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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 2021**

References are made to (i) the announcement of Renco Holdings Group Limited (the “**Company**”) dated 21 March 2022 in relation to, among other matters, the delay in publication of the audited annual results of the Company and its subsidiaries (collectively, the “**Group**”) (the “**2021 Audited Annual Results**”) for the year ended 31 December 2021 (the “**FY2021**” or “**Year**”); (ii) the announcement of the Company dated 31 March 2022 in relation to the publication of the unaudited annual results of the Group for the FY2021; (iii) the announcement of the Company dated 20 April 2022 in relation to, among other matters, the delay in despatch of the Company’s annual report for the FY2021 (the “**2021 Annual Report**”); (iv) the announcement of the Company dated 27 April 2022 in relation to, among other matters, further delay in publication of the 2021 Audited Annual Results; (v) the announcement of the Company dated 13 May 2022 in relation to, among other matters, further delay in publication of the 2021 Audited Annual Results and despatch of the 2021 Annual Report; and (vi) the announcement of the Company dated 17 May 2022 in relation to, among other matters, the grant of waiver in relation to delay in publication of the 2021 Audited Annual Results and despatch of the 2021 Annual Report on or before 31 May 2022 (collectively, the “**Announcements**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements.

The board (the “**Board**”) of directors (the “**Directors**”) of the Company is pleased to announce that the auditing process of the annual results of the Group for the Year has been completed. The audited consolidated results and financial positions of the Group for the Year together with the comparative figures for the year ended 31 December 2020 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 HKD'000	2020 HKD'000
REVENUE	5	535,431	277,575
Cost of sales		<u>(494,147)</u>	<u>(417,472)</u>
GROSS PROFIT/(LOSS)		41,284	(139,897)
Other income	6	8,468	20,525
Other gains and losses	7	(16,348)	(345,149)
Impairment loss on trade receivables		(22,307)	(28,166)
Impairment loss on other receivables		(3,648)	(19,805)
Impairment loss on loan receivables		(186,648)	(222,327)
Impairment loss on note receivables		(32,230)	(37,822)
Selling and distribution expenses		(22,237)	(19,058)
Administrative expenses		<u>(52,287)</u>	<u>(98,111)</u>
LOSS FROM OPERATIONS		(285,953)	(889,810)
Finance costs	8	(63,265)	(74,855)
Share of results of joint ventures		(89,287)	(62,327)
Share of results of associates		<u>48,090</u>	<u>(9,994)</u>
LOSS BEFORE TAX		(390,415)	(1,036,986)
Income tax (expenses)/credit	9	<u>(61,175)</u>	<u>7,012</u>
LOSS FOR THE YEAR	10	<u>(451,590)</u>	<u>(1,029,974)</u>
Other comprehensive income after tax:			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		(30,988)	63,222
Share of other comprehensive income of associates		20,745	27,388
Items that will not be reclassified to profit or loss:			
Gain/(Loss) on revaluation of property, plant and equipment		35,409	(3,543)
Income tax effect		<u>(8,852)</u>	<u>886</u>
Other comprehensive income for the year, net of tax		<u>16,314</u>	<u>87,953</u>
Total comprehensive loss for the year		<u><u>(435,276)</u></u>	<u><u>(942,021)</u></u>

