, office rentals and expenses and service fees to external service providers) as well as general working capital purpose. During the Period, approximately HK$14.75 million of the net proceeds have been utilised for general working capital purpose and approximately HK$17.61 million of the net proceeds have been utilised for general corporate expenses purpose. Approximately HK$9 million of the net proceeds which have not been utilised are intended to be used for general corporate expenses purpose during the second half of 2022.The net proceeds were used and proposed to be used in accordance with the intentions previously disclosed by the Company in its announcements dated 26 May 2022 and 20 June 2022.

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

## FOREIGN EXCHANGE EXPOSURE

Sales of the Group's products in manufacturing segment are principally denominated in US dollars and the purchases of materials and payments of operational expenses are mainly denominated in US dollars, HK dollars and RMB. Most of the Group's purchases and expenses during the Period were denominated in RMB. As such, the Group had incurred a net exchange loss of HK$2.04 million for the Period (six months ended 30 June 2021: HK$2.52 million) due to the depreciation of US dollars and RMB.

As at 30 June 2022, the Group had not entered into any financial instruments for hedging purpose. Nevertheless, the Board will continue to monitor the foreign exchange exposure in the future and will consider hedging such exposure to minimise exchange risk should the need arise.

## RISK AND UNCERTAINTIES

### (a) Macroeconomic Risk

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

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

### (b) Credit Risk

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

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

The Group's maximum exposure to credit risk, which 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 consolidated statement of financial position of the Group as at 30 June 2022.

### (c) Foreign Currency Risk

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

## NUMBER AND REMUNERATION OF EMPLOYEES

As at 30 June 2022, excluding those employed by the Company's associates, the Group had 998 employees (31 December 2021: 1,115 employees). For the Period, our total staff costs amounted to HK$60.36 million (six months ended 30 June 2021: HK$59.79 million).

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

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

## CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2022, the Group had capital commitments for acquisition of property, plant and equipment of approximately HK$0.05 million (31 December 2021: HK$Nil) and had no material contingent liabilities (31 December 2021: HK$Nil).

## DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

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

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

(i) the Lender had set 12 August 2022 as the deadline for the group (either as Borrower, co-guarantors or otherwise) to fully repay the Outstanding Sum; and

(ii) if the Lender failed to receive full repayment of the Outstanding Sum on or before 12 August 2022, the Lender should commence legal proceedings against the Company and the Guarantor Subsidiaries to enforce its rights for repayment of the Outstanding Sum and/or its rights over the collaterals held by it.

The Group were not able to repay the entirety of the alleged Outstanding Sum by 12 August 2022. The Group will continue to assess the impact in connection with the HK Demand Letter, the PRC Demand Letter, the Second HK Demand Letter, the Second PRC Demand Letter, the Third HK Demand Letter and is seeking professional advice, including but not limited to legal and financial advice, on the actions it may take in relation to the alleged Outstanding Sum and/or the said letters. The Group has already engaged legal advisers to negotiate with the Lender on the possibility of extending the repayment date and other possible options. Further announcement(s) will be made by the Company in Compliance with the Listing Rules as and when appropriate or required.

For further details, please refer to the R13.09 and 13.19 Announcements.

## SIGNIFICANT EVENTS AFTER THE PERIOD

Save as disclosed in the paragraph headed "Disclosure pursuant to Rule 13.21 of the Listing Rules" above, there were no significant events occurred subsequent to 30 June 2022 which would materially affect the Group's operating and financial performance as at the date of this announcement.

## MATERIAL ACQUISITIONS OR DISPOSALS

During the Period, the Group did not carry out any material acquisitions or disposals of its subsidiaries and associates.

## 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" contained in Part 2 of Appendix 14 to the Listing Rules (the "**CG Code**") which sets out (a) the principles of good corporate governance; (b) the code provisions (on a "comply or explain" basis); and (c) the recommended best practices (which are encouraged to be adopted on a voluntary basis).

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 profit. 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 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 Part 2 of Appendix 14 to the Listing Rules.

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

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

The Company, having made specific enquiries, confirms that each member of the Board complied with the Own Dealing Code throughout the 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.

## CHANGES IN THE COMPOSITION OF THE BOARD AND BOARD COMMITTEES

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

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

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

With effect from 21 July 2022,

(1) Ms. Xing Mengwei has been appointed as an executive Director, a member of the executive committee of the Board (the "**Executive Committee**") and an authorised representative ("**Authorised Representative**") of the Company under Rule 3.05 of the Listing Rules;

(2) Mr. Xu Xinwei has been appointed as an independent non-executive Director, the chairman of the Nomination Committee and a member of each of the Audit Committee and the Remuneration Committee;

(3) Mr. Lau Fai Lawrence, an independent non-executive Director, has ceased to be an Authorised Representative; and

(4) Mr. Mak Kwok Kei, an independent non-executive Director, has been re-designated (i) from the chairman of the Nomination Committee to a member of the Nomination Committee; and (ii) from a member of the Remuneration Committee to the chairman of the Remuneration Committee.

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

(i) the Board comprises three independent non-executive Directors in compliance with Rule 3.10(1) of the Listing Rules;

(ii) the Audit Committee comprises three members who are independent non-executive Directors in compliance with Rule 3.21 of the Listing Rules; and

(iii) the Remuneration Committee is chaired by an independent non-executive Director in compliance with Rule 3.25 of the Listing Rules.

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

With effect from 11 August 2022,

(1) Mr. Hung Yeung Alvin has been appointed as an executive Director and the chairman of the Executive Committee; and

(2) Ms. Xing Mengwei, an executive Director, has been appointed as the chief executive officer of the Company.

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

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

## AUDIT COMMITTEE

The Audit Committee had reviewed this announcement (including the interim results and the unaudited condensed consolidated interim financial statements of the Group) 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 interim report for the six months ended 30 June 2022 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, 29 August 2022

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

* *English translation or transliteration of Chinese name is for identification purpose only*