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Renco Holdings Group Limited

融科控股集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 2323)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

The board (the “**Board**”) of directors (the “**Directors**”) of Renco Holdings Group Limited (the “**Company**”) is pleased to announce the audited consolidated results and financial positions of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2020 (the “**Year**”) together with the comparative figures for the year ended 31 December 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Revenue	5	277,575	208,941
Cost of sales		<u>(417,472)</u>	<u>(388,026)</u>
Gross loss		(139,897)	(179,085)
Other income	6	20,525	36,040
Other gains and losses	7	(345,149)	(62,817)
Impairment loss on trade receivables		(28,166)	(34,968)
Impairment loss on other receivables		(19,805)	(10,145)
Impairment loss on loan receivables		(222,327)	(118,256)
Impairment loss on note receivables		(37,822)	(22,014)
Selling and distribution costs		(19,058)	(19,680)
Administrative expenses		(98,111)	(124,270)
Finance costs	8	(74,855)	(79,212)
Share of results of associates		(9,994)	10,996
Share of results of joint ventures		<u>(62,327)</u>	<u>811</u>
Loss before income tax credit/(expense)	9	(1,036,986)	(602,600)
Income tax credit/(expense)	11	<u>7,012</u>	<u>(56,086)</u>
Loss for the year		<u>(1,029,974)</u>	<u>(658,686)</u>

	<i>Note</i>	2020 HK\$'000	2019 HK\$'000
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		63,222	(27,464)
Share of other comprehensive income of associates		27,388	(16,239)
		<u>90,610</u>	<u>(43,703)</u>
Item that will not be reclassified to profit or loss:			
(Loss)/gain on revaluation of property, plant and equipment		(3,543)	2,955
Income tax effect		886	(739)
		<u>(2,657)</u>	<u>2,216</u>
Other comprehensive income for the year, net of tax		<u>87,953</u>	<u>(41,487)</u>
Total comprehensive income for the year		<u>(942,021)</u>	<u>(700,173)</u>
Loss for the year attributable to:			
Owners of the Company		(1,029,974)	(658,619)
Non-controlling interests		–	(67)
		<u>(1,029,974)</u>	<u>(658,686)</u>
Total comprehensive income attributable to:			
Owners of the Company		(942,021)	(700,106)
Non-controlling interests		–	(67)
		<u>(942,021)</u>	<u>(700,173)</u>
Loss per share	<i>12</i>		
Basic		<u>HK(46.65) cents</u>	<u>HK(29.83) cents</u>
Diluted		<u>HK(46.65) cents</u>	<u>HK(29.83) cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		283,971	280,555
Right-of-use assets		14,309	20,670
Interests in associates		506,060	473,672
Interests in joint ventures		109,949	172,276
Rental and utility deposits		65	64
Financial assets at fair value through profit or loss		4,266	4,266
Goodwill		–	–
Deposits paid		1,684	1,758
Deferred tax assets		57,920	50,145
Total non-current assets		<u>978,224</u>	<u>1,003,406</u>
CURRENT ASSETS			
Inventories		55,219	56,341
Trade receivables	13	151,576	226,519
Prepayments, deposits and other receivables	13	132,198	312,656
Loan receivables	14	1,261,210	1,363,967
Note receivables	15	170,301	1,184,960
Financial assets at fair value through profit or loss		173,133	329,589
Bank balances and deposits		28,464	19,449
Total current assets		<u>1,972,101</u>	<u>3,493,481</u>
CURRENT LIABILITIES			
Trade payables	16	137,586	113,319
Other payables and accruals	16	211,429	245,423
Tax payable		278,308	215,133
Lease liabilities		4,313	8,767
Borrowings	17	337,797	968,256
Loan from a related party		2,800	–
Loans from directors		119,465	91,055
Total current liabilities		<u>1,091,698</u>	<u>1,641,953</u>
NET CURRENT ASSETS		<u>880,403</u>	<u>1,851,528</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,858,627</u>	<u>2,854,934</u>

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
NON-CURRENT LIABILITIES			
Lease liabilities		7,369	9,660
Borrowings	<i>17</i>	656,130	660,000
Deferred tax liabilities		5,937	6,492
		<hr/>	<hr/>
Total non-current liabilities		669,436	676,152
		<hr/>	<hr/>
NET ASSETS		1,189,191	2,178,782
		<hr/> <hr/>	<hr/> <hr/>
CAPITAL AND RESERVES			
Share capital	<i>18</i>	220,800	220,800
Reserves		968,391	1,910,412
		<hr/>	<hr/>
Equity attributable to owners of the Company		1,189,191	2,131,212
Non-controlling interests		–	47,570
		<hr/>	<hr/>
TOTAL EQUITY		1,189,191	2,178,782
		<hr/> <hr/>	<hr/> <hr/>

1. GENERAL

Renco Holdings Group Limited (formerly known as HKBridge Financial Holdings 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**”).

On 23 June 2020, the name of the Company has been changed from “HKBridge Financial Holdings Limited” to “Renco Holding Group Limited”.

As at 31 December 2020, in the opinion of the directors of the Company (“**Directors**”), 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. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

Adoption of new or amended HKFRSs

The Hong Kong Institute of Certified Public Accountants has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform

Other than the amendments to HKFRS 3, none of these amended HKFRSs has a material impact on the Group’s results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period except for the amendments to HKFRS 16, COVID-19-Related Rent Concessions. Impact on the applications of these amended HKFRSs are summarised below.

Amendments to HKFRS 3: Definition of a Business

The amendments clarify the definition of a business and introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The election to apply the concentration test is made for each transaction. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If the concentration test is met, the set of activities and assets is determined not to be a business. If the concentration test is failed, the acquired set of activities and assets is further assessed based on the elements of a business.

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

HKFRS 16 was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the COVID-19 pandemic, by including an additional practical expedient in HKFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 pandemic and only if all of the following criteria are satisfied:

- (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) the reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- (c) there is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with this practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of lease modification. Lessees shall apply other requirements of HKFRS 16 in accounting for the rent concession.

