Renco Holdings Group Limited
融科控股集團有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 2323)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

The board (the "**Board**") of directors (the "**Directors**") of Renco Holdings Group Limited (the "**Company**") is pleased to announce the audited consolidated annual results and financial positions of the Company and its subsidiaries (collectively, the "**Group**") (the "**2023 Audited Annual Results**") for the year ended 31 December 2023 (the "**FY2023**" or "**Year**") together with the comparative figures for the year ended 31 December 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	**2023** *HKD'000*	2022 *HKD'000*
REVENUE	*5*	**257,685**	355,682
Cost of sales		**(239,464)**	(323,421)
GROSS PROFIT		**18,221**	32,261
Other income	*6*	**5,255**	5,163
Other gains and losses	*7*	**(34,205)**	41,177
Impairment loss on financial assets		**(218,159)**	(335,015)
Selling and distribution expenses		**(10,400)**	(14,932)
Administrative expenses		**(61,071)**	(75,917)
OPERATING LOSS		**(300,359)**	(347,263)
Finance costs	*8*	**(59,975)**	(65,766)
Share of results of joint ventures		**–**	(20,662)
Share of results of associates		**(14,779)**	(30,527)
LOSS BEFORE TAX		**(375,113)**	(464,218)
Income tax expense	*9*	**(1,173)**	(1,918)
LOSS FOR THE YEAR	*10*	**(376,286)**	(466,136)

	Notes	**2023**	2022
		HKD'000	*HKD'000*
Other comprehensive loss after tax:			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(56,235)**	(31,044)
Exchange differences reclassified to profit or loss on disposal of subsidiaries		**–**	4,578
Share of other comprehensive income of associates		**(3,312)**	(2,469)
Items that will not be reclassified to profit or loss:			
Gain on revaluation of property, plant and equipment		**39,032**	2,438
Income tax effect		**(9,758)**	(610)
Other comprehensive loss for the year, net of tax		**(30,273)**	(27,107)
Total comprehensive loss for the year		**(406,559)**	(493,243)
Loss per share (HK cents)			
— Basic and diluted	*12*	**(14.21)**	(19.08)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 HKD'000	2022 HKD'000
NON-CURRENT ASSETS			
Property, plant and equipment		**299,089**	280,039
Right-of-use assets		**8,830**	6,756
Investments in associates		**528,622**	551,809
Investment in joint ventures		**–**	–
Rental and utility deposits		**21**	21
Financial assets at fair value through profit or loss		**2,407**	2,397
Deposits paid		**36**	105
Other receivables		**–**	2,374
Total non-current assets		**839,005**	843,501
CURRENT ASSETS			
Inventories		**31,079**	44,043
Trade receivables	*13*	**56,767**	86,552
Prepayments, other receivables and other assets	*13*	**70,135**	87,427
Loan receivables	*14*	**630,135**	785,703
Note receivables	*15*	**–**	69,049
Financial assets at fair value through profit or loss		**56,393**	74,377
Bank balances and deposits		**23,877**	46,943
Total current assets		**868,386**	1,194,094
CURRENT LIABILITIES			
Trade payables	*16*	**60,459**	89,069
Other payables and accruals	*16*	**234,379**	161,364
Tax payable		**274,643**	275,943
Lease liabilities		**2,890**	3,193
Borrowings	*17*	**1,195,468**	901,409
Loan from a director		**16,957**	111,137
Total current liabilities		**1,784,796**	1,542,115
NET CURRENT LIABILITIES		**(916,410)**	(348,021)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(77,405)**	495,480

	Notes	**2023**	2022
		HKD'000	*HKD'000*
NON-CURRENT LIABILITIES			
Lease liabilities		**3,257**	960
Borrowings	*17*	**–**	177,941
Deferred tax liabilities		**23,926**	14,608
Total non-current liabilities		**27,183**	193,509
NET (LIABILITIES)/ASSETS		**(104,588)**	301,971
EQUITY			
Equity attributable to owners of the Company			
Share capital		**264,800**	264,800
Reserves		**(369,388)**	37,171
TOTAL EQUITY		**(104,588)**	301,971

Notes:

1. GENERAL INFORMATION

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

As at 31 December 2023, in the opinion of the directors (the "**Directors**") of the Company, the Company has no immediate and ultimate holding company or ultimate controlling party.

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

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

– manufacturing and sale of a broad range of printed circuit boards ("**PCBs**");

– investment and trading of securities and related treasury activities; and

– advising on securities and asset management services.

2. BASIS OF PREPARATION

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

Going concern assumption

The Group incurred a consolidated net loss of approximately HK$376,286,000 during the year ended 31 December 2023 and as at 31 December 2023 the Group had net current liabilities and net liabilities of approximately HK$916,410,000 and HK$104,588,000 respectively. In addition, the Group had outstanding borrowings of approximately HK$1,195,468,000 which would be due for repayment within the next twelve months, loan from a director of approximately HK$16,957,000 which are repayable on demand and bank balances and deposits of approximately HK$23,877,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

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

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

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

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

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

(v) the Group is actively exploring the availability of various sources of financing including the disposal of assets or obtain secured facilities by way of pledge of assets etc.

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

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

In the current year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2023. HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**"); Hong Kong Accounting Standards ("**HKAS**"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years.

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

4. SEGMENT REPORTING

(a) Reportable segments

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

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

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

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

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

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

	2023			
	Manufacturing	**Treasury investment**	**Financial service**	**Total**
	HKD'000	***HKD'000***	***HKD'000***	***HKD'000***
Revenue from external customers	**263,120**	**(5,435)**	**–**	**257,685**
Reportable segment loss	**(83,666)**	**(281,727)**	**(5,191)**	**(370,584)**
Amounts included in the measure of segment profit or loss:				
Interest income	**–**	**12,048**	**–**	**12,048**
Finance costs	**(14,180)**	**(45,795)**	**–**	**(59,975)**
Provision for litigation	**(54,357)**	**–**	**–**	**(54,357)**
Depreciation of property, plant and equipment	**(3,576)**	**(1,220)**	**–**	**(4,796)**
Depreciation of right-of-use assets	**(3,143)**	**(818)**	**–**	**(3,961)**
Reversal of write-down/ (write-down) of other payables	**3,739**	**(3,518)**	**–**	**221**
Share of results of associates	**–**	**(14,779)**	**–**	**(14,779)**
Impairment loss on financial assets	**(1,419)**	**(216,740)**	**–**	**(218,159)**
Reportable segment assets	**435,271**	**1,205,267**	**66,172**	**1,706,710**
Amounts included in the measure of segment assets:				
Interests in associates	**–**	**528,622**	**–**	**528,622**
Additions to non-current assets#	**6,234**	**–**	**–**	**6,234**
Reportable segment liabilities	**(489,515)**	**(1,003,555)**	**(44,266)**	**(1,537,336)**

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

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

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

	2023	2022
	HKD'000	*HKD'000*
Profit or loss		
Reportable segment loss	**(370,584)**	(454,417)
Other unallocated staff cost	**(4,529)**	(9,801)
Consolidated loss before income tax expense	**(375,113)**	(464,218)

	2023	2022
	HK$'000	*HK$'000*
Assets		
Reportable segment assets	**1,706,710**	2,030,850
Unallocated bank balances and deposits	**681**	6,745
Consolidated total assets	**1,707,391**	2,037,595

	2023	2022
	HK$'000	*HK$'000*
Liabilities		
Reportable segment liabilities	**1,537,336**	1,459,681
Tax payable	**274,643**	275,943
Consolidated total liabilities	**1,811,979**	1,735,624

(b) ***Geographical information***

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

	Revenue from external customers		Specified non-current assets	
	2023	2022	**2023**	2022
	HKD'000	*HKD'000*	***HKD'000***	*HKD'000*
Hong Kong (place of domicile)	**10,316**	24,160	**280,389**	299,702
The People's Republic of China (the "**PRC**")	**72,628**	100,342	**307,646**	285,429
Singapore	**11,165**	13,717	**–**	–
Malaysia	**902**	1,444	**–**	–
Germany	**29,661**	37,936	**–**	–
Poland	**21,288**	52,993	**–**	–
Other Europe countries	**53,825**	49,618	**–**	–
United States of America	**6,750**	4,587	**–**	–
Korea	**85**	1,989	**–**	–
Japan	**42,670**	39,036	**–**	–
Others	**8,395**	29,860	**–**	–
Total	**247,369**	331,522	**307,646**	285,429
	257,685	355,682	**588,035**	585,131

Note:

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

(c) ***Information about major customers***

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

	2023	2022
	HKD'000	*HKD'000*
Customer A*	**30,004**	52,993
Customer B*	**N/A#**	39,036

* Included in the manufacturing segment.

\# Revenue does not over 10% during the corresponding year end.