	<i>Notes</i>	2021 <i>HKD'000</i>	2020 <i>HKD'000</i>
Loss for the year attributable to:			
Owners of the Company		(451,590)	(1,029,974)
Non-controlling interests		<u>—</u>	<u>—</u>
		<u>(451,590)</u>	<u>(1,029,974)</u>
Total comprehensive loss for the year attributable to:			
Owners of the Company		(435,276)	(942,021)
Non-controlling interests		<u>—</u>	<u>—</u>
		<u>(435,276)</u>	<u>(942,021)</u>
Loss per share (HK cents)			
— Basic and diluted	<i>12</i>	<u>(20.45)</u>	<u>(46.65)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 HKD'000	2020 HKD'000
NON-CURRENT ASSETS			
Property, plant and equipment		318,054	283,971
Right-of-use assets		12,667	14,309
Investments in associates		584,805	506,060
Investments in joint ventures		20,662	109,949
Rental and utility deposits		65	65
Financial assets at fair value through profit or loss		4,266	4,266
Deposits paid		47	1,684
Deferred tax assets		–	57,920
Total non-current assets		<u>940,566</u>	<u>978,224</u>
CURRENT ASSETS			
Inventories		56,700	55,219
Trade receivables	13	168,961	151,576
Prepayments, other receivables and other assets	13	142,359	132,198
Loan receivables	14	1,070,223	1,261,210
Note receivables	15	138,099	170,301
Financial assets at fair value through profit or loss		115,867	173,133
Bank balances and deposits		36,328	28,464
Total current assets		<u>1,728,537</u>	<u>1,972,101</u>
CURRENT LIABILITIES			
Trade payables	16	231,201	137,586
Other payables and accruals	16	276,628	211,429
Tax payable		277,663	278,308
Lease liabilities		5,689	4,313
Borrowings	17	819,744	337,797
Loan from a related party		2,950	2,800
Loan from a director		103,710	119,465
Total current liabilities		<u>1,717,585</u>	<u>1,091,698</u>
NET CURRENT ASSETS		<u>10,952</u>	<u>880,403</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>951,518</u>	<u>1,858,627</u>

	<i>Notes</i>	2021 <i>HKD'000</i>	2020 <i>HKD'000</i>
NON-CURRENT LIABILITIES			
Lease liabilities		4,504	7,369
Borrowings	<i>17</i>	177,941	656,130
Deferred tax liabilities		15,158	5,937
		<hr/>	<hr/>
Total non-current liabilities		197,603	669,436
		<hr/>	<hr/>
NET ASSETS		753,915	1,189,191
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Share capital		220,800	220,800
Reserves		533,115	968,391
		<hr/>	<hr/>
Equity attributable to owners of the Company		753,915	1,189,191
		<hr/>	<hr/>
Non-controlling interests		—	—
		<hr/>	<hr/>
TOTAL EQUITY		753,915	1,189,191
		<hr/> <hr/>	<hr/> <hr/>

1. GENERAL INFORMATION

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

As at 31 December 2021, in the opinion of the directors (the “**Directors**”) of the Company, the Company has no immediate and ultimate holding company or ultimate controlling party.

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

During the year ended 31 December 2021, the Company and its subsidiaries (collectively referred to as the “**Group**”) was involved in the following activities:

- manufacturing and sale of a broad range of printed circuit boards (“**PCBs**”);
- investment and trading of securities and related treasury activities; and
- advising on securities and asset management services.

2. BASIS OF PREPARATION

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

Going concern assumption

The Group incurred a consolidated net loss of approximately HK\$451,590,000 during the year ended 31 December 2021. In addition, the Group had outstanding borrowings of approximately HK\$819,744,000 which would be due for repayment within the next twelve months and amount due to a related party and a Director of approximately HK\$2,950,000 and HK\$103,710,000 respectively which are repayable on demand and bank balances and deposits of approximately HK\$36,328,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern.

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

- (i) enhancing the collection of loan and note receivables by monitoring repayments when they fall due;
- (ii) a substantial shareholder, through related companies of which are also owned by this substantial shareholder, has undertaken to provide continuing financial support to the Group to remain continuing operations and to meet its liabilities and obligations when they fall due;
- (iii) the Group will actively negotiate with the lenders for debts restructuring and the renewal of the Group’s borrowings when they fall due in order to secure necessary funds to meet the Group’s working capital and financial requirements in the foreseeable future. In the opinion of the Directors, the Group will be able to roll over or refinance the borrowings upon their maturity;
- (iv) identifying new investment and business development opportunities to increase the Group’s profitability; and
- (v) the Group is actively exploring the availability of various sources of financing including the disposal of assets or obtain secured facilities by way of pledge of assets etc.

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

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

In the current year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2021. HKFRSs comprise HKFRSs, Hong Kong Accounting Standards, and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years.