Accounting for rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

The Group has elected to utilise the practical expedient for all rent concessions that meet the criteria. In accordance with the transitional provisions, the Group has applied the amendment retrospectively, and has not restated prior period figure. As the rent concessions have arisen during the current financial period, there is no retrospective adjustment to opening balance of accumulated losses at 1 January 2020 on initial application of the amendment.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations (hereinafter collectively referred to as the “**HKFRS**”) and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

(b) Basis of measurement and going concern assumption

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

The outbreak of the COVID-19 pandemic and the lockdown measures imposed by governments in various countries to contain the spreading of COVID-19 pandemic had resulted in reduced overseas sales of PCBs and delayed repayments from corporate borrowers in general. These have negatively impacted the results and the liquidity position of the Group during the reporting period.

During the year ended 31 December 2020, the Group recorded consolidated net loss of approximately HK\$1,029,974,000 and had net cash flows used in operating activities of HK\$152,637,000. As at 31 December 2020, the Group had cash and cash equivalents of approximately HK\$28,464,000. 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 of the Company 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 a related company of which is also owned by this substantial shareholder, has undertaken to provide continuing financial support to the Group to remain continuing operations and to meet its liabilities and obligations when they fall due;
- iii) the Group will actively negotiate with the lenders for debts restructuring and the renewal of the Group's borrowings when they fall due in order to secure necessary funds to meet the Group's working capital and financial requirements in the foreseeable future. In the opinion of the Directors, the Group will be able to roll over or refinance the borrowings upon their maturity;
- iv) identifying new investment and business development opportunities to increase the Group's profitability; and
- v) the Group is actively exploring the availability of various sources of financing including the disposal of assets or obtain secured facilities by way of pledge of assets etc.

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

(c) Functional and presentation currency

The consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is the same as the functional currency of the Company.

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.

	Manufacturing		Treasury investment		Financial service		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	<u>461,027</u>	425,091	<u>(183,452)</u>	(216,150)	–	–	<u>277,575</u>	208,941
Reportable segment loss	<u>(59,790)</u>	(25,922)	<u>(926,796)</u>	(442,800)	<u>(19,805)</u>	(103,320)	<u>(1,006,391)</u>	(572,042)
Amounts included in the measure of segment profit or loss:								
Interest income	21	43	73,077	149,928	–	–	73,098	149,971
Finance costs	(14,936)	(14,761)	(59,919)	(64,451)	–	–	(74,855)	(79,212)
Depreciation of property, plant and equipment	(14,081)	(14,007)	(2,071)	(2,111)	–	–	(16,152)	(16,118)
Depreciation of right-of-use assets	(3,959)	(3,851)	(5,148)	(5,982)	–	–	(9,107)	(9,833)
Reversal of write-down/(write-down) of inventories	387	(1,261)	–	–	–	–	387	(1,261)
Share of results of associates	–	–	(9,994)	10,996	–	–	(9,994)	10,996
Share of results of joint ventures	–	–	(62,327)	811	–	–	(62,327)	811
Reversal of impairment loss/(impairment loss) on trade receivables	39	(274)	(28,205)	(16,715)	–	(17,979)	(28,166)	(34,968)
Impairment loss on loan receivables	–	–	(222,327)	(118,256)	–	–	(222,327)	(118,256)
Impairment loss on note receivables	–	–	(37,822)	(22,014)	–	–	(37,822)	(22,014)
Impairment loss on other receivables	–	–	–	–	(19,805)	(10,145)	(19,805)	(10,145)
Impairment loss on investment in an associate	–	–	–	(1,566)	–	–	–	(1,566)
Impairment loss on goodwill	–	–	(330,991)	(17,088)	–	–	(330,991)	(17,088)
Bad debts written off	–	–	–	(6,650)	–	(75,196)	–	(81,846)
Net loss on disposal of property, plant and equipment	–	–	(1,047)	(2,809)	–	–	(1,047)	(2,809)
Reportable segment assets	<u>509,531</u>	475,216	<u>2,293,231</u>	3,594,758	<u>144,806</u>	414,830	<u>2,947,568</u>	4,484,804
Amounts included in the measure of segment assets:								
Interests in associates	–	–	506,060	473,672	–	–	506,060	473,672
Interests in joint ventures	–	–	109,949	172,276	–	–	109,949	172,276
Additions to non-current assets [#]	8,499	13,939	7,254	168,712	–	–	15,753	182,651
Reportable segment liabilities	<u>(510,693)</u>	(450,450)	<u>(872,021)</u>	(1,540,628)	<u>(100,112)</u>	(111,894)	<u>(1,482,826)</u>	(2,102,972)

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

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit or loss		
Reportable segment loss	(1,006,391)	(572,042)
Equity-settled share-based compensation benefits	–	14,833
Other unallocated staff cost	(30,595)	(45,391)
	<u>(1,036,986)</u>	<u>(602,600)</u>
Consolidated loss before income tax credit/(expense)	<u>(1,036,986)</u>	<u>(602,600)</u>
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Assets		
Reportable segment assets	2,947,568	4,484,804
Unallocated bank balances and deposits	2,757	12,083
	<u>2,950,325</u>	<u>4,496,887</u>
Consolidated total assets	<u>2,950,325</u>	<u>4,496,887</u>
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Liabilities		
Reportable segment liabilities	1,482,826	2,102,972
Tax payable	278,308	215,133
	<u>1,761,134</u>	<u>2,318,105</u>
Consolidated total liabilities	<u>1,761,134</u>	<u>2,318,105</u>

(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	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong (place of domicile)	<u>(180,882)</u>	<u>(211,901)</u>	<u>125,902</u>	<u>197,767</u>
The People's Republic of China (the "PRC")	196,374	142,337	490,540	466,626
Singapore	16,680	21,569	–	–
Thailand	302	174	–	–
Malaysia	1,742	2,063	–	–
Germany	57,429	47,085	–	–
Poland	46,644	24,678	–	–
Other Europe Countries	77,818	93,746	–	–
United States of America	13,641	24,792	–	–
Korea	3,410	2,477	–	–
Japan	40,216	57,346	–	–
Others	4,201	4,575	–	–
Total	<u>458,457</u>	<u>420,842</u>	<u>490,540</u>	<u>466,626</u>
	<u>277,575</u>	<u>208,941</u>	<u>616,442</u>	<u>664,393</u>

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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Customer A ⁴	39,974	57,285
Customer B ⁴	42,663	37,294
Customer C ^{1,4}	N/A	39,757
Customer D ^{2,4}	37,579	N/A
Customer E ⁴	37,558	30,368
Customer F ^{1,3}	N/A	27,123
Customer G ^{1,4}	N/A	25,519
Customer H ⁴	46,644	24,678
Customer I ^{1,3}	N/A	21,986
Customer J ^{1,3}	N/A	21,986

¹ The customers contributed less than 10% of the Group's revenue for the year ended 31 December 2020.