5. REVENUE

	2023 *HKD'000*	2022 *HKD'000*
Revenue from contracts with customers		
– Sales of goods	**263,120**	368,834
Revenue from other sources		
Fair value loss on trading purpose equity investments at FVTPL, net		
– Unrealised loss	**(17,983)**	(41,478)
Interest income		
– Loan and note receivables	**12,048**	28,213
Management fee income	**500**	113
Total revenue from other sources	**(5,435)**	(13,152)
Total revenue	**257,685**	355,682

Disaggregated revenue information

For the year ended 31 December 2023

Type of goods or services	**Manufacturing** *HKD'000*	**Treasury investment** *HKD'000*	**Financial service** *HKD'000*	**Total** *HKD'000*
Sales of goods	**263,120**	**–**	**–**	**263,120**
Total revenue from contracts with customers	**263,120**	**–**	**–**	**263,120**
Timing of revenue recognition				
Goods transferred at a point in time	**263,120**	**–**	**–**	**263,120**
Total revenue from contracts with customers	**263,120**	**–**	**–**	**263,120**
Geographical markets				
The PRC	**72,628**	**–**	**–**	**72,628**
Hong Kong	**15,751**	**–**	**–**	**15,751**
Singapore	**11,165**	**–**	**–**	**11,165**
Malaysia	**902**	**–**	**–**	**902**
Germany	**29,661**	**–**	**–**	**29,661**
Poland	**21,288**	**–**	**–**	**21,288**
Other Europe countries	**53,825**	**–**	**–**	**53,825**
United States of America	**6,750**	**–**	**–**	**6,750**
Korea	**85**	**–**	**–**	**85**
Japan	**42,670**	**–**	**–**	**42,670**
Other countries/regions	**8,395**	**–**	**–**	**8,395**
Total revenue from contracts with customers	**263,120**	**–**	**–**	**263,120**

For the year ended 31 December 2022

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

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

6. OTHER INCOME

	2023 ***HKD'000***	2022 *HKD'000*
Bank interest income	**173**	20
Government grants	**111**	1,520
Recharged tooling income	**775**	207
Fair value change on financial assets at fair value through profit or loss	**10**	–
Others	**4,186**	3,416
	5,255	5,163

7. OTHER GAINS AND LOSSES

	2023	2022
	HKD'000	*HKD'000*
Net exchange gain/(loss)	**19,931**	(13,752)
Provision for litigation *(Note (a))*	**(54,357)**	–
Written back on other payables and accruals	**221**	38,268
Waiver for payable to Mr. Liu Tingan	**–**	16,661
	(34,205)	41,177

Note:

(a) During the year, a judgement ("**Judgement**") related to certain litigations between Topsearch Printed Circuits Macao Commercial Offshore Company Limited ("**Topsearch Macao**"), a wholly-owned subsidiary of the Company and CIRCUITRONIX, LLC ("**CTX**"), issued by the circuit court of 17th Judicial Circuit (the "**Court**") in and for Broward County, Florida of the United States of America ("**US**"), was handed down.

Topsearch Macao filed its breach of contract action at the Court against CTX for failure to make payment pursuant to invoices sent to CTX, while CTX filed a counterclaim against Topsearch Macao for, amongst other things, breach of contract. The Judgment was entered in favour of Topsearch Macao in relation to its claim, and Topsearch Macao will be entitled to receive 100% of the damages sought against CTX. However, the Judgment was also entered in favour of CTX in relation to a number of its counterclaims. The net amount that Topsearch Macao was adjudged to pay CTX in the Judgement is in the sum of US$6,944,217.36 (equivalent to approximately HK$54,357,000), which shall bear interest at the applicable statutory rate. Pursuant to the Judgment, the Court reserves jurisdiction to determine the entitlement to, and amount of, reasonable attorney's fees and court costs.

During the year, an appeal ("**Appeal**") was filed by Topsearch Macao with the district court of appeal (the "**Appeal Court**") of the state of Florida of the US against the Judgement in relation to the claims made by Topsearch Macao against CTX. The Appeal was subsequently dismissed and an order was made by the Appeal Court in January 2024, approving the dismissal of the Appeal.

8. FINANCE COSTS

	2023	2022
	HKD'000	*HKD'000*
Interest on:		
– Lease liabilities	**346**	661
– Borrowings	**51,327**	57,608
– Loans from a director	**8,302**	7,497
	59,975	65,766

9. INCOME TAX

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

	2023	2022
	HKD'000	*HKD'000*
Current tax – PRC Enterprise Income Tax		
– tax for the year	**1,173**	1,918
Deferred tax	**–**	–
	1,173	1,918

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

According to the Macau Complementary Tax Law, assessable profit up to MOP600,000 is exempt from Complementary Tax, and assessable profit exceeding MOP600,000 is taxed at a rate of 12% for the year ended 31 December 2023 and 2022.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the statutory tax rate of the Group's PRC subsidiaries is 25% (2022: 25%).

10. LOSS FOR THE YEAR

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

	2023	2022
	HKD'000	*HKD'000*
Auditor's remuneration		
Audit services		
– Current year	**1,150**	1,250
Cost of inventories sold	**239,464**	323,421
Depreciation charge of property, plant and equipment	**12,447**	17,982
Depreciation charge of right-of-use assets	**3,961**	4,566
Impairment loss on financial assets	**218,159**	335,015
Employee costs *(Note 11)*	**83,092**	101,471

11. EMPLOYEE COSTS

	2023	2022
	HKD'000	*HKD'000*
Employee costs (including directors' remuneration) comprise:		
– Wages and salaries	**68,783**	85,795
– Contributions to retirement benefits scheme	**10,074**	13,315
– Other staff benefits	**4,235**	2,361
	83,092	101,471

12. LOSS PER SHARE

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

	2023 *HKD'000*	2022 *HKD'000*
Loss		
Loss for the purpose of basic and diluted loss per share	**(376,286)**	(466,136)

	2023	2022
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic loss per share	**2,648,000,000**	2,443,068,493

No adjustment is made to the basic loss per share for the years ended 31 December 2023 and 2022 as the potential ordinary shares represented by the Share Awards have an anti-dilutive effect on the basic loss per share amounts presented.

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

	2023 *HKD'000*	2022 *HKD'000*
Trade receivables *(Note (a))*	**150,275**	178,660
Less: Allowance for doubtful debts *(Note (a))*	**(93,508)**	(92,108)
	56,767	86,552
Prepayments, other receivables and other assets *(Note (b))*		
– Prepayments	**5,499**	13,399
– Deposits paid	**1,980**	3,147
– Other receivables	**60,230**	70,881
– Loan to a third party	**2,426**	–
	70,135	87,427
	126,902	173,979

Notes:

(a) Trade receivables

The Group's trade receivables that are denominated in a currency other than the functional currencies of the relevant group entities are set out below:

	2023 *HKD'000*	2022 *HKD'000*
Denominated in United States dollars ("**US$**")	**52,891**	79,761

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:

	2023	2022
	HKD'000	*HKD'000*
0 – 30 days	**18,678**	27,070
31 – 60 days	**5,226**	25,296
61 – 90 days	**16,720**	18,181
Over 90 days	**16,143**	16,005
	56,767	86,552

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

	2023	2022
	HKD'000	*HKD'000*
0 – 30 days past due	**7,400**	15,790
31 – 90 days past due	**1,909**	3,579
Over 90 days past due	**2,710**	290
	12,019	19,659

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

	2023	2022
	HKD'000	*HKD'000*
At beginning of the year	**92,108**	87,162
Impairment loss recognised	**1,419**	4,994
Exchange realignment	**(19)**	(48)
At end of the year	**93,508**	92,108

(b) Prepayments, other receivables and other assets

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

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

The loan of RMB2,100,000 is interest bearing of 5% per annum with a maturity period of 3 years. It will be matured on 31 December 2024.

14. LOAN RECEIVABLES

	2023	2022
	HKD'000	*HKD'000*
Secured loans *(Note (a))*	**1,710,891**	1,723,959
Less: Allowances for doubtful debts	**(1,080,756)**	(938,256)
	630,135	785,703

Notes:

(a) The balance represents secured loans to independent third party corporate borrowers which bear fixed interest rates ranging from 3% to 36% (2022: 3% to 36%) per annum with initial loan period ranging from 12 months to 24 months. These loans were secured by the following:

- fund investments of a borrower;
- 55% equity interest in a borrower;
- interests in certain properties of a borrower;
- equity investments owned by the shareholder of a borrower;
- listed shares owned by the related companies of a borrower;
- listed shares of group companies of the borrower;
- issued share capital of group companies of the borrowers;
- interest in rights to use of a number of sea areas in the PRC owned by the group companies of the borrowers; and
- personal guarantees executed by the shareholders or key management personnel of the borrowers.

(b) Included in the loan receivables is a short-term interest-free loan amounted to HK$20,000,000 which was lent to the bond issuer as mentioned in Note 15. The securities of this loan and the bond receivable in Note 15 are the same.

15. NOTE RECEIVABLES

	2023	2022
	HKD'000	*HKD'000*
Secured	**230,165**	230,165
Less: Allowances for doubtful debts	**(230,165)**	(161,116)
	–	69,049

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

In 2020, three out of the four bonds with carrying amount in aggregate of HK$986,837,000 were settled through several restructuring and debt assignment agreements. The bond of HK$230,165,000 that remained held by the Group at 31 December 2021 is a 5% fixed coupon redeemable unlisted bond secured by the issuer's interests in certain bonds issued by a company listed on the Stock Exchange (the "**Listing Company**").

As at 31 December 2023, the note receivables at amount of HK$230,165,000 was fully impaired by the Group after considering (i) trading of the stock of the Listed Company was suspended in July 2023; and (ii) the Group engaged a lawyer and sent demand letters to the Listed Company in September 2023 , which the Group has not received any response from the Listed Company since September 2023.

16. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2023	2022
	HKD'000	*HKD'000*
Trade payables	**60,459**	89,069
Other payables and accruals		
– Other payables *(Note)*	**66,231**	41,999
– Interests payables	**26,814**	34,346
– Accruals	**87,109**	85,019
– Provision for litigation *(Note 7)*	**54,225**	–
	234,379	161,364
	294,838	250,433

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

	2023	2022
	HKD'000	*HKD'000*
0 – 30 days	**9,963**	6,259
31 – 60 days	**11,089**	11,333
61 – 90 days	**7,022**	12,650
Over 90 days	**32,385**	58,827
	60,459	89,069

The Group's trade payables that are denominated in a currency other than the functional currencies of the relevant group entities are set out below:

	2023	2022
	HKD'000	*HKD'000*
Denominated in US$	**–**	6,379
Denominated in Japanese Yen	**168**	30

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

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

Note:

As at 31 December 2023, certain payable of approximately HK$16,668,000 (2022: HK$16,668,000) was due to Mr. Cheok Ho Fung ("**Mr. Cheok**"), an executive director of the Company, unsecured, interest-free and repayable on demand.

17. BORROWINGS

	2023	2022
	HKD'000	*HKD'000*
Secured bank loans repayable within one year *(Note (a))*	**116,779**	130,781
Other loans, unsecured *(Note (b))*	**266,607**	177,941
Other loans, secured *(Note (c))*	**812,082**	770,628
	1,195,468	1,079,350
Current portion	**1,195,468**	901,409
Non-current portion	**–**	177,941
	1,195,468	1,079,350

Notes:

(a) The bank loans are secured by certain buildings and right-of- use assets in respect of leasehold land held by the Group, corporate guarantee of the Company and personal guarantee of Mr. Cheok. As at 31 December 2023, bank loans of approximately HK$116,779,000 (2022: HK$130,781,000) carried fixed interest rate ranged from 3.65% to 6.07% (2022: 3.70% to 5.55%) per annum.

(b) As at 31 December 2023, including in unsecured other loans obtained from Jade Summit Holdings Limited, an associate amounted to approximately HK$166,415,000 (2022: HK$177,941,000). The loan from the associate is non-interest bearing, unsecured and repayable in 2024.

On 21 December 2023, the Company entered into a deed of assignment with Mr. Cheok and a company which incorporated in British Virgin Islands ("**Assignee**"). Mr. Cheok has agreed to assign and transfer the unsecured loan of approximately HK$100,192,000 ("**Indebtedness**") to the Assignee. The Indebtedness is unsecured, interest-bearing at the rate of 7% per annum and repayment on demand. The Assignee is an independent third party to the Group.

(c) Secured other loans borrowed from an independent third party lender bears interest at a rate of 3% to 8% per annum (2022: 3% to 8% per annum) and approximately HK$812,082,000 are repayable within the next twelve months (2022: HK$770,628,000 of which are repayable within the next twelve months). The balance is secured by:

– Corporate guarantee of the Company;

– Equity interests in certain subsidiaries of the Company;

– The Group's interest in an associate;

– Trade and loan receivables with carrying amount of approximately HK$215,328,000 (2022: HK$215,328,000); and

– Financial assets at fair value through profit or loss ("**FVTPL**") with carrying amount of approximately HK$18,269,000 (2022: HK$40,564,000).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

For the Year, the Group recorded a total revenue of approximately HK$257.69 million, representing a decrease of approximately 27.55% as compared with the total revenue of approximately HK$355.68 million for the corresponding year in 2022. Such a decrease in revenue was mainly due to the decrease in sales volume from manufacturing segment of the Group. The revenue generated by the manufacturing segment during the Year amounted to approximately HK$263.12 million (2022: HK$368.83 million). The loss for the Year generated by the treasury investments segment was approximately HK$5.44 million (2022: HK$13.15 million).

For the Year, the Group recorded a loss before tax of approximately HK$375.11 million (2022: HK$464.22 million), which was mainly attributable to (i) the unrealised fair value losses on financial investments held for trading through profit or loss of approximately HK$17.98 million (2022: HK$41.48 million) and (ii) the impairment losses on trade receivables, other receivables, loan receivables and note receivables of approximately HK$218.16 million in total in respect of the Group (2022: HK$355.02 million).

Loss attributable to owners of the Company for the Year amounted to approximately HK$376.29 million, as compared with the loss attributable to owners of the Company of approximately HK$466.14 million for the corresponding year in 2022. Basic loss per share attributable to owners of the Company for the Year was approximately 14.21 HK cents, as compared with that of 19.08 HK cents for the corresponding year in 2022.

FINAL DIVIDENDS

The Board has resolved not to recommend any declaration of final dividend for the Year (2022: Nil).

BUSINESS REVIEW

Manufacturing Business

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

Compared to the revenue for the corresponding year of 2022, the sales of goods in the Group's manufacturing segment decreased by approximately 28.67% from approximately HK$368.83 million in the corresponding year in 2022 to approximately HK$263.12 million for the Year whereas its gross profit margin decreased from 12.31% in the corresponding year in 2022 to 8.99% for the Year.

Treasury Investments

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

For the Year, the Group's treasury investments segment recorded a loss of approximately HK$281.73 million (2022: HK$460.05 million) in the form of unrealised fair value losses and interest income. The substantial fair value losses were arisen from the adverse market price changes of listed securities held by the Group caused by the downturn of the Hong Kong stock market and the downward share price performance of the listed securities held by the Group during the Year. The provision for impairment losses was arisen as a result of the increase in credit-impaired receivables of the treasury investments segment.

Financial Services

As at the date of this announcement, the Group is exploring the option of ceasing the regulated activities of financial services by way of disposal of its remaining 34% of the shareholdings of immediate holding company holding Renco Investments Limited ("**Renco Investments**") during the first half of 2024 after evaluating the cost and benefit of such actions. As at the date of this announcement, Renco Investments carried out Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities under the Securities and Futures Ordinance.

Offshore Private Funds Management

As several significant amounts of investments and loans made by some offshore private funds were not repaid as scheduled, the general partners of these offshore private funds have continued operating in difficulty. All of 12 offshore private funds together with 15 of their general partners were struck off by the registrar of companies in the Cayman Islands.

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

Investment, Consultancy and Corporation Solution Services

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

During the Year, the Group did not provide any consultancy and corporate solution services due to the capital market fluctuations.

FINANCIAL REVIEW

Liquidity and Financial Resources

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

As at 31 December 2023, the Group had total equity of approximately HK$104.59 million (31 December 2022: HK$301.97 million) and net debts (trade payables, other payables and accruals, loan from a Director, and borrowings less bank balances and deposits) of approximately HK$1,483.39 million (31 December 2022: HK$1,393.98 million), representing a gearing ratio, defined as net debts over total equity plus net debts, of 93.41% (31 December 2022: 82.19%).

As at 31 December 2023, the Group's net current liabilities of approximately HK$916.41 million (31 December 2022: net current liabilities of approximately HK$348.02 million) consisted of current assets of approximately HK$868.39 million (31 December 2022: HK$1,194.09 million) and current liabilities of approximately HK$1,784.80 million (31 December 2022: HK$1,542.12 million), representing a current ratio of 0.49 (31 December 2022: 0.77).

As at 31 December 2023, the Group's current assets consisted of approximately HK$23.88 million (31 December 2022: HK$46.94 million) held as bank balances and deposits, which were mainly denominated in HK$, US$ and RMB.

As at 31 December 2023, the Group's manufacturing segment's current assets also consisted of approximately HK$56.77 million (31 December 2022: HK$86.55 million) held as trade receivables. As at 31 December 2023, the debtors turnover days was approximately 80 days (31 December 2022: 86 days).

The Group's inventories decreased from approximately HK$44.04 million as at 31 December 2022 to approximately HK$31.08 million as at 31 December 2023. Inventory turnover days in the Group's manufacturing segment was approximately 47 days as at 31 December 2023 (31 December 2022: 50 days). Trade payables decreased from approximately HK$89.07 million as at 31 December 2022 to approximately HK$60.46 million as at 31 December 2023. Creditors turnover days was approximately 92 days as at 31 December 2023 (31 December 2022: 101 days).

Interest-bearing Borrowings

The bank loans were secured by certain buildings and right-of-use assets related to leasehold land, corporate guarantee of the Company and personal guarantee of a Director during the Year. As at 31 December 2023, bank loans of approximately HK$116.78 million (31 December 2022: HK$130.78 million) carried fixed interest rates ranging from 3.65 % to 6.07 % per annum (31 December 2022: 3.70% to 5.55% per annum).

As at 31 December 2023, other loan obtained from an associate amounting to approximately HK$166.42 million (31 December 2022: HK$177.94 million) was unsecured, non-interest bearing and repayable in 2024. On 21 December 2023, the Company entered into a deed of assignment with Mr. Cheok Ho Fung ("**Mr. Cheok**") and a special purpose vehicle ("**Assignee**"). Mr. Cheok has agreed to assign and transfer the unsecured loan of approximately HK$100,192,000 ("**Indebtedness**") to the Assignee. The Indebtedness is unsecured, interest-bearing at the rate of 7% per annum and repayment on demand. The Assignee is an independent third party. 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 2022: 3% to 8% per annum), of which approximately HK$812.08 million (31 December 2022: HK$770.63 million) were repayable within the next 12 months.