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

4. SEGMENT REPORTING

(a) Reportable segments

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

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

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

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

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

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

	2021			
	Manufacturing	Treasury	Financial	Total
	HKD'000	investment	service	HKD'000
	HKD'000	HKD'000	HKD'000	HKD'000
Revenue from external customers	<u>551,756</u>	<u>(16,325)</u>	<u>–</u>	<u>535,431</u>
Reportable segment loss	<u>(42,635)</u>	<u>(314,403)</u>	<u>(3,648)</u>	<u>(360,686)</u>
Amounts included in the measure of segment profit or loss:				
Interest income	15	40,941	–	40,956
Finance costs	(11,371)	(51,894)	–	(63,265)
Depreciation of property, plant and equipment	(1,578)	(7,418)	–	(8,996)
Depreciation of right-of-use assets	(3,513)	(2,364)	–	(5,877)
Share of results of associates	–	48,090	–	48,090
Share of results of joint ventures	–	(89,287)	–	(89,287)
Impairment loss on trade receivables	(54)	(22,253)	–	(22,307)
Impairment loss on loan receivables	–	(186,648)	–	(186,648)
Impairment loss on note receivables	–	(32,230)	–	(32,230)
Impairment loss on other receivables	–	(3,648)	–	(3,648)
Reportable segment assets	<u>587,417</u>	<u>1,856,068</u>	<u>222,963</u>	<u>2,666,448</u>
Amounts included in the measure of segment assets:				
Interests in associates	–	584,805	–	584,805
Interests in joint ventures	–	20,662	–	20,662
Additions to non-current assets [#]	12,873	1,012	–	13,885
Reportable segment liabilities	<u>(596,872)</u>	<u>(875,203)</u>	<u>(165,450)</u>	<u>(1,637,525)</u>

	2020			
	Manufacturing HKD'000	Treasury investment HKD'000	Financial service HKD'000	Total HKD'000
Revenue from external customers	461,027	(183,452)	–	277,575
Reportable segment loss	(59,790)	(926,796)	(19,805)	(1,006,391)
Amounts included in the measure of segment profit or loss:				
Interest income	21	73,077	–	73,098
Finance costs	(14,936)	(59,919)	–	(74,855)
Depreciation of property, plant and equipment	(14,081)	(2,071)	–	(16,152)
Depreciation of right-of-use assets	(3,959)	(5,148)	–	(9,107)
Reversal of write-down of inventories	387	–	–	387
Share of results of associates	–	(9,994)	–	(9,994)
Share of results of joint ventures	–	(62,327)	–	(62,327)
Reversal of impairment loss/ (impairment loss) on trade receivables	39	(28,205)	–	(28,166)
Impairment loss on loan receivables	–	(222,327)	–	(222,327)
Impairment loss on note receivables	–	(37,822)	–	(37,822)
Impairment loss on other receivables	–	–	(19,805)	(19,805)
Impairment loss on goodwill	–	(330,991)	–	(330,991)
Net loss on disposal of property, plant and equipment	–	(1,047)	–	(1,047)
Reportable segment assets	509,531	2,293,231	144,806	2,947,568
Amounts included in the measure of segment assets:				
Interests in associates	–	506,060	–	506,060
Interests in joint ventures	–	109,949	–	109,949
Additions to non-current assets [#]	8,499	7,254	–	15,753
Reportable segment liabilities	(510,693)	(872,021)	(100,112)	(1,482,826)