² This customer contributed less than 10% of the Group's revenue for the year ended 31 December 2019.

³ Included in the treasury investment segment.

⁴ Included in the manufacturing segment.

5. REVENUE

An analysis of revenue is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue from contracts with customers – Sales of goods	<u>461,027</u>	<u>425,091</u>
Revenue from other sources:		
Fair value loss on trading purpose equity investments at fair value through profit or loss (“FVTPL”), net		
– Realised loss	–	(228,439)
– Unrealised loss	<u>(256,526)</u>	<u>(137,584)</u>
	(256,526)	(366,023)
Interest income		
– Loan and note receivables	64,269	141,040
– Loan to an associate	<u>8,805</u>	<u>8,833</u>
Total revenue from other sources	<u>(183,452)</u>	<u>(216,150)</u>
Total revenue	<u><u>277,575</u></u>	<u><u>208,941</u></u>

6. OTHER INCOME

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Bank interest income	24	98
Service income	1,153	1,181
Investment income arising from undertaking on a joint venture	4,695	28,715
Government grants (<i>Note</i>)	8,993	1,508
Recharged tooling income	3,615	2,643
Others	<u>2,045</u>	<u>1,895</u>
	<u><u>20,525</u></u>	<u><u>36,040</u></u>

Note:

Included in the amount above are subsidies obtained from the local government in Guangdong province, the PRC to support industrial enterprises affected by the outbreak of COVID-19 of HK\$3,868,000; and subsidies obtained from the local government in Guangdong province, the PRC and the Hong Kong Special Administrative Region Government of HK\$364,000 and HK\$2,029,000 respectively to support the payroll expenses of the Group's employees for which the Group had to commit to spend these grants on payroll expense and not reduce employee head count below prescribed levels for a specified period of time. The remaining balance of the government grants mainly represent reimbursement of export credit insurance paid under a concession policy in Guangdong province, the PRC.

7. OTHER GAINS AND LOSSES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Net exchange (losses)/gain	(22,132)	3,127
Impairment loss on investment in an associate	–	(1,566)
Unrealised fair value gain on non-trading purpose financial assets at FVTPL	–	37,365
Bad debts written off	–	(81,846)
Net loss on disposal of property, plant and equipment	(1,047)	(2,809)
Impairment loss on goodwill	(330,991)	(17,088)
Gain on bargain purchases	4,091	–
Gain on extinguishment of loan payables	4,930	–
	<u>(345,149)</u>	<u>(62,817)</u>

8. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest on:		
– Lease liabilities	1,692	2,927
– Borrowings	65,726	66,992
– Loan from a related company	–	3,156
– Loans from a director	7,437	6,137
	<u>74,855</u>	<u>79,212</u>

9. LOSS BEFORE INCOME TAX CREDIT/(EXPENSE)

This is arrived at after charging/(crediting):

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Auditor's remuneration		
– Current year	2,155	2,383
– Overprovision in respect of previous year	(416)	–
Cost of inventories recognised as expenses (included cost of materials and consumables used of HK\$319,854,000 (2019: HK\$293,136,000))	417,859	386,765
(Reversal of write-down)/write-down of inventories (included in cost of sales)	(387)	1,261
Employee costs	149,652	149,252
Depreciation of property, plant and equipment	16,152	16,118
Depreciation of right-of-use assets	9,107	9,833
Short term lease expenses	28	319
COVID-19 rent concessions	(898)	–
Gain on modification of lease	(574)	(104)
	<u>(574)</u>	<u>(104)</u>

10. EMPLOYEE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Employee costs (including directors' remuneration) comprise:		
– Wages and salaries	124,883	132,654
– Discretionary bonus	–	7,000
– Contributions to retirement benefits scheme	21,080	20,011
– Equity-settled share-based compensation benefits	–	(14,833)
– Other staff benefits	3,689	4,420
	<u>149,652</u>	<u>149,252</u>

11. INCOME TAX CREDIT/(EXPENSE)

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax – PRC Enterprise Income Tax		
– tax for the year	3,106	19,674
Current tax – Hong Kong Profits Tax		
– tax for the year	3,991	13,959
– overprovision in previous years	<u>(6,334)</u>	<u>–</u>
	<u>763</u>	<u>33,633</u>
Deferred tax	<u>(7,775)</u>	<u>22,453</u>
Income tax (credit)/expense	<u>(7,012)</u>	<u>56,086</u>

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.

No Macau profits tax has been provided as the Macau subsidiary of the Company is exempted from Macau Complementary Tax for both years.

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% (2019: 25%).

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:

Loss

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss for the purpose of basic and diluted loss per share	<u>(1,029,974)</u>	<u>(658,619)</u>

Number of shares

	2020	2019
Weighted average number of ordinary shares for the purpose of basic loss per share	2,208,000,000	2,208,000,000
Effect of dilutive potential ordinary shares: – Share Award Scheme	<u>N/A</u>	<u>N/A</u>
Weighted average number of ordinary shares for the purpose of diluted loss per share	<u>2,208,000,000</u>	<u>2,208,000,000</u>

No adjustment is made to the basic loss per share for the years ended 31 December 2020 and 2019 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, DEPOSITS AND OTHER RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables (<i>Note (a)</i>)	216,408	263,153
Less: Allowance for doubtful debts (<i>Note (a)</i>)	<u>(64,832)</u>	<u>(36,634)</u>
	<u>151,576</u>	<u>226,519</u>
Prepayments, deposits and other receivables (<i>Note (b)</i>)		
– Prepayments	13,155	12,215
– Deposits paid	5,191	6,995
– Other receivables	<u>113,852</u>	<u>293,446</u>
	<u>132,198</u>	<u>312,656</u>
	<u>283,774</u>	<u>539,175</u>