Apart from the secured borrowings described above, there were loans advanced by Mr. Cheok of approximately HK$16.96 million as at 31 December 2023 (31 December 2022: HK$111.14 million) at an effective interest rate of 7% per annum (31 December 2022: 7% per annum) which are repayable on demand. The financial assistance provided by Mr. Cheok was connected transaction 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, this transaction is fully exempted from the reporting, announcement, and approval from independent shareholders of the Company (the "**Shareholders**") requirements pursuant to the Listing Rules because it is conducted on normal commercial terms or better and is not secured by the assets of the Group.

CAPITAL STRUCTURE

As at 31 December 2023, the total issued share capital of the Company was HK$264,800,000 (31 December 2022: HK$264,800,000), comprising 2,648,000,000 (31 December 2022: 2,648,000,000) ordinary shares of HK$0.1 each.

SIGNIFICANT INVESTMENTS

Subscription and/or Holding of Listed Securities

As at 31 December 2023, the Group held financial assets at FVTPL of approximately HK$58.80 million (31 December 2022: HK$76.77 million) of which the club debenture of approximately HK$2.40 million (31 December 2022: HK$2.40 million) was classified as non-current assets and the listed equity investments of approximately HK$56.39 million (31 December 2022: HK$74.38 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 securities investments:

					For the year ended 31 December 2023						
Name of investment targets	*Notes*	**Number of shares**	**Approximate percentage of interest held**	**Cost/ fair value as at 1 January 2023** *(HK$'000)*	**Additions/ (transfer)** *(HK$'000)*	**Market prices as at 31 December 2023** *(HK$)*	**Market value** *(HK$'000)*	**Approximate percentage of investments attributable to the Group's total assets as at 31 December 2023**	**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%	9,167	N/A	0.250	10,417	0.61%	N/A	N/A	1,250
SuperRobotics (the "**SuperRobotics Shares Batch 2**")	*(b)*	64,148,063	12.67%	14,113	N/A	0.250	16,037	0.94%	N/A	N/A	1,924
SuperRobotics (the "**SuperRobotics Shares Batch 3**")	*(c)*	24,397,946	4.82%	5,368	N/A	0.250	6,099	0.36%	N/A	N/A	731
SuperRobotics (the "**SuperRobotics Shares Batch 4**")	*(d)*	13,533,333	2.67%	2,977	N/A	0.250	3,383	0.20%	N/A	N/A	406
Huarong International Financial Holdings Limited (HKSE Stock Code: 993) (the "**Huarong Financial**")	*(e)*	237,359,400	2.73%	28,483	N/A	0.052	14,242	0.83%	N/A	N/A	(14,241)
Bank of Gansu Co., Ltd. (HKSE Stock Code: 2139) (the "**Bank of Gansu**")	*(f)*	11,506,000	0.30%	12,081	N/A	0.800	4,027	0.24%	N/A	N/A	(8,054)

(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 HKBridge Absolute Return Fund LP (the "**Absolute Return Fund**") at the consideration of approximately 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 approximately 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.

During the Year, all the shares of SuperRobotics Shares Batch 2 have been fully distributed to its sole limited partner of the Absolute Return Fund.

(c) SuperRobotics Shares Batch 3

On 29 May 2020, the Hong Kong Bridge One Belt One Road Natural Resource Fund LP (the "**Natural Resource Fund**"), the Hong Kong Bridge One Belt One Road Fixed Income Fund LP (the "**Fixed Income Fund**") and the two limited partners of the Hong Kong Bridge High-Tech Investment Fund LP (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 approximately HK$70.75 million as at 1 January 2020. 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.

During the Year, all the shares of SuperRobotics Shares Batch 3 have been fully distributed to the sole limited partner of the High-Tech Investment Fund.

(d) SuperRobotics Shares Batch 4

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

As at the date of this announcement, the Group held approximately 28.4% shareholding in SuperRobotics after the aforesaid reconstruction and the market value of all SuperRobotics Shares was approximately HK$57.50 million.

(e) Huarong Financial Shares

On 8 December 2017, the Group acquired a total 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 approximately HK$675.90 million of the Group and the fair value of the Huarong Financial was approximately HK$12.82 million.

(f) Bank of Gansu Shares

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

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

During the Year, the investment in the Bank of Gansu Shares recorded an unrealised fair value loss of approximately HK$8.05 million (2022: HK$5.18 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 approximately HK$675.90 million in total and the fair value of the Bank of Gansu Shares was approximately HK$4.20 million.

PROVISION OF FINANCIAL ASSISTANCE

During the Year, the Group also engaged in the provision of financial assistance for debt investments to some independent third parties. As at 31 December 2023, the total outstanding receivables in relation to this activity amounted to approximately HK$630.14 million (31 December 2022: HK$854.75 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$211.55 million (2022: HK$302.51 million) for those overdue financial assistances during the Year. The Board was of the opinion that such impairment provided by the Group were made in accordance with the requirements of the accounting standards.

In order to lower the investment risks and reduce the losses, the Group puts its best efforts to maximise the recovery of the relevant financial assistances by restructuring or conducting lawsuits against several debtors. The Board will keep on assessing and ascertaining the recoverability of the following transactions closely and may further increase the provisions for impairment loss in 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 Zhanjiang Advance 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 and amounted to approximately RMB60.75 million as at 30 June 2019. Subsequent to such filing, the Group received a notice of acceptance for litigation proceedings(受理案件通知書) issued by 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.

On 21 January 2021, the Group received the first judgement issued by Shaoguan Court (the "**First Judgement**"). It was held that the Zhanjiang Borrower and the guarantors were liable to make payment to the Group for (i) the total sum of about RMB178.36 million (the "**New Principal**"), including the outstanding principal and interests accrued at the rate of 4.75% per annum from the borrowing date to 16 May 2019, (ii) the interest on the amount of the New Principal accrued from 16 May 2019 to 19 August 2019 at the rate of 4.75% per annum, and (iii) the interest on any outstanding amount commencing from 20 August 2019 until the final settlement of the amount of the New Principal would accrue at the one-year term of Loan Prime Rate(貸款市場報價利率)announced by the National Interbank Funding Center(全國銀行間同業拆借中心) in the PRC. The Group subsequently filed an appeal against the First Judgement on 9 February 2021 after having consulted with its PRC legal advisors. Subsequent to such filing of appeal, the Group received a notice of acceptance for appeal proceedings issued by Shaoguan Court on 19 February 2021. However, in order to recover this financial assistance as soon as possible by way of exercising its right in the 55% equity interest in the Zhanjiang Borrower, the Group withdrew the appeal and received the withdrawal notice from the Shaoguan Court on 16 July 2021, and 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 for the exercise of such rights in the Shenzhen Court. After consulting with its PRC legal advisors, the Group submitted an objection to such judgement from the Shenzhen Court to The High People's Court of Guangdong Province(廣東省高級人民法院)(the "**Guangdong High Court**") for the final appeal on 15 October 2021.

Due to the failure of Zhanjiang Borrower to make repayment and having regard to the lengthy legal proceedings and enforcement process, the management of the Group considered that the loan amount due from the Zhanjiang Borrower would probably not be recovered until the second half year of 2024. Having considered the existing market value of the collaterals by the management of the Group, no further impairment loss was provided for the Year in respect of the loan receivables according to the HKFRS 9 (2022: HK$Nil). The carrying amount of the amount due from the Zhanjiang Borrower (after deducting the accumulated impairment loss of HK$76.96 million) as at 31 December 2023 was approximately HK$192.05 million (31 December 2022: HK$197.88 million).

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

(b) Zhonghong Advance

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

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

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

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

Pursuant to the Arbitral Awards, the Group could apply to the Hainan Court to dispose by way of auction the relevant guarantor's assets. However, the recovering process of the New Zhonghong Advance would involve restructuring discussion with other major creditors of the Zhonghong Borrower. In the opinion of the management of the Group, the outstanding amount of the New Zhonghong Advance would likely to be recovered within three to four years. Although the restructuring plan would be complicated and time consuming, however, having considered the existing market values of the collaterals, no further impairment loss was provided during the Year for the New Zhonghong Advance in the opinion of the management of the Group according to the HKFRS 9 (2022: HK$Nil). The carrying amount of the amount due from the Zhonghong Borrower (after deducting the accumulated impairment loss of HK$246.10 million) as at 31 December 2023 was approximately HK$205.53 million (31 December 2022: HK$215.33 million).

As at the date of this announcement, the New Zhonghong Advance has been pledged as security for a long-term borrowing of approximately HK$675.90 million of the Group.

(c) China Gem Jiangsu Advance

The Group entered into a loan agreement dated 19 October 2017 with China Gem Enterprise Development (Jiangsu) Limited*(中石企業發展(江蘇)有限公司)(the "**China Gem Jiangsu Borrower**") for the provision of a loan of RMB100.00 million (the "**China Gem Jiangsu Advance**") with the interest rate of 9% per annum and extra undertaking of interest of 9% per annum of the principal amount. The collaterals of the loan were 493,160,000 shares of China Gem Holdings Limited ("**China Gem**"), whose shares are listed on the Main Board of the Stock Exchange (HKSE Stock Code: 1191) (the "**China Gem Shares**") and approximately 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 having obtained additional China Gem Shares, pre-sale agreements in properties in the PRC and interest in a fund held by China Gem Jiangsu Borrower as further securities.