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

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

	2021 HKD'000	2020 HKD'000
Profit or loss		
Reportable segment loss	(360,686)	(1,006,391)
Other unallocated staff cost	(29,729)	(30,595)
	<u>(390,415)</u>	<u>(1,036,986)</u>
Consolidated loss before income tax expense	<u>(390,415)</u>	<u>(1,036,986)</u>
	2021 HK\$'000	2020 HK\$'000
Assets		
Reportable segment assets	2,666,448	2,947,568
Unallocated bank balances and deposits	2,655	2,757
	<u>2,669,103</u>	<u>2,950,325</u>
Consolidated total assets	<u>2,669,103</u>	<u>2,950,325</u>
	2021 HK\$'000	2020 HK\$'000
Liabilities		
Reportable segment liabilities	1,637,525	1,482,826
Tax payable	277,663	278,308
	<u>1,915,188</u>	<u>1,761,134</u>
Consolidated total liabilities	<u>1,915,188</u>	<u>1,761,134</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	
	2021 HKD'000	2020 HKD'000	2021 HKD'000	2020 HKD'000
Hong Kong (place of domicile)	45,685	(180,882)	330,155	125,902
The People's Republic of China (the "PRC")	167,554	196,374	319,002	490,540
Singapore	30,845	16,680	–	–
Thailand	–	302	–	–
Malaysia	3,848	1,742	–	–
Germany	61,670	57,429	–	–
Poland	57,458	46,644	–	–
Other Europe countries	85,103	77,818	–	–
United States of America	6,893	13,641	–	–
Korea	2,397	3,410	–	–
Japan	61,068	40,216	–	–
Other	12,910	4,201	–	–
Total	489,746	458,457	319,002	490,540
	535,431	277,575	649,157	616,442

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:

	2021 HKD'000	2020 HKD'000
Customer A ²	60,531	39,974
Customer B ²	57,458	42,663
Customer C ^{1,2}	N/A	37,579
Customer D ^{1,2}	N/A	37,558
Customer E ^{1,2}	N/A	46,644

¹ This customer contributed less than 10% of the Group's revenue for the year ended 31 December 2021.

² Included in the manufacturing segment.

5. REVENUE

	2021 <i>HKD'000</i>	2020 <i>HKD'000</i>
Revenue from contracts with customers – Sales of goods	<u>551,756</u>	<u>461,027</u>
Revenue from other sources		
Fair value loss on trading purpose equity investments at fair value through profit or loss (“FVTPL”), net		
– Unrealised loss	(57,266)	(256,526)
Interest income		
– Loan and note receivables	38,540	64,269
– Loan to an associate	<u>2,401</u>	<u>8,805</u>
Total revenue from other sources	<u>(16,325)</u>	<u>(183,452)</u>
Total revenue	<u><u>535,431</u></u>	<u><u>277,575</u></u>

Disaggregated revenue information

For the year ended 31 December 2021

Type of goods or services	Manufacturing <i>HKD'000</i>	Treasury investment <i>HKD'000</i>	Financial service <i>HKD'000</i>	Total <i>HKD'000</i>
Sales of goods	<u>551,756</u>	–	–	<u>551,756</u>
Total revenue from contracts with customers	<u><u>551,756</u></u>	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>551,756</u></u>

Timing of revenue recognition

Goods transferred at a point in time	<u>551,756</u>	–	–	<u>551,756</u>
Total revenue from contracts with customers	<u><u>551,756</u></u>	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>551,756</u></u>

Geographical markets

The PRC	167,554	–	–	167,554
Hong Kong	62,010	–	–	62,010
Singapore	30,845	–	–	30,845
Malaysia	3,848	–	–	3,848
Germany	61,670	–	–	61,670
Poland	57,458	–	–	57,458
Other Europe countries	85,103	–	–	85,103
United States of America	6,893	–	–	6,893
Korea	2,397	–	–	2,397
Japan	61,068	–	–	61,068
Other countries/regions	<u>12,910</u>	–	–	<u>12,910</u>
Total revenue from contracts with customers	<u><u>551,756</u></u>	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>551,756</u></u>

For the year ended 31 December 2020

Type of goods or services	Manufacturing HKD'000	Treasury investment HKD'000	Financial service HKD'000	Total HKD'000
Sales of goods	461,027	–	–	461,027
Total revenue from contracts with customers	<u>461,027</u>	<u>–</u>	<u>–</u>	<u>461,027</u>
Timing of revenue recognition				
Goods transferred at a point in time	461,027	–	–	461,027
Total revenue from contracts with customers	<u>461,027</u>	<u>–</u>	<u>–</u>	<u>461,027</u>
Geographical markets				
The PRC	163,896	–	–	163,896
Hong Kong	35,048	–	–	35,048
Singapore	16,680	–	–	16,680
Thailand	302	–	–	302
Malaysia	1,742	–	–	1,742
Germany	57,429	–	–	57,429
Poland	46,644	–	–	46,644
Other Europe countries	77,818	–	–	77,818
United States of America	13,641	–	–	13,641
Korea	3,410	–	–	3,410
Japan	40,216	–	–	40,216
Other countries/regions	4,201	–	–	4,201
Total revenue from contracts with customers	<u>461,027</u>	<u>–</u>	<u>–</u>	<u>461,027</u>