Notes:

a) Trade receivables

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

	2020 HK\$'000	2019 <i>HK\$'000</i>
0 – 30 days	55,292	39,983
31 – 60 days	39,958	42,123
61 – 90 days	23,259	27,269
Over 90 days	33,067	117,144
	151,576	226,519

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

	2020 HK\$'000	2019 <i>HK\$'000</i>
At beginning of the year	36,634	1,685
Impairment loss recognised	28,166	34,968
Exchange realignment	32	(19)
At end of the year	64,832	36,634

b) Prepayments, deposits and other receivables

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

14. LOAN RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Secured loans (<i>Notes (a) and (b)</i>)	1,779,357	1,659,787
<i>Less: Allowances for doubtful debts</i>	<u>(518,147)</u>	<u>(295,820)</u>
	<u>1,261,210</u>	<u>1,363,967</u>

Notes:

- (a) The balance represents secured loans to independent third party corporate borrowers which bear fixed interest rates ranging from 3% to 36% (2019: 9% 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. NOTES RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Secured	230,137	1,206,974
<i>Less: Allowances for doubtful debts</i>	<u>(59,836)</u>	<u>(22,014)</u>
	<u>170,301</u>	<u>1,184,960</u>

As at 31 December 2019, the Group subscribed from four third party issuers four 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.

During the year, 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. Details are set out in notes 19(a) and 19(c). The bond that remained held by the Group at 31 December 2020 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 principal and interest of the bond(s) as at 31 December 2019 and 2020 were repayable within the next 12 months.

16. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables	<u>137,586</u>	<u>113,319</u>
Other payables and accruals		
– Other payables	39,761	45,591
– Interests payables	39,513	84,475
– Accruals	<u>132,155</u>	<u>115,357</u>
	<u>211,429</u>	<u>245,423</u>
	<u>349,015</u>	<u>358,742</u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 – 30 days	24,713	31,162
31 – 60 days	18,754	24,960
61 – 90 days	19,392	26,314
Over 90 days	<u>74,727</u>	<u>30,883</u>
	<u>137,586</u>	<u>113,319</u>

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.

17. BORROWINGS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Secured bank loans repayable within one year (<i>Note (a)</i>)	131,856	139,367
Other loans, unsecured (<i>Note (b)</i>)	183,882	640,000
Other loans, secured (<i>Note (c)</i>)	678,189	848,889
	<u>993,927</u>	<u>1,628,256</u>
Current portion	337,797	968,256
Non-current portion	656,130	660,000
	<u>993,927</u>	<u>1,628,256</u>

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 Ho Fung, a director of the Company. As at 31 December 2020, bank loans of approximately HK\$131,856,000 (2019: HK\$139,367,000) carried fixed interest rate ranged from 0.85% to 4.35% (2019: 2.58% to 4.35%) per annum.
- (b) As at 31 December 2020, unsecured other loans obtained from Jade Summit Holdings Limited, an associate and an independent third party amounting to approximately HK\$177,941,000 (2019: Nil) and HK\$5,941,000 (2019: HK\$640,000,000) respectively. The loan from the associate is non-interest bearing, unsecured and repayable within the next 4 years; whereas the loan from the independent third party bears interest at a rate of 9.6% per annum (2019: 3% per annum) and is repayable within the next twelve months.
- (c) Secured other loans borrowed from an independent third party lender bears interest at a rate of 3% to 8% per annum (2019: 5% to 8% per annum) and HK\$200,000,000 and HK\$478,189,000 of which are repayable within the next twelve months and within the next 2 to 3 years respectively. The balance is secured by:
- Corporate guarantee of the Company;
 - Equity interests in certain subsidiaries of the Company;
 - The Group's interest in an associate;
 - Trade and loan receivables with carrying amount of HK\$241,211,000 (2019: HK\$243,115,000); and
 - Financial assets at FVTPL with carrying amount of HK\$55,941,000.

18. SHARE CAPITAL

	Number of ordinary shares of HK\$0.1 each (‘000)	HK\$’000
Authorised:		
At 1 January 2019, 31 December 2019 and 2020	<u>5,000,000</u>	<u>500,000</u>
Issued and fully paid:		
At 1 January 2019, 31 December 2019 and 2020	<u>2,208,000</u>	<u>220,800</u>

19. BUSINESS ACQUISITIONS

During the year ended 31 December 2020, the general partners and limited partners of several Cayman Islands funds set up by the Group (some of which are controlled by the Group) entered into several restructuring and debt assignment agreements which give rise to the following non-cash transactions:

- (a) Loan receivables, note receivables and other receivables with carrying amount of HK\$461,989,000, HK\$165,874,000 and HK\$67,314,000 respectively were assigned to lenders of the Group to settle loan payables and accrued interests thereon to the extent of HK\$700,107,000, which resulted in a gain of HK\$4,930,000.
- (b) A limited partner in two Cayman Islands funds (“**Fund I and Fund II**”) has withdrawn from Fund I and Fund II. Certain subsidiaries of the Company, which have contributed HK\$1 in each of Fund I and Fund II, have become the sole investors in Fund I and Fund II since then. HKFRS 3 has been applied to account for the acquisition.
- (c) Note receivables of two Cayman Islands funds owned by the Group and trade receivables with carrying amount of HK\$820,963,000 and HK\$66,000,000 respectively were transferred to limited partners (the “**LPs**”) of certain Cayman Islands funds over which the Group had no control (“**Funds III & IV and Fund V**”) in exchange for i) 100% equity interests in Funds III & IV and Fund V held by the LPs and additional 25% equity interest in HKBridge Absolute Return Fund L.P. (“**Absolute Return Fund**”) in which the Group owned 75% equity interest prior to this arrangement; and ii) settlement of the Group’s loan payable of HK\$235,366,000.