Since the financial performance and the status of business operations of China Gem Jiangsu Borrower as at 31 December 2023 were worse than before, no settlement had been received during the Year. In addition, the market value of the collaterals of the loan had been declining enormously as the China Gem Shares on the Stock Exchange had been suspended trading since 30 August 2021 and with effect on 5 May 2023, the listing of shares of China Gem was canceled. As the default in repayment by China Gem Jiangsu Borrower caused significant increase in the credit risk on the Group's loan receivables, credit-impairment loss had previously been made for China Gem Jiangsu Advance which had been fully impaired as at 31 December 2022. The carrying amount due from China Gem Jiangsu Borrower as at 31 December 2023 (after deducting the accumulated impairment loss of HK$151.01 million) was HK$Nil (31 December 2022: HK$Nil).

DEBT INVESTMENTS

(a) Description of the Business Model

The Company engages in debt investments of (a) the provision of financial assistance (the "**Financial Assistance**"), (b) business in the asset and shareholding restructuring business of the Group (the "**Asset and Shareholding Restructuring Business**") and (c) the subscriptions of interest in offshore private funds (the "**Subscriptions in Funds**") (collectively, the "**Debt Investments**") during the Year.

The Financial Assistance is a kind of business activities in the treasury investments segment. The investment management 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, investment in fund and the Financial Assistance to independent third parties. For details of the Financial Assistance, please also refer to the paragraphs headed "**PROVISION OF FINANCIAL ASSISTANCE**" above on pages 26 to 30 in this announcement.

The Asset and Shareholding Restructuring Business and the Subscriptions in Funds are kinds 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. The carrying amount of the Subscriptions in Funds after fully impaired during the Year was HK$Nil as at 31 December 2023 (31 December 2022: HK$179.66 million). For details of the Subscriptions in Funds, please also refer to the paragraphs headed "**(e) Hong Kong Bridge One Belt One Road M&A Fund LP**", "**(f) Hong Kong Bridge High-Tech Investment Fund LP**" and "**(g) Hong Kong Bridge Landmark Investment Fund LP**" on pages 24 to 28 of Company's interim report for the published on 26 September 2023 (the "**2023 Interim Report**").

Save as discussed above, the Group did not hold any licenses in relation to the Debt Investments during the Year and as at the date of this announcement. The Group did not target on a specific group of customers. The customers of the Group, as at the date of this announcement, were mainly the Group's business partners or companies referred by the former and existing substantial shareholders and/or former executive Directors of the Company.

Since 1 January 2021 and up to the publication date of this announcement, the Group has not granted any new transaction of the Debt Investments.

(b) Number of borrowers of the Debt Investments

As at 31 December 2023, the Group had 16 borrowers of the Debt Investments (31 December 2022: 17 borrowers). The total carrying amount of the loan receivables and note receivables (after deducting the impairments and write-offs for the Year) was HK$630.14 million (31 December 2022: HK$854.75 million) whereas 11 borrowers were related to the Financial Assistance, 4 borrowers were related to the Asset and Shareholding Restructuring Business and 1 borrower was related to the Subscriptions in Funds.

(c) Breakdown of loan receivables and note receivables of the Debt Investments by categories

	31 December 2023			31 December 2022								
	Gross amount *HK$'000*	Impairments *HK$'000*	Net amount *HK$'000*	Net amount *HK$'000*	Principal amount *HK$'000*	Interest rate	Grant date	Duration Year(s)	Terms	Extension granted	Overdue Year(s)	Type of Security
Secured Loan receivables												
(I) the Financial Assistance												
Borrower A	269,005	(76,955)	192,050	197,885	240,000	18%	23-Mar-2017	6.8	Expiry on 23 March 2019 with one year extension option (24 September 2020)	N/A	5.8	55% Equity interest of Borrower A
Borrower B	151,009	(151,009)	–	–	120,000	12%	19-Oct-2017	6.2	18 October 2018 and then extended to 30 June 2020	N/A	3.5	Hong Kong listed shares
Borrower C	–[a]	–	–	–	50,000	5.0%	19-Dec-2018	4.5	18 June 2020 and 6 months extension option (17 December 2020)	Extended to 19 December 2020, 31 December 2021 and 31 December 2022	0.5	Hong Kong listed shares
Borrower D	18,933	(9,466)	9,466	9,466	25,000	5.0%	18-Aug-2020	3.4	31 December 2021 and 1 year extension option (31 December 2022)	N/A	1.0	Hong Kong listed shares
Borrower E	49,729	(29,837)	19,892	24,864	35,000	12.0%	29-Mar-2018	5.8	29 June 2018	Extended to 31 December 2018, 31 December 2019 and 31 December 2021	2.0	Corporate guarantee
Borrower F	109,437	(55,905)	53,532	55,905	84,000	12.0%	09-Jan-2019	5.0	30 June 2019 and 18 months extension option (31 December 2020)	Extended to 31 December 2021	2.0	Corporate guarantee and personal guarantee from director of the Borrower F
Borrower G	68,260	(34,130)	34,130	34,130	60,000	5.0%	23-Jan-2019	4.9	23 April 2019	Extended to 23 October 2019, 23 October 2020, 23 October 2021 and 31 December 2022	1.0	Personal guarantee from director of the Borrower G
Borrower H	69,077	(34,538)	34,538	34,538	69,600	5.0%	28-Jan-2019	4.9	27 April 2019	Extended to 24 July 2019, 24 October 2019, 31 December 2021 and 31 December 2022	1.0	Corporate guarantee
Borrower I	41,773	(20,886)	20,886	32,164	40,000	10.0%	13-Sep-2019	4.4	18 November 2019 and 3 months extension option (17 February 2020)	Extended to 31 December 2020, 31 December 2021 and 31 December 2022	1.0	Personal guarantee from director of the Borrower I
Borrower J	39,370	(19,685)	19,685	25,407	60,000	8.5%	29-Apr-2020	3.7	28 April 2021	Extended to 31 December 2021 and 31 December 2022	1.0	Personal guarantee from director of the Borrower J
Borrower K	44,863	(22,431)	22,431	28,426	48,000	8.5%	28-May-2020	3.6	27 May 2021	Extended to 31 December 2021 and 31 December 2022	1.0	Personal guarantee from director of the Borrower K
Borrower L	26,038	(13,019)	13,019	16,978	21,000	10.0%	25-Aug-2020	3.4	31 December 2021 and 1 year extension option (31 December 2022)	N/A	1.0	Personal guarantee from director of the Borrower L
			424,603	459,764								

	31 December 2023 Gross amount HK$'000	Impairments HK$'000	Net amount HK$'000	31 December 2022 Net amount HK$'000	Principal amount HK$'000	Interest rate	Grant date	Duration Year(s)	Terms	Extension granted	Overdue Year(s)	Type of Security
(II) the Asset and Shareholding Restructuring Business												
Borrower M	274,592	(168,324)	106,269	112,224	240,000	10%	25-Jan-2018	5.9	24 February 2018 and 30 days extension option (24 March 2018)	Extended to 8 August 2018	5.4	Right of the Sea Area Use Certificate
Borrower N	123,567	(54,286)	69,281	71,961	108,000	10%	26-Jan-2018	5.9	25 February 2018 and 30 days extension option (25 March 2018)	Extended to 8 August 2018	5.4	Right of the Sea Area Use Certificate
Borrower O1	17,132	(7,526)	9,605	9,977	15,000	10%	23-Feb-2018	5.9	25 February 2018 and 30 days extension option (24 March 2018)	Extended to 8 August 2018	5.4	Right of the Sea Area Use Certificate
Borrower O2	36,345	(15,967)	20,378	21,166	33,000	10%	04-Apr-2018	5.7	2 June 2018 and 60 days extension option (1 August 2018)	Extended to 8 August 2018	5.4	Right of the Sea Area Use Certificate
Borrower P	3,060	(3,060)	–	–	3,000	3.0%	07-Apr-2020	3.7	6 July 2020 and 3 months extension option (5 October 2020)	Extended to 31 December 2020	3.0	Contractual interest of properties
			205,532	215,328								
(III) the Subscriptions in Funds												
Borrower Q-1	251,326	(251,326)	–	75,398	217,901	5.0%	30-Aug-2017	6.0	30 August 2018 and 1 year extension option (30 August 2019)	Extended to 31 December 2020, 31 December 2021 and 31 December 2022	1.0	Bonds issue by a Hong Kong listed company
Borrower Q-2	97,377	(97,377)	–	29,213	84,150	5.0%	12-Sep-2017	6.3	12 September 2018 and 1 year extension option (12 September 2019)	Extended to 31 December 2020, 31 December 2021 and 31 December 2022	1.0	Bonds issue by a Hong Kong listed company
Borrower Q-3	20,000	(20,000)	–	6,000	20,000	0%	27-Dec-2017	6.0	27 December 2018 and 1 year extension option (27 December 2019)	Extended to 31 December 2020, 31 December 2021 and 31 December 2022	1.0	Bonds issue by a Hong Kong listed company
			–	110,611								
			630,135	785,703								
Secured Note receivables												
(I) the Subscription in Funds												
Borrower Q-3	230,165	(230,165)	–	69,049	200,000	5.0%	27-Dec-2017	6.0	27 December 2018 and 1 year extension option (27 December 2019)	Extended to 31 December 2020, 31 December 2021 and 31 December 2022	1.0	Bonds issue by a Hong Kong listed company
			–	69,049								
			630,135	854,752								

Note (a): The loan from Borrower C was settled in 2022.