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

6. OTHER INCOME

	2021 HKD'000	2020 HKD'000
Bank interest income	15	24
Service income	2,218	1,153
Investment income arising from undertaking on a joint venture	–	4,695
Government grants	1,322	8,993
Recharged tooling income	1,157	3,615
Others	3,756	2,045
	<u>8,468</u>	<u>20,525</u>

7. OTHER GAINS AND LOSSES

	2021 <i>HKD'000</i>	2020 <i>HKD'000</i>
Net exchange losses	(16,348)	(22,132)
Net loss on disposal of property, plant and equipment	–	(1,047)
Impairment loss on goodwill	–	(330,991)
Gain on bargain purchases	–	4,091
Gain on extinguishment of loan payables	–	4,930
	<u>(16,348)</u>	<u>(345,149)</u>

8. FINANCE COSTS

	2021 <i>HKD'000</i>	2020 <i>HKD'000</i>
Interest on:		
– Lease liabilities	1,143	1,692
– Borrowings	55,132	65,726
– Loans from a director	6,990	7,437
	<u>63,265</u>	<u>74,855</u>

9. INCOME TAX

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

	2021 <i>HKD'000</i>	2020 <i>HKD'000</i>
Current tax – PRC Enterprise Income Tax		
– tax for the year	3,255	3,106
Current tax – Hong Kong Profits Tax		
– tax for the year	–	3,991
– overprovision in previous years	–	(6,334)
Deferred tax	<u>57,920</u>	<u>(7,775)</u>
	<u>61,175</u>	<u>(7,012)</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 the year ended 31 December 2020. According to the Macau Complementary Tax Law, assessable profit up to MOP600,000 is exempt from Complementary Tax, and assessable profit exceeding MOP600,000 is taxed at a rate of 12% for the year ended 31 December 2021.

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% (2020: 25%).

10. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging/(crediting) the following:

	2021 <i>HKD'000</i>	2020 <i>HKD'000</i>
Auditor's remuneration		
Audit services		
– Current year	2,122	2,155
– Over-provision in prior year	–	(416)
Cost of inventories sold	494,147	417,859
Reversal of write-down of inventories (included in cost of sales)	–	(387)
Depreciation charge of property, plant and equipment	17,059	16,152
Depreciation charge of right of use assets	5,877	9,107
Employee costs (<i>Note 11</i>)	<u>138,809</u>	<u>149,652</u>

11. EMPLOYEE COSTS

	2021 <i>HKD'000</i>	2020 <i>HKD'000</i>
Employee costs (including directors' remuneration) comprise:		
– Wages and salaries	121,020	124,883
– Contributions to retirement benefits scheme	14,013	21,080
– Other staff benefits	<u>3,776</u>	<u>3,689</u>
	<u>138,809</u>	<u>149,652</u>

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:

	2021 <i>HKD'000</i>	2020 <i>HKD'000</i>
Loss		
Loss for the purpose of basic and diluted loss per share	<u>(451,590)</u>	<u>(1,029,974)</u>
	2021	2020
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>2,208,000,000</u>	<u>2,208,000,000</u>

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

	2021 <i>HKD'000</i>	2020 <i>HKD'000</i>
Trade receivables (<i>Note (a)</i>)	256,123	216,408
Less: Allowance for doubtful debts (<i>Note (a)</i>)	<u>(87,162)</u>	<u>(64,832)</u>
	<u>168,961</u>	<u>151,576</u>
Prepayments, other receivables and other assets (<i>Note (b)</i>)		
– Prepayments	13,298	12,284
– Deposits paid	9,960	5,961
– Other receivables	<u>119,101</u>	<u>113,953</u>
	<u>142,359</u>	<u>132,198</u>
	<u>311,320</u>	<u>283,774</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:

	2021 <i>HKD'000</i>	2020 <i>HKD'000</i>
0 – 30 days	47,230	55,292
31 – 60 days	51,917	39,958
61 – 90 days	38,726	23,259
Over 90 days	<u>31,088</u>	<u>33,067</u>
	<u>168,961</u>	<u>151,576</u>

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

	2021 <i>HKD'000</i>	2020 <i>HKD'000</i>
0 – 30 days past due	31,624	13,142
31 – 90 days past due	8,703	2,572
Over 90 days past due	<u>5,950</u>	<u>23,022</u>
	<u>46,277</u>	<u>38,736</u>

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

	2021 <i>HKD'000</i>	2020 <i>HKD'000</i>
At beginning of the year	64,832	36,634
Impairment loss recognised	22,307	28,166
Exchange realignment	23	32
	<hr/>	<hr/>
At end of the year	87,162	64,832
	<hr/> <hr/>	<hr/> <hr/>

(b) Prepayments, other receivables and other assets

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

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

14. LOAN RECEIVABLES

	2021 <i>HKD'000</i>	2020 <i>HKD'000</i>
Secured loans (<i>Note (a)</i>)	1,775,018	1,779,357
Less: Allowances for doubtful debts	(704,795)	(518,147)
	<hr/>	<hr/>
	1,070,223	1,261,210
	<hr/> <hr/>	<hr/> <hr/>

Notes:

- (a) The balance represents secured loans to independent third party corporate borrowers which bear fixed interest rates ranging from 3% to 36% (2020: 3% to 36%) per annum with initial loan period ranging from 12 months to 24 months. These loans were secured by the following:
- fund investments of a borrower;
 - 55% equity interest in a borrower;
 - interests in certain properties of a borrower;
 - equity investments owned by the shareholder of a borrower;
 - listed shares owned by the related companies of a borrower;
 - listed shares of group companies of the borrower;
 - issued share capital of group companies of the borrowers;
 - interest in rights to use of a number of sea areas in the PRC owned by the group companies of the borrowers; and
 - personal guarantees executed by the shareholders or key management personnel of the borrowers.
- (b) Included in the loan receivables is a short-term interest-free loan amounted to HK\$20,000,000 which was lent to the bond issuer as mentioned in Note 15. The securities of this loan and the bond receivable in Note 15 are the same.

15. NOTE RECEIVABLES

	2021 <i>HKD'000</i>	2020 <i>HKD'000</i>
Secured	230,165	230,137
Less: Allowances for doubtful debts	<u>(92,066)</u>	<u>(59,836)</u>
	<u>138,099</u>	<u>170,301</u>

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

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

The principal and interest of the bond(s) as at 31 December 2020 and 2021 were repayable within the next 12 months.

16. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2021 <i>HKD'000</i>	2020 <i>HKD'000</i>
Trade payables	231,201	137,586
Other payables and accruals		
– Other payables	118,296	39,761
– Interests payables	40,765	39,513
– Accruals	<u>117,567</u>	<u>132,155</u>
	<u>276,628</u>	<u>211,429</u>
	<u>507,829</u>	<u>349,015</u>

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

	2021 <i>HKD'000</i>	2020 <i>HKD'000</i>
0 – 30 days	22,973	37,019
31 – 60 days	26,163	18,754
61 – 90 days	30,306	19,392
Over 90 days	<u>151,759</u>	<u>62,421</u>
	<u>231,201</u>	<u>137,586</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.