Following the debt assignment arrangements in notes (b) and (c) above, the Group acquired 100% equity interest in Fund I, Fund II, Fund III & IV and Fund V. The Group acquired these funds to expand its existing portfolio in fund investments. The fair value of identifiable assets and liabilities of these funds as at 1 January 2020, the date of acquisition of the funds, were as follow:

	Fund I <i>HK\$'000</i>	Fund II <i>HK\$'000</i>	Fund III & IV <i>HK\$'000</i>	Fund V <i>HK\$'000</i>	Total <i>HK\$'000</i>
Loan receivables	–	–	241,299	93,366	334,665
Deposit and other receivables	18,532	21,588	–	2,402	42,522
Financial assets at FVTPL	4,972	–	–	70,754	75,726
Trade and other payables	(8,215)	–	(103,923)	(1,737)	(113,875)
Tax payable	(26,819)	(17,497)	(17,595)	–	(61,911)
Net identifiable (liabilities)/assets	<u>(11,530)</u>	<u>4,091</u>	<u>119,781</u>	<u>164,785</u>	<u>277,127</u>
Add: 25% additional equity interest in Absolute Return Fund	–	–	47,570	–	47,570
Net identifiable (liabilities)/assets attributable to the Group	<u>(11,530)</u>	<u>4,091</u>	<u>167,351</u>	<u>164,785</u>	<u>324,697</u>
The fair value of considerations transfer:					
Note receivables	–	–	411,688	234,592	646,280
Trade receivables	–	–	5,317	–	5,317
	<u>–</u>	<u>–</u>	<u>417,005</u>	<u>234,592</u>	<u>651,597</u>
Goodwill/(gain on bargain purchase)	11,530	(4,091)	249,654	69,807	326,900
Impairment loss recognised upon acquisition	(11,530)	–	(249,654)	(69,807)	(330,991)
Gain on bargain purchase	<u>–</u>	<u>(4,091)</u>	<u>–</u>	<u>–</u>	<u>(4,091)</u>

The goodwill arising from the acquisitions were allocated to the respective funds, each of which represents a cash-generating unit, for impairment testing. At the acquisition date, the recoverable amounts of the funds were determined by the directors of the Company with reference to the carrying value of their net identifiable assets/liabilities with major assets being investments in listed shares and loan receivables. As a result, an aggregate impairment loss on goodwill of HK\$330,991,000 was recognised in 2020.

EXTRACT OF INDEPENDENT AUDITOR’S REPORT

The following is an extract of the independent auditor’s report on the Group’s consolidated financial statements for the year ended 31 December 2020:

“Opinion

In our opinion, the consolidated financial statements give a true and fair value of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material uncertainty related to going concern

We draw attention to Note 3(b) to the consolidated financial statements, which indicates that the Group incurred a consolidated net loss of approximately HK\$1,029,974,000 during the year ended 31 December 2020. As stated in Note 3(b), this condition, along with other matters as set forth in Note 3(b) to the consolidated financial statements, 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.”

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

For the Year, the Group recorded a total revenue of HK\$277.58 million, representing an increase of approximately 32.85% as compared with the total revenue of HK\$208.94 million for the corresponding year in 2019. Such an increase in revenue was mainly due to the increase in sales volume from manufacturing segment of the Group. The total revenue of the Group for the Year represented by the manufacturing segment amounted to HK\$461.03 million (2019: HK\$425.09 million). The loss for the treasury investments segment was HK\$183.45 million (2019: HK\$216.15 million).

The Group reported a loss before income tax of approximately HK\$1,036.99 million (2019: HK\$602.60 million), which was mainly attributable to the unrealised fair value losses on financial investments held for trading through profit or loss of approximately HK\$256.53 million and impairment loss on trade receivables, other receivables, loan receivables and note receivables of HK\$308.12 million in total.

Loss attributable to owners of the Company for the Year amounted to approximately HK\$1,029.97 million, as compared with the loss attributable to owners of the Company of approximately HK\$658.62 million for the corresponding year in 2019. Basic loss per share attributable to owners of the Company for the Year was approximately 46.65 Hong Kong cents, as compared with the basic loss per share of 29.83 Hong Kong cents for the corresponding year in 2019.

FINAL DIVIDENDS

The Board has resolved not to recommend any declaration of final dividend payment for the Year (2019: HK\$Nil).

BUSINESS REVIEW

Manufacturing business

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

Compared to the revenue for the year of 2019, the sales of goods in the Group's manufacturing segment increased by approximately 8.45% from approximately HK\$425.09 million in 2019 to approximately HK\$461.03 million in 2020 whereas its gross profit margin increased from 8.72% in 2019 to 9.45% in 2020.

Treasury investments

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

For the Year, the Group's treasury investment segment recorded a loss of approximately HK\$926.80 million (2019: HK\$442.80 million) in the form of realised and unrealised fair value losses and interest income. The substantial fair value losses arising from the adverse market price changes of listed securities held by the Group were mainly due to the downturn of the Hong Kong stock market and the downward share price performance of the individual listed securities held during the Year. The impairment losses were arisen as a result of the increase in credit-impaired receivables of the treasury investment segment.

Financial services

During the Year, Renco Investments Limited (formerly known as "Hong Kong Bridge Investments Limited") ("**Renco Investments**") has the licenses to conduct Type 4 (Advising on Securities) and Type 9 (Asset Management) and Renco Capital Partners Limited (formerly known as "Hong Kong Bridge Capital Partners Limited") ("**Renco Capital**") has the licenses to conduct Type 1 (Dealing in Securities) and Type 6 (Advising on Corporate Finance) regulated activities under section 127(1) of the Securities and Futures Ordinance (the "**SFO**") respectively. Renco Investments and Renco Capital, indirect wholly-owned subsidiaries of the Company, actively participate in asset management, consultancy services, corporate solution services and debt, asset and shareholding restructuring business during the last three years.

Due to severe business competition and for cost-saving purpose, the Board and the management committee of the Group had determined to submit a request to cease carrying on Renco Capital's businesses in Type 1 (Dealing in Securities) and Type 6 (Advising on Corporate Finance) regulated activities pursuant to section 195(1)(d) of the SFO. Subsequent to such submission, the Group received a confirmation letter dated 25 February 2021 from the Securities and Futures Commission (the "**SFC**"), stating that the licences of Renco Capital for Type 1 (Dealing in Securities) and Type 6 (Advising on Corporate Finance) regulated activities were revoked with effect from 24 February 2021.