(d) Aging analysis of loan receivables and note receivables of the Debt Investments

	31 December 2023		31 December 2022	
	Number of borrowers	**HK$'000**	Number of borrowers	HK$'000
0-1 year past due	8	154,156	9	360,770
1-3 years past due	3	78,396	4	80,770
Over 3 years past due	5	397,583	4	413,212
	16	630,135	17	854,752

(e) Top five largest borrowers of the Debt Investments

The total loan receivables of the Group as at 31 December 2023 and 31 December 2022 were HK$630.14 million and HK$785.70 million respectively. The carrying amount of loan receivables due from the top five borrowers together with the percentage to the total loan receivables of the Group are set out below:

	As at 31 December 2023		As at 31 December 2022	
Borrower	**HK$'000**	**% to total loan receivables**	HK$'000	% to total loan receivables
The Zhanjiang Borrower	192,050	30.48%	197,885	25.19%
The Zhonghong Borrower	106,269	16.86%	112,224	14.28%
The Weifang Borrower	69,281	10.99%	71,961	9.16%
Shenzhen Zehua International Trade Co., Ltd.* (the "**Zehua Borrower**")	53,532	8.50%	55,905	7.12%
The Strait Borrower	N/A	N/A	110,611	14.07%
Great River Capital Limited	34,538	5.48%	N/A	N/A

(f) Discussion on movements of impairments or write-offs of loan receivables and note receivables of the Debt Investments and the basis of impairment assessments

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

During the Year, an impairment loss of approximately HK$211.55 million was recognised (2022: impairment loss of HK$302.51 million), of which (i) approximately HK$31.89 million was related to the Financial Assistance (the "**Impairment of Financial Assistance**"); and (ii) approximately HK$179.66 million was related to the Subscriptions in Funds (the "**Impairment of Subscriptions in Funds**").

The main reason for the Impairment of Subscriptions in Funds was caused by overdue repayment of borrowings during the Year. Notwithstanding that the borrowing was secured by the collaterals (the CRTG Bonds) provided by the Strait Borrower, (i) the borrower is principally engaged in expressway, petroleum and timber-related businesses in the PRC. However, the borrower's property and infrastructure sector in the PRC had been thrust into a severe debt crisis over the past two years; (ii) the borrower's failure in repaying the loan on its maturity date to the Offshore Private Fund invested and managed by the Group; (iii) the borrower was in process of winding up petitioned by the Court of First Instance of the High Court Hong Kong; and (iv) the borrower's failure in publishing its annual results for the year ended 31 March 2023 and was suspended from trading its securities on the Stock Exchange since 3 July 2023.

(g) Business Prospect for the Debt Investments

The Group acknowledged that the downturn of economic might 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 on the loan receivables and note receivables and material impact on the financial results of the Group. The Group will 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. Considering the provision for impairment losses on the Group's business of financial assistance and asset and shareholding restructuring, the Group would endeavour to recover the investment loss from the aforesaid business in the next three years and would gradually cease for engaging significant amounts in the transactions of the Financial Assistance, the Asset and Shareholding Restructuring Business and Subscriptions in Funds.

In the opinion of the Board and the management of the Company, the Group was reforming its business of the treasury investments and financial services to make effective use of its available financial resources. The Company intended to gradually transform its business from debt investment into the portfolio investment and equity investment for gaining the short-term return. Once the funds from the Debt Investments had been collected by way of conducting the debt restructuring, the Company intended to obtain the money lender license in Hong Kong for further improving the treasury investments segment and the financial services segment of the Company in future.

INTERNAL CONTROL SYSTEMS IN CONNECTION WITH DEBT INVESTMENTS

(a) Credit Approval Processes

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

(b) Credit Risk Assessment

The Group has been engaging the Financial Assistance, shareholdings restructuring services and the Subscriptions in Funds for the corporate customers (i.e. non-individual customers) in Hong Kong and China without any specific targeted industry.

Prior to the Debt Investments or making other investments, the management or the investment management team 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 principal amount of the loan or investment. 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 Debt Investments or the other 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.

(c) 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 generally 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 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 and beneficial to the Shareholders.

(d) Monitoring Loan Repayment and Recovery

The management of the Group will regularly communicate with and monitor and manage the recoverability of debts 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 initially 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.

(e) Impairment Loss and Write-off Treatment

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

(i) the customers experienced operational difficulties;

(ii) worsened macroeconomic and industry conditions, leading to further deterioration of the financial conditions of the customers; or

(iii) the customers have been involved in lawsuits for debt collection.

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

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

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

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

The Group has considered the probability of default and the loss given default with reference to (i) the value of collaterals/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.

FOREIGN EXCHANGE EXPOSURE

Sales of the Group's products in manufacturing segment are principally denominated in US dollars and the purchases of materials and payments of operational expenses are mainly denominated in US dollars, HK dollars and RMB. Most of the Group's purchases and expenses during the Year were denominated in RMB. As such, the Group had incurred a net exchange gain of approximately HK$19.93 million for the Year (2022: a net exchange loss of HK$13.75 million) due to the depreciation of US dollars and RMB.

As at 31 December 2023, 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, is in a turmoil which is being greatly affected by the Sino-US trade war, Ukraine war, the increasing tension in the Taiwan straits, complications caused by the COVID-19 pandemic and its highly volatile customers, combined with the rising labour and production costs. The Group's manufacturing segment has to compete with its competitors on various factors, such as product variety, product performance, customer service, quality, pricing, new product innovation, timely delivery and brand recognition.

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

(b) Credit Risk

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

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

The Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure to perform an obligation by the counterparties arising from the carrying amount of the respective recognised financial assets, was stated in the consolidated statement of financial position of the Group as at 31 December 2023.

(c) Foreign Currency Risk

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

NUMBER AND REMUNERATION OF EMPLOYEES

As at 31 December 2023, excluding those employed by the Company's associates, the Group had 752 employees (31 December 2022: 874 employees). For the Year, our total staff costs amounted to approximately HK$83.09 million (2022: HK$101.47 million).

Under the Group's remuneration policy, employees (including the directors and senior management of the Group) 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.

DETAILS OF CHARGES ON GROUP ASSETS

Details of charges on the Group's assets for the Year are set out in the paragraph headed "**Significant Investments**" and "**Provision of Financial Assistance**" under the section headed "**Management Discussion and Analysis**" of this announcement on pages 26 and 30 respectively.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2023, the Group had capital commitments for acquisition of property, plant and equipment of approximately HK$37,356 (31 December 2022: HK$33,000) and had no material contingent liabilities (31 December 2022: HK$Nil).

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

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

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

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

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

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

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

FORMATION OF AN INDEPENDENT INVESTIGATION COMMITTEE

In order to investigate, among others, the qualification opinion (the "**Audit Qualifications**") issued from the Company's auditor ("**Auditor**"), an independent investigation committee ("**Independent investigation committee**") had been formed with effect from 9 May 2023 which comprised Mr. Xu Xinwei (independent non-executive Director) as the chairman, Ms. Xing Mengwei (chief executive officer and executive Director), Mr. Hung Yeung Alvin (former Director), Ms. LU Wenting (investment manager) and other senior management of the Company who are independent of the investigation matters and such additional external independent professional party(ies) as may be reasonably required to assist in the investigation.

On 11 September 2023, the Company announced that the Company had conducted a comprehensive review of the internal control system concerning the Audit Qualifications and the relevant aspects of the Company's Debt investments of (1) the provision of financial assistance (2) business in the asset and shareholding restructuring business of the Company and (3) the subscriptions of interest in offshore private funds between the period from 2016 to 2023. In addition, an outsourced internal control consultant, Roma Risk Advisory Limited ("**Roma**"), has been engaged to conduct an internal control review (the "**Internal Control Review**") for the Company.

On December 2023, the Company further announced that having considered the deficiencies identified by Roma and taking into account that all internal control deficiencies have been resolved, the Board and the Audit Committee acknowledge and concur with the findings by Roma and have accepted and implemented Roma's recommendations. The Board and the audit committee of the Company (the "**Audit Committee**") believe that the Company's internal control system is effective and adequate.

Further details of the Internal Control Review were set out in the Company's announcements dated 9 May 2023, 11 September 2023 and 12 December 2023 respectively.

LITIGATION INVOLVING A SUBSIDIARY

Topsearch Printed Circuits Macao Commercial Offshore Company Limited ("**Topsearch Macao**"), an indirect wholly-owned subsidiary of the Company, was informed on 25 July 2023 that the Court (as defined in the announcement of the Company published on 31 July 2023 (the "**31/7 Announcement**")) handed down its judgment on 19 July 2023 (the "**Judgment**") for a claim made by Topsearch Macao against Circuitronix LLC ("**CTX**"). The Judgment was entered in favour of Topsearch Macao. However, the Judgment was also entered in favour of CTX for its counterclaims. The net amount that Topsearch Macao was adjudged to pay CTX in the Judgement was US$6,944,217.36 bearing interest at the applicable statutory rate. Topsearch Macao had engaged United States legal advisors to handle the abovesaid and was currently seeking further legal advice in relation to analyzing the grounds of the decision for the Judgement and filing an appeal against the Judgement.