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

17. BORROWINGS

	2021 <i>HKD'000</i>	2020 <i>HKD'000</i>
Secured bank loans repayable within one year (<i>Note (a)</i>)	144,417	131,856
Other loans, unsecured (<i>Note (b)</i>)	180,559	183,882
Other loans, secured (<i>Note (c)</i>)	<u>672,709</u>	<u>678,189</u>
	<u>997,685</u>	<u>993,927</u>
Current portion	819,744	337,797
Non-current portion	<u>177,941</u>	<u>656,130</u>
	<u>997,685</u>	<u>993,927</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. As at 31 December 2021, bank loans of approximately HK\$144,417,000 (2020: HK\$131,856,000) carried fixed interest rate ranged from 2.36% to 3.85% (2020: 0.85% to 4.35%) per annum.
- (b) As at 31 December 2021, unsecured other loans obtained from Jade Summit Holdings Limited, an associate, and an independent third party amounted to approximately HK\$177,941,000 (2020: HK\$177,941,000) and HK\$2,618,000 (2020: HK\$5,941,000) respectively. The loan from the associate is non-interest bearing, unsecured and repayable in 2024; whereas the loan from the independent third party bears interest at a rate of 9.6% per annum (2020: 9.6% 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 (2020: 3% to 8% per annum) and HK\$672,709,000 are repayable within the next twelve months (2020: HK\$200,000,000 and HK\$478,189,000 of which are repayable within the next twelve months and beyond twelve months 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\$220,792,000 (2020: HK\$241,211,000); and
 - Financial assets at FVTPL with carrying amount of HK\$63,781,000 (2020: HK\$55,941,000).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

For the Year, the Group recorded a total revenue of HK\$535.43 million, representing an increase of approximately 92.89% as compared with the total revenue of HK\$277.58 million for the corresponding year in 2020. Such an increase in revenue was mainly due to the increase in sales volume from manufacturing segment of the Group and a reduction of loss attributable to the treasury investments segment. The total revenue of the Group for the Year represented by the manufacturing segment amounted to HK\$551.76 million (2020: HK\$461.03 million). The loss for the Year represented by the treasury investments segment was HK\$16.33 million (2020: HK\$183.45 million).

The Group reported a loss before income tax of approximately HK\$390.42 million (2020: HK\$1,036.99 million), which was mainly attributable to the unrealised fair value losses on financial investments held for trading through profit or loss (“FVTPL”) of approximately HK\$57.27 million (2020: HK\$256.53 million) and the impairment losses on trade receivables, other receivables, loan receivables and note receivables of HK\$244.83 million in total in respect of the Group (2020: HK\$308.12 million).

Loss attributable to owners of the Company for the Year amounted to approximately HK\$451.59 million, as compared with the loss attributable to owners of the Company of approximately HK\$1,029.97 million for the corresponding year in 2020. Basic loss per share attributable to owners of the Company for the Year was approximately 20.45 HK cents, as compared with that of 46.65 HK cents for the corresponding year in 2020.

FINAL DIVIDENDS

The Board has resolved not to recommend any declaration of final dividend for the Year (2020: 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 corresponding year of 2020, the sales of goods in the Group’s manufacturing segment increased by approximately 19.68% from approximately HK\$461.03 million in 2020 to approximately HK\$551.76 million in 2021 whereas its gross profit margin increased from 9.45% in 2020 to 10.44% in 2021.

Treasury investments

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

For the Year, the Group's treasury investments segment recorded a loss of approximately HK\$314.40 million (2020: HK\$926.80 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 by the Group during the Year. The provision for impairment losses were arisen as a result of the increase in credit-impaired receivables of the treasury investments segment.

Financial services

Renco Investments Limited ("**Renco Investments**") held the licenses to conduct Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities under the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) (the "**SFO**") during the Year while Renco Capital Partners Limited ("**Renco Capital**") held the licenses to conduct Type 1 (Dealing in Securities) and Type 6 (Advising on Corporate Finance) regulated activities under the SFO from 1 January 2021 to 23 February 2021 respectively. Renco Investments and Renco Capital, which are both indirect wholly-owned subsidiaries of the Company, actively participated 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 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, stating that the licenses of Renco Capital for Type 1 (Dealing in Securities) and Type 6 (Advising on Corporate Finance) regulated activities under the SFO 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 securities investments and unlisted debt investments.

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

The Group had gradually built up its credential in the asset management business and established a solid foundation for further development in the years to come. Up to 31 December 2021, the Group made a total sum of original capital contributions of approximately HK\$1.38 billion (2020: HK\$1.38 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 investment team with investment banking and corporate finance experience and exposure in order to improve the efficiency and quality of services.