Asset management

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

Due to the global macroeconomic downturn, some limited partners of several offshore private funds had withdrawn their contribution of capital, and the general partners had been carrying out a series of restructuring schemes for the relevant offshore private funds. As at the date of this announcement, out of the total of 12 investment funds established by the Group, 8 were related to the OBOR and 4 were related to the HKBridge Funds. The aggregated amount of assets under management was approximately HK\$2.62 billion.

The Group gradually started to build up its credential in the asset management business and established a solid foundation for further development in the years to come. Up to 31 December 2020, the Group made a total sum of contributions of approximately HK\$1.38 billion (31 December 2019: HK\$1.56 billion) to some of the above funds.

Investment, consultancy and corporation solution services

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

During the Year, the Group did not engage in any consultancy and corporate solution services due to the current capital market fluctuations and the adverse impacts of the COVID-19 outbreak.

FINANCIAL REVIEW

Liquidity and Financial Resources

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

As at 31 December 2020, the Group had total equity of approximately HK\$1,189.19 million (31 December 2019: HK\$2,178.78 million) and net debts (trade payables, other payables and accruals, loan from a related party, loans from Directors, and borrowings less bank balances and deposits) of approximately HK\$1,436.74 million (31 December 2019: HK\$2,078.60 million), representing a gearing ratio, defined as net debts over total equity plus net debts, of 54.71% (31 December 2019: 48.52%).

The Group's net current assets of approximately HK\$880.40 million (31 December 2019: HK\$1,851.53 million) consisted of current assets of approximately HK\$1,972.10 million (31 December 2019: HK\$3,493.48 million) and current liabilities of approximately HK\$1,091.70 million (31 December 2019: HK\$1,641.95 million), representing a current ratio of 1.81 (31 December 2019: 2.13).

As at 31 December 2020, the Group's current assets consisted of approximately HK\$28.46 million (31 December 2019: HK\$19.45 million) held as bank balances and deposits, which were mainly denominated in HK\$, US\$ and RMB.

The Group's manufacturing segment's current assets also consisted of approximately HK\$123.86 million (31 December 2019: HK\$109.09 million) held as trade receivables. Debtors turnover days was 98 days (31 December 2019: 94 days).

The Group's inventories decreased from approximately HK\$56.34 million as at 31 December 2019 to approximately HK\$55.22 million as at 31 December 2020. Inventory turnover days in the Group's manufacturing segment was 48 days (31 December 2019: 53 days). Trade payables increased from approximately HK\$113.32 million as at 31 December 2019 to approximately HK\$137.59 million as at 31 December 2020. Creditors turnover days was approximately 121 days (31 December 2019: 107 days).

Interest-bearing Borrowings

The bank loans were secured by certain buildings and right-of-use assets related to leasehold land, corporate guarantee of the Company and personal guarantee of a Director during the Year. As at 31 December 2020, bank loans of approximately HK\$131.86 million (31 December 2019: HK\$139.37 million) carried fixed interest rates ranging from 0.85% to 4.35% per annum (31 December 2019: 2.58% to 4.35% per annum).

As at 31 December 2020, other loan obtained from an associate amounting to approximately HK\$177.94 million was unsecured, non-interest bearing and repayable within the next 4 years. The remaining balance of other loans was secured by equity interests in certain subsidiaries of the Group's manufacturing segment and other securities and guarantee, bearing interest at a rate for the range of 3% to 8% per annum (31 December 2019: 5% to 8% per annum), of which HK\$200.00 million and HK\$478.19 million were repayable within the next twelve months and next 2 to 3 years respectively.

Apart from the secured borrowings described above, there were loans advanced by Mr. Cheok Ho Fung (“**Mr. Cheok**”), an executive Director, of HK\$119.46 million at an effective interest rate of 7% per annum (2019: 7% per annum) which are repayable on demand. Furthermore, there was another loan advanced by Mr. Liu Tingan (“**Mr. Liu**”), who resigned as an executive Director and chief executive officer of the Company on 6 April 2020, for an amount of HK\$2.80 million which is non-interest bearing and has no fixed terms of repayment. The financial assistances provided by Mr. Cheok and Mr. Liu were connected transactions under Chapter 14A of the Listing Rules. However, they are fully exempt from the reporting, announcement, and independent shareholders' approval requirements pursuant to the Listing Rules because they are conducted on normal commercial terms or better and are not secured by the assets of the Company.

SIGNIFICANT INVESTMENTS

Subscription of Interest in Funds

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

Partners Special Opportunities Fund I (the “Partners Fund”)

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

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

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

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

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

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

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

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

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

As at the date of this announcement, the Group is undergoing litigation proceedings in connection with the Huarong Fund. Due to the cross-border delivery of the writ of summons being interrupted by the pandemic, the aforesaid litigation was severely postponed. The Group together with other plaintiffs have filed and served the statement of claim to the High Court on 9 March 2021. Further announcement(s) regarding any significant developments on the litigation matters will be published as and when appropriate.

Hong Kong Bridge One Belt One Road Natural Resource Fund LP (the “Natural Resource Fund”)

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

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

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

Suffering from the adverse impacts brought by the current worldwide capital market fluctuations and the outbreak of COVID-19, the Group has withdrawn the contribution from the Natural Resource Fund to the extent of HK\$220.00 million on 29 May 2020 in order to lower the investment risk and received a distribution in kind of loan receivables with carrying amount of HK\$231.26 million.

On 29 May 2020, in order to enhance the investment quality of the fund, the general partner and manager of the Natural Resource Fund together with that of the Fixed Income Fund (as defined below) have decided to adjust the investment strategies and entered into a series of restructuring and debt assignment agreements with several funds (the “**OBOR Funds Restructuring**”). Pursuant to the restructuring and debt assignment agreements, each of the Natural Resource Fund and the Fixed Income Fund acquired the interest of 50% of Hong Kong Bridge High-tech Investment Fund, L.P. (the “**High-tech Investment Fund**”) by assigning their note receivables to the previous limited partners respectively to become the new limited partners; and each of the Natural Resource Fund and the Fixed Income Fund further acquired the interest of 50% of HKBridge Special Situation Fund, L.P. (the “**Special Situation Fund**”) by assigning the note receivables to the previous limited partners respectively to become the new limited partners; meanwhile the Natural Resource Fund acquired the interest of 100% of Hong Kong Bridge One Belt One Road M&A Fund, L.P. (the “**M&A Fund**”) by assigning its note receivables to the previous limited partner to become the new limited partner. The OBOR Funds Restructuring was effective on 1 January 2020.