On 29 February 2024, the Company announced that an appeal ("**Appeal**") was filed by Topsearch Macao with the district court of appeal of the state of Florida of the United States (the "**Appeal Court**") against the Judgement in relation to the claims made by Topsearch Macao against CTX. The Appeal was subsequently dismissed and an order was made by the Appeal Court on 26 January 2024 ("**Order**"), approving the dismissal of the Appeal. Topsearch Macao has engaged United States and Macao legal advisors to advise on, among other things, (i) the procedural aspects and timeframe related to the possible enforcement by CTX in Macao of the Judgment handed down by the Court in the United States of America; and (ii) the impact of the Judgment against the other members of the Group, in the event that CTX proceeds to enforce the Judgement against Topsearch Macao in Macao. Topsearch Macao has as at date of this announcement yet to receive response from either the United States or the Macao legal advisors.

Given that Topsearch Macao does not own any substantial asset nor does it generate any meaningful profit for the Group, subject to the advice from the United States and the Macao legal advisors as mentioned above, the Directors are of the opinion that the Judgement and the Order will not have any material adverse impact to the business operation and the financial position of the Group.

Further details of the litigation involving a subsidiary were set out in the Company's announcements dated 31 July 2023 and 29 February 2024 respectively.

UPDATE ON AUDIT QUALIFICATIONS

References are made to the Company's announcements dated 18 January 2023, 30 March 2023 and 9 May 2023, the Company's 2022 Annual Report published on 28 April 2023 and the Company's 2023 Interim Report. The update on the Audit Qualifications is set out below:

(a) Receivables

Since the publication of 2022 audited annual results, the Group had endeavored to maximise the recovery of the relevant financial assistance by debt restructuring or conducting lawsuits against several debtors.

Since the year of 2022, the Company intended to enter into a debt restructuring agreement (the "**Ongoing Debt Restructuring**") with an independent borrower to reassign the debt of HK$128,134,793 (the "**Receivables**") in total from 5 independent borrowers. According to the information currently available to the Group and a preliminary assessment on the Ongoing Debt Restructuring, key components of the Ongoing Debt Restructuring are still in the process of negotiation as at the date of this announcement and it is currently expected to be completed by the second quarter of 2024. Therefore, the Auditor was unable to obtain sufficient appropriate audit evidence to satisfy the recoverability of the Receivables in respect of the Ongoing Debt Restructuring as at the date of this announcement.

In addition, the Company engaged with the lawyer for issuing the legal demand letter to the issuer of the CRTG Bonds to transfer HK$480,000,000 in the principal amount of the CRTG Bonds to the Company's nominated entity and also engaged with independent financial advisers to find potential distressed asset buyers for disposal of the Overdue Financial Assistances during the Year. No further evidences could be provided to our Auditor due to there were not any significant progress up to the date of this announcement.

Based on the information currently available to the Group, a preliminary assessment on the progress of the Ongoing Debt Restructuring and initiating legal proceedings and disposal (after evaluating the costs and benefits of such actions) against the other borrowers of the Receivables of approximately HK$967,954,000 as at 31 December 2022 had been reviewed and considered. The management of the Company expects that the above actions will be completed by the year ending 31 December 2024. As at the date of this announcement, the Group had received the cumulative interest of HK$6,642,000 from four borrowers during the Year and interest of HK$500,000 since 1 January 2023 from a borrower.

As at the date of this announcement, the management of the Company had discussed with the Auditor and was informed that the Audit Qualifications on the Receivables might be eliminated for the year ending 31 December 2024 provided that the actions as set out above can be implemented accordingly with sufficient and appropriate audit evidence being provided to the Auditor.

(b) Other Payables

The Auditor requested all appropriate audit evidence including but not limited to the relevant agreement, original invoices with bank slips and correspondences to verify the nature and obligation of the Other Payables of approximately HK$ HK$19.04 million as at 31 December 2022. Thus, the Company has provided additional bank slips for remittance and settlement and correspondences for the Other Payables for approximately HK$16.67 million during the Year.

The aforesaid documents provided by the Company which were intended to remove the audit qualification on the Other Payables for the balancing amount of approximately HK$2.31 million as at 31 December 2023 were insufficient to meet the Auditor's requirements as at the date of this announcement. The Auditor requested the Company to provide further documents (if any) to verify the nature and obligation of the balancing amount of the Other Payables for approximately HK$2.31 million as at 31 December 2023. Such documents included copies of the executed loan agreements, the original invoices in their respective years of recognition, the remittance advices or the written correspondences of the communication records with the counterparty. However, there were no further requested documents available for provision to the Auditor up to the publication date of this announcement.

As the business license of the counterparty of the Other Payables for approximately HK$2.31 million was revoked on 9 June 2021 by its local authority in PRC and it is difficult to locate this counterparty, the management of the Company will consult with the PRC lawyer to write off the Other Payables in the amount of approximately HK$2.31 million. It is expected to be completed by the end of 2024.

As at the date of this announcement, the management of the Company had discussed with the Auditor. It was understood that the audit qualification on the Other Payables would be removed and no further Written Back would be recognised in respect of the residual Other Payables for approximately HK$2.31 million by the financial year ending 31 December 2024 if the proposed actions as set out above can be implemented with sufficient and approximate audit evidence being provided.

(c) Income Tax Payables

The management of the Company and its subsidiaries had proactively liaised with Inland Revenue Department ("**IRD**") to follow up with tax issues. Our subsidiaries were in the process of engaging the tax experts to issue the tax opinion in relation to their tax payables. In order to remove the Qualification of Income Tax Payables, two tax representatives have been engaged to prepare the tax returns for submission and consultation with IRD for determining the final assessment of the tax payables of several subsidiaries of the Company.

During the Year from 1 January 2023 to the publication date of this announcement, 19 subsidiaries of the Company, including 10 subsidiaries incorporated in the Cayman Islands (the "**Cayman Subsidiaries**") and 9 subsidiaries incorporated in the British Virgin Islands (the "**BVI Subsidiaries**"), have submitted or returned back their tax returns to IRD through their tax representatives respectively. As at the date of this announcement, 4 BVI Subsidiaries received the enquiry letters from IRD to provide additional supporting documents or letter of the offshore claim is subject to review, whereas 4 BVI Subsidiaries received the final assessment of the tax payables while the remaining 1 BVI Subsidiaries and all Cayman Subsidiaries had not yet received the final assessments of tax payables from IRD.

Several subsidiaries of the Company were in the process of preparing their replies for submission to IRD but could not receive the final assessments of tax payables from IRD. It became the outstanding audit evidence to the Auditor which could not remove the Qualification for the Income Tax Payables. The Company will further submit tax opinion issued by the independent tax expert to address those Income Tax Payables by the year ending 31 December 2024.

As at the date of this announcement, the management of the Company had discussed with the Auditor that the Audit Qualifications on the Income Tax Payables might be removed for the year ending 31 December 2024 provided that the proposed actions as set out above can be implemented with sufficient and appropriate audit evidence being provided.

(d) The Audit Committee and the Board's View on the Audit Qualifications

The Audit Committee had reviewed and agreed with the Audit Qualifications and did not have any disagreement with the Board's view in respect of the effectiveness of the plan to resolve the Audit Qualifications. The Audit Committee had held several meetings with the Auditor to discuss the Audit Qualifications during the year of 2023 and up to the publication date of this announcement. It expressed their agreement with the management of the Company about their opinion, view and assessment.

As set out in the Company's announcements dated 11 September 2023 and 12 December 2023 respectively, the Group had already taken certain remedial actions in response to the issues identified in the Phase One Review and the deficiencies identified by Roma in the Phase One Review had been reviewed and evaluated in the Phase Two Review.

Having considered the deficiencies identified by Roma and taking into account that all internal control deficiencies have been resolved, the Board and the Audit Committee acknowledge and concur with the findings by Roma and have accepted and implemented Roma's recommendations. The Board and the Audit Committee believe that the Company's internal control system is effective and adequate.

PROSPECTS

The Group has been actively diversifying its business and will continue to better utilise its available resources to develop and upgrade the traditional manufacturing business in PCBs, to maintain the treasury investments and financial services, and to explore the scope of business for identifying new investment and business development opportunities, including but not limited to, the broad application of artificial intelligence technology in telecommunications, the construction of intelligent cities and financial technology.

The Group will actively take actions to recover the aforesaid investments, including but not limited to initiate legal proceedings, debt restructuring and disposal after evaluating the cost and benefit of such actions, and explore the option of ceasing the business of Financial Services and Offshore Private Funds Management.

IMPORTANT EVENTS AFFECTING THE GROUP AFTER THE YEAR

Save as disclosed above, there is no important event occurred subsequent to 31 December 2023 which would materially affect the Group's operating and financial performance as at the date of this announcement.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 19 June 2024 to Monday, 24 June 2024, both days inclusive. In order to qualify for the attendance of the forthcoming annual general meeting of the Company to be held on Monday, 24 June 2024, share transfer forms accompanied by relevant share certificates must be lodged with the Company's Branch Share Registrar and Transfer Office in Hong Kong, Tricor Tengis Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Tuesday, 18 June 2024.

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 Year.

CORPORATE GOVERNANCE CODE (THE "CG CODE")

The Directors confirm that, during the Year, the Company acted in compliance with the code provisions set out in the CG Code contained in Part 2 of Appendix C1 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 C3 to the Listing Rules.

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

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

CHANGES IN THE COMPOSITION OF THE BOARD AND BOARD COMMITTEES

With effect from 26 September 2023, Mr. Hung Yeung Alvin has resigned as an executive Director, chairman of the executive committee of the Board (the "**Executive Committee**") and member of the independent investigation committee of the Company due to his intention to concentrate on the pursuit and development of his other business activities.