During the Year, the Group did not 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 2021, the Group had total equity of approximately HK\$753.92 million (2020: HK\$1,189.19 million) and net debts (trade payables, other payables and accruals, loan from a related party, loan from a Director, and borrowings less bank balances and deposits) of approximately HK\$1,575.85 million (2020: HK\$1,436.74 million), representing a gearing ratio, defined as net debts over total equity plus net debts, of 67.64% (2020: 54.71%).

The Group's net current assets of approximately HK\$10.95 million (2020: HK\$880.40 million) consisted of current assets of approximately HK\$1,728.54 million (2020: HK\$1,972.10 million) and current liabilities of approximately HK\$1,717.59 million (2020: HK\$1,091.70 million), representing a current ratio of 1.01 (2020: 1.81).

As at 31 December 2021, the Group's current assets consisted of approximately HK\$36.33 million (2020: HK\$28.46 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\$163.40 million (2020: HK\$123.86 million) held as trade receivables. Debtors turnover days was approximately 108 days (2020: 98 days).

The Group's inventories increased from approximately HK\$55.22 million as at 31 December 2020 to approximately HK\$56.70 million as at 31 December 2021. Inventory turnover days in the Group's manufacturing segment was approximately 42 days (2020: 48 days). Trade payables increased from approximately HK\$137.59 million as at 31 December 2020 to approximately HK\$231.20 million as at 31 December 2021. Creditors turnover days was approximately 171 days (2020: 121 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 2021, bank loans of approximately HK\$144.42 million (2020: HK\$131.86 million) carried fixed interest rates ranging from 2.36% to 3.85% per annum (2020: 0.85% to 4.35% per annum).

As at 31 December 2021, other loan obtained from an associate amounting to approximately HK\$177.94 million was unsecured, non-interest bearing and repayable in 2024. The remaining balance of other loans was secured by equity interests in certain subsidiaries and an associate of the Group, manufacturing segment and other trade and loan receivables and financial assets at FVTPL, bearing interest at a rate for the range of 3% to 8% per annum (2020: 3% to 8% per annum), of which HK\$672.71 million (2020: HK\$200.00 million) and HK\$Nil (2020: HK\$478.19 million) were repayable within the next twelve months and beyond the twelve months respectively.

Apart from the secured borrowings described above, there were loans advanced by Mr. Cheok Ho Fung (“**Mr. Cheok**”), an executive Director, of HK\$103.71 million at an effective interest rate of 7% per annum (2020: 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 but remained to act as director of various subsidiaries of the Company, for an amount of HK\$2.95 million which is non-interest bearing and has no fixed terms of repayment. The financial assistances provided by Mr. Cheok and Mr. Liu were connected transactions under Chapter 14A of the Rules (the “**Listing Rules**”) Governing the Listing of the Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). However, they are fully exempted from the reporting, announcement, and approval from independent shareholders of the Company (the “**Shareholders**”) requirements pursuant to the Listing Rules because they are conducted on normal commercial terms or better and are not secured by the assets of the Group.

SIGNIFICANT INVESTMENTS

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

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

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

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

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

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

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

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

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

Since the current financial performance and the status of the business operations of the Bond Issuer for the year ended 31 December 2021 was worse than that of the previous year, no settlement was received during the Year and the Bond Issuer was unable to meet the repayment deadline under the plan. Default payment by the Bond Issuer caused significant increase in credit risk on the above trade receivables when compared with the same of the previous year. It was therefore considered as credit-impaired under Hong Kong Financial Reporting Standard (the "**HKFRS**") 9 as at 31 December 2021. Accordingly, the management of the Group provided further significant impairment loss of HK\$15.49 million for the trade receivables from the Bond Issuer and the carrying amount of the trade receivables as at 31 December 2021 was HK\$Nil (2020: HK\$15.49 million). The accumulated impairment loss on the bond receivables held by the Partners Fund amounted to HK\$60.41 million in total.

(b) Huarong International Fortune Innovation LP (the “Huarong Fund”)

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

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

As at 31 December 2021, 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 (2020: zero) if the distribution of the net sale proceeds of the Huarong Fund was calculated.

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

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

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

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

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

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

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

On 29 May 2020, in order to enhance the investment quality of the fund, the general partner and manager of the Natural Resource Fund together with that of the Fixed