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

Subsequently, the Fixed Income Fund transferred its 50% interest in the Special Situation Fund to the Natural Resource Fund with effect from 17 July 2020. The Natural Resource Fund has become the only limited partner of the Special Situation Fund since then.

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

Hong Kong Bridge One Belt One Road Fixed Income Fund LP (the “Fixed Income Fund”)

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

According to the Amended and Restated Limited Partnership Agreement of the Fixed Income Fund, the primary purpose of the Fixed Income Fund is to achieve long-term capital appreciation, principally through investing in fixed income securities, debt instruments and loans, including but without limitation the loans, convertible bonds, fixed income securities, money market and convertible securities.

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

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

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

Subsequently, the Natural Resource Fund transferred its 50% interest in the High-tech Investment Fund to the Fixed Income Fund with effect from 17 July 2020. The Fixed Income Fund has become the only limited partner of the High-tech Investment Fund since then.

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

Subscription of Listed Securities

As at 31 December 2020, the Group held financial assets at FVTPL of approximately HK\$177.40 million (31 December 2019: HK\$333.86 million) of which the club debenture of HK\$4.27 million was classified as non-current assets and the listed equity investments of HK\$173.13 million (31 December 2019: HK\$329.59 million) was classified as current assets in the consolidated statement of financial position of the Group.

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

Name of investees	Notes	Number of shares	Approximate percentage of interest held	Cost/ fair value as at 1 January 2020 (HK\$'000)	Additions/ (transfer) 2020 (HK\$'000)	For the year ended 31 December 2020		Approximate percentage of investments attributable to the Group's total assets	Dividend received (HK\$'000)	Disposal gain/ (loss) (HK\$'000)	Fair value gain/(loss) (HK\$'000)
						Market prices as at 31 December 2020 (HK\$)	Market value (HK\$'000)				
SuperRobotics Holdings Limited (HKSE Stock Code: 8176) (the "SuperRobotics Shares Batch 1")	(a)	41,666,666	8.23%	120,833	-	0.900	37,500	1.27%	N/A	N/A	(83,333)
SuperRobotics Holdings Limited (HKSE Stock Code: 8176) (the "SuperRobotics Shares Batch 2")	(b)	64,148,063	12.67%	186,029	-	0.900	57,733	1.96%	N/A	N/A	(128,296)
SuperRobotics Holdings Limited (HKSE Stock Code: 8176) (the "SuperRobotics Shares Batch 3")	(c)	24,397,946	4.82%	-	70,754	0.900	21,958	0.74%	N/A	N/A	(48,796)
Huarong Investment Stock Corporation Limited (HKSE Stock Code: 2277) (the "Huarong Investment")	(d)	84,170,000	4.63%	22,727	(35,772)	N/A	-	N/A	N/A	N/A	13,045
Huarong International Financial Holdings Limited (HKSE Stock Code: 993) (the "Huarong Financial")	(d)	237,359,400	2.73%	-	35,772	0.162	38,452	1.30%	N/A	N/A	2,680
Bank of Gansu Co., Ltd. (HKSE Stock Code: 2139) (the "Bank of Gansu")	(e)	11,506,000	0.45%	-	29,316	1.520	17,490	0.59%	N/A	N/A	(11,826)

(a) SuperRobotics Shares Batch 1

On 23 November 2016, the Group agreed to enter into a placing letter with a placing agent, pursuant to which, among others, the Group (i) subscribed for a total number of 35,416,666 shares (the “**SuperRobotics Shares**”) in SuperRobotics Holdings Limited (“**SuperRobotics**”) at a subscription price of HK\$4.80 per share, whose shares are listed on the GEM of the Stock Exchange (HKSE Stock Code: 8176); and (ii) acquired 6,250,000 SuperRobotics Shares from New Cove Limited (a then substantial shareholder of SuperRobotics) at a purchase price of HK\$4.80 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 has been in full swing based upon the artificial intelligent technology. The wide application of intelligent robotics covers from police use to various aspects such as services and security. The investment team of the Group considered that the investment in SuperRobotics would be expected to generate the returns to the Group after the realization and the large-scale expansion of the use of relevant technologies in the future.

(b) SuperRobotics Shares Batch 2

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

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

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

(c) SuperRobotics Shares Batch 3

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

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

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

(d) Huarong Investment and Huarong Financial

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

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

Due to the unexpected continuing downturn in the share price performance of Huarong Investment, the Group’s investment team decided to minimise the continuing unrealised losses by completing the disposal of the total number 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.

The Huarong Investment together with Huarong International Financial Holdings Limited (“**Huarong Financial**”) (whose shares are listed on the Stock Exchange (HKSE Stock Code: 993)) published the joint announcements dated 11 November 2020 to disclose that the privatization scheme 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 the completion of the privatization scheme, the balance of 84,170,000 Huarong Investment Shares have been converted into a total of 237,359,400 shares (the “**Huarong Financial Shares**”) in Huarong Financial on 13 November 2020.

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

As at the date of this announcement, all of the Huarong Financial Shares have been pledged as security for a long-term borrowing of HK\$660 million of the Group.

(e) **Bank of Gansu**

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

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

During the Year, the investment in the Bank of Gansu Shares recorded an unrealized fair value loss of HK\$11.83 million due to the unexpected downturn in the share price performance of Bank of Gansu. With reference to the investment objectives of the Fixed Income Fund and the Growth Fund, the general partner and manager considered that the investment in Bank of Gansu was beneficial to the Group and the Shareholders, by generating the returns from medium to long term investments and to enhance the experience of assets management in the coming years.

As at the date of this announcement, all of the Bank of Gansu Shares have been pledged as security for a long-term borrowing of HK\$660 million.