Further details of the above were set out in the Company's announcement dated 26 September 2023.

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

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

AUDIT COMMITTEE

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

AUDITOR

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

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report from ZHONGHUI ANDA CPA Limited, the external auditor of the Company, on the Group's consolidated financial statements for the year ended 31 December 2023:

"Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Qualified Opinion

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

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of a loan to an associate, certain trade receivables, loan receivables, note receivables and certain other receivables of HK$50,812,000, HK$Nil, HK$630,135,000, HK$Nil and HK$52,104,000 as at 31 December 2023 respectively and HK$55,907,000, HK$Nil, HK$785,703,000, HK$69,049,000 and HK$57,295,000 respectively as at 31 December 2022 and whether the loss allowance provisions in respect to a loan to an associate, certain trade receivables, loan receivables, note receivables and certain other receivables of HK$Nil, HK$Nil, HK$142,500,000, HK$69,049,000 and HK$5,191,000 respectively for the year ended 31 December 2023 and HK$33,542,000, HK$5,464,000, HK$233,461,000, HK$69,050,000 and HK$51,988,000 respectively for the year ended 31 December 2022 were appropriately recorded.

In the absence of the information in relation to the financial status of these issuer, customers and borrowers on assessing its ability for settling on these outstanding amounts to the Group, the management considered that there is uncertainty on recovering the abovementioned balances. The management has initiated actions including but not limited to legal action against certain abovementioned balances, hence no result from actions is available up to the date of this report for justifying the extent of the recoverability of the aforesaid balances. There are no other satisfactory audit procedures that we could adopt to determine whether any allowance for non-recovery of the amount should be made in respect to a loan to an associate, certain trade receivables, loan receivables, note receivables and certain other receivables in the consolidated financial statements for the years ended 31 December 2023 and 2022.

2. Other payables and accruals

Included in other payables and accruals in the consolidated statement of financial position as at 31 December 2023 and 2022 were other payables and accruals of approximately HK$2,311,000 and HK$2,375,000 respectively which were due to a party. Due to the limited accounting books and records available to us, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the nature and obligation of other payables and accruals of approximately HK$2,311,000 and HK$2,375,000 respectively as at 31 December 2023 and 2022. There are no other satisfactory audit procedures that we could adopt to determine the nature and whether any written-back should be made in the consolidated financial statements for the years ended 31 December 2023 and 2022.

Included in other gains and losses on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022 of approximately HK$38,268,000, representing the amounts of written back on other payables and accruals (the "**Written Back**"). We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the Written Back of approximately HK$38,268,000 were properly accounted for in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022.

3. Tax payable

Included in tax payable in the consolidated statement of financial position as at 31 December 2023 and 2022 were of approximately HK$266,790,000 and HK$268,471,000 respectively which represent tax payables of certain subsidiaries. In the absence of final assessment from the relevant tax authority, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the obligation of tax payables of approximately HK$266,790,000 and HK$268,471,000 respectively as at 31 December 2023 and 2022 and whether the income tax expense for the years ended 31 December 2023 and 2022 respectively were appropriately recorded.

Any adjustments to the figures described above might have a consequential effect on the Group financial performance and cash flows for the years ended 31 December 2023 and 2022, the financial position of the Group as at 31 December 2023 and 2022 and the related disclosure thereof in the consolidated financial statements.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Group incurred a consolidated net loss of approximately HK$376,286,000 during the year ended 31 December 2023 and as at 31 December 2023 the Group had net current liabilities and net liabilities of approximately HK$916,410,000 and HK$104,588,000 respectively. In addition, the Group had outstanding borrowings of approximately HK$1,195,468,000 which would be due for repayment within the next twelve months or on demand, loan from a director of approximately HK$16,957,000 which are repayable on demand and bank balances and deposits of approximately HK$23,877,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter."

EXPLANATION OF QUALIFIED OPINION

(I) Reasons for the Qualification

(a) Recoverability of the Receivables

To confirm the recoverability of a loan to an associate, certain trade receivables, loan receivables, note receivables and certain other receivables of approximately HK$733,051,000 as at 31 December 2023 and approximately HK$967,954,000 as at 31 December 2022, respectively (the "**Receivables**"), the Auditor requested, among other things, the audit evidence of subsequent settlements of the Receivables that may be received by the Group. However, as at the date of this announcement, the Group did not receive any subsequent settlements of any of the Receivables and hence none of the documents or materials in relation to subsequent settlements were presented to the Auditor. The Auditor was, therefore, unable to obtain sufficient appropriate audit evidence to satisfy the recoverability of the Receivables.

(b) Nature of the Other Payables

To verify and confirm the nature of other payables and accruals of approximately HK$2,311,000 as at 31 December 2023 and approximately HK$2,375,000 as at 31 December 2022, respectively (the "**Other Payables**"), the Auditor mainly requested for the related contracts and/or agreements, payment advices or slips, statements and calculation basis. The management of the Company has provided to the Auditor all available details of the identified transactions in relation to the Other Payables. However, as some of the supporting documents in respect of some short-term borrowings agreed by way of oral confirmation, such as the balance confirmation from the lenders or further supplemental written agreements were not available to be provided by the Company to the Auditor as at the date of this announcement.

(c) Tax assessment of the Tax Payables

To verify and confirm the obligation of tax payables of approximately HK$266,790,000 as at 31 December 2023 and approximately HK$268,471,000 as at 31 December 2022, respectively (the "**Tax Payables**"), the Auditor mainly requested for the final tax assessment of each subsidiary of the Company from Hong Kong Inland Revenue Department ("**IRD**"). The Company has notified the chargeability of Hong Kong profits tax to IRD and provided to the Auditor all details of the profits tax computation in relation to the Tax Payables. However, the final tax assessment from IRD had not been issued and presented to the Auditor up to the date of this announcement. Accordingly, the Auditor could only verify and confirm the obligation of the Tax Payables upon receipt of the final tax assessment.

(II) Impact on the Company's Financial Position

(a) Receivables

Given that the Receivables in the aggregate sum of approximately HK$733.05 million has been long overdue and remained outstanding as at 31 December 2023 (31 December 2022: HK$967.95 million), the Company has continued to negotiate with the counterparties for settlement proposal and/or commenced or considering to commence legal actions and/or litigation proceedings against the relevant counterparties with a view to recover the Receivables.

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

In the event that the entire aggregate amount of the Receivables could not be recovered by the Group, the Group may have to write off the Receivables and record a potential impairment loss/written off of approximately HK$733.05 million.

(b) Other Payables

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

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

(c) Tax payables

The income tax payables of approximately HK$266.79 million and approximately HK$268.47 as at 31 December 2023 and 2022, respectively mainly represented income tax payables of certain subsidiaries and funds under Hong Kong Profits Tax.

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

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

(a) Receivables

In relation to the recoverability of the balancing amounts of the Receivables in the aggregate amount of approximately HK$733.05 million, the management of the Company has initiated actions including but not limited to legal action against the relevant borrowers and debtors and also conducted debt restructuring. The Company believed that the abovementioned balances can be collected in the coming three years, therefore further provision for impairment losses of the abovementioned balances have been provided after having considered the increasing risk of recoverability.

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

(b) Other Payables

As at the date of this announcement, the management of the Company could not provide sufficient supporting evidences to verify some opening balances of the Other Payables in the aggregate amount of approximately HK$2.31 million and shall be confirmed with the creditors by entering into further supplemental agreements. As at the date of this announcement, the Company is still liaising with the relevant creditors.

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

(c) Tax Payables

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

(IV) Audit Committee's View on the Qualification

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

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

(a) Receivables

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

In order to collect the outstanding Receivables, the Group commenced legal proceedings against four borrowers and the aggregate amounts of the Receivables represented HK$413.21 million as at 31 December 2023. As at the date of this announcement, all the legal actions are still on-going. Based on the information currently available, the Directors estimated that the litigations will be concluded more than two years. In addition, the Group is also involved in the debt restructurings process on five borrowers during the Year and the aggregate amounts of the Receivables represented HK$208.90 million as at 31 December 2023.

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

(b) Other Payables

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

As at the date of this announcement, the management of the Company is still in the process of consulting with the PRC lawyer for writing off those uncertain Other Payables of approximately HK$2.31 million and all the procedures are expected to complete by the end of the year of 2024.

(c) Tax Payables

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

Upon receipt of the final assessment of tax payables from IRD, the appropriate adjustments will be provided by the Company for the amount of tax payables. It is expected that certain appropriate adjustments will be made to lower the amount of tax payables during the year of 2024, and the Qualification will be removed accordingly.

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

(VI) Expected Timetable to Remove of the Qualification

The management of the Company expects that the Qualification for the Other Payables and the Tax Payables will be removed by next financial year of the Company (i.e. for the year ending 31 December 2024) after taking into account of the Company's action plan as stated in the section headed "(e) The Company's Action Plans to Address the Qualification" above.

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

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

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

SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group's auditors, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement and consequently no opinion and assurance conclusion has been expressed by ZHONGHUI ANDA CPA Limited on the preliminary announcement.

PUBLICATION OF ANNUAL REPORT

This audited annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.renco.com.hk, respectively. The 2023 Annual Report, which contains all the information required by the Listing Rules, will be published on the above websites in due course.

APPRECIATION

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

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

Hong Kong, 10 April 2024

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