PROVISION OF FINANCIAL ASSISTANCE

During the Year, the Group also engaged in the provision of financial assistance to some independent third parties. As at 31 December 2020, the total outstanding receivables in relation to this activity amounted to approximately HK\$1,431.51 million (31 December 2019: HK\$2,548.93 million) and those transactions that were summarized below were relatively significant to the Group at the time of entering into the relevant agreements between the Group and those relevant independent third parties respectively.

The Group has provided additional impairment of approximately HK\$260.15 million for those overdue financial assistances during the Year (31 December 2019: HK\$140.27 million). The Board is of the opinion that such impairment provided by the Group were made in accordance with the requirements of the accounting standards. In order to lower the investment risks and reduce the losses, the Group puts its best efforts to maximize the recovery of the relevant financial assistances by restructuring or conducting lawsuits against several debtors.

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

Zhanjiang Advance

On 22 March 2017, the Group entered into a loan facility agreement with 湛江市鼎盛房地產開發有限公司 (the “**Zhanjiang Borrower**”) and the guarantors for the provision of a loan facility of not more than RMB200.00 million (the “**Loan Facility**”). Details in relation to the provision of the financial assistance was set out in the Company’s announcement dated 22 March 2017.

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

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

On 21 January 2021, the Group received the first judgement issued by Shaoguan Court. 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 will accrue at the one-year term of Loan Prime Rate (貸款市場報價利率) announced by National Interbank Funding Center (全國銀行間同業拆借中心) in PRC. The Group subsequently submitted an appeal against the first judgement on 9 February 2021 after having consulted with the 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.

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

Zhonghong Advance

On 25 January 2018, the Group entered into a loan agreement with Zhonghong Holding Co., Ltd. (the “**Zhonghong Borrower**”) in the amount of RMB200.00 million (the “**Zhonghong Advance**”). To secure the recovery of the principal amount of the provision of financial assistance and to reduce the risk of impairment loss, on 13 September 2018, the Group had filed an application for arbitration proceedings at the Shenzhen Court of International Arbitration (the “**SCIA**”) against Zhonghong Borrower and the relevant guarantors for the breach of the supplemental agreements and the guarantee agreement dated 3 September 2018. On 18 September 2018, the Group received the notice of acceptance for arbitration proceedings issued by the SCIA. In January 2019, hearing of the arbitration proceedings was conducted. At the end of April 2019, the Group received the arbitral awards (裁決書) dated 25 April 2019 given by SCIA in respect of the aforesaid arbitration proceedings. Further details of the Zhonghong Advance in relation to the provision of financial assistance and the abovesaid developments on the arbitrations were set out in the Company’s announcements dated 13 February 2018, 19 March 2018, 25 May 2018, 6 September 2018, 20 September 2018 and 3 May 2019 respectively.

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

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

FOREIGN EXCHANGE EXPOSURE

Sales of the Group’s products in manufacturing segment are principally denominated in US dollars and the purchases of materials and payments of operational expenses are mainly denominated in US dollars, HK dollars and RMB. Most of the Group’s purchases and expenses during the Year are denominated in RMB. As such, the Group had incurred a net exchange loss of HK\$22.13 million for the Year (31 December 2019: a net exchange gain of HK\$3.13 million) due to the depreciation of US dollar.

As at 31 December 2020, 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

Macroeconomic Risk

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

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

Credit Risk

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

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

The Group's maximum exposure to credit risk, which will cause a financial loss to the Group due to the failure to perform an obligation by the counterparties arising from the carrying amount of the respective recognised financial assets, was stated in the consolidated statement of financial position of the Group as at 31 December 2020.

Foreign Currency Risk

As the PCBs business is operating in the PRC, the Company faces foreign currency risks due to the exchange gain/loss from exchange rate fluctuations as well as the currency conversion risk due to 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 2020, excluding those employed by the Company's associates, the Group had 1,126 employees (31 December 2019: 1,183 employees). For the Year, our total staff costs amounted to HK\$149.65 million (31 December 2019: HK\$149.25 million).

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

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

SHARE AWARD SCHEME

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

At the special general meeting held on 20 July 2016, Mr. Liu as the then executive Director of the Company was entitled under the certain vesting conditions to receive an aggregate of 60,000,000 new Shares in the following five years respectively pursuant to the Share Award Scheme.

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

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

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2020, the Group had capital commitments for acquisition of property, plant and equipment of HK\$915,000 (31 December 2019: Nil) and had no material contingent liabilities (31 December 2019: Nil).

SIGNIFICANT EVENTS AFTER THE YEAR

There were no significant events occurred subsequent to 31 December 2020 which would materially affect the Group's operating and financial performance as of the date of this announcement, to the consolidated financial statements for the Year of the Group.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 22 June 2021 to Friday, 25 June 2021, both days inclusive. In order to qualify for the attendance of the forthcoming annual general meeting of the Company to be held on Friday, 25 June 2021, 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, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Monday, 21 June 2021.

PURCHASE, SALES 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, for the Year, the Company acted in compliance with the code provisions set out in the CG Code contained in Appendix 14 to the Listing Rules save for the deviation mentioned below:

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

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

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

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

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

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

With effect from 6 April 2020,

- (i) Mr. Liu resigned as the Chairman, an executive Director, chief executive officer, chairman and member of the executive committee of the Board (the "**Executive Committee**") and the authorised representative of the Company under Rule 3.05 of the Listing Rules (the "**Authorised Representative**") due to adjustment of his work arrangements;
- (ii) Mr. Cheok Ho Fung, an executive Director, resigned as the deputy chairman of the Board and member of the Executive Committee;
- (iii) Mr. Li Yongjun, a non-executive Director, has been appointed as the Chairman; and
- (iv) Mr. Shan Yongxin, an executive Director, has been appointed as the Authorised Representative.

AUDIT COMMITTEE

The audit committee of the Board has reviewed the consolidated annual results and financial statements of the Group for the Year, including the significant accounting principles and practices adopted by the Group.

FIGURES IN THIS ANNOUNCEMENT AGREED BY AUDITOR

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

PUBLICATION OF ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

This annual results announcement is published on the website of The Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and on the website of the Company at www.renco.com.hk, respectively. The 2020 annual report of the Company, which contains all the information required by the Listing Rules, will be dispatched to the Shareholders and 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, 29 March 2021

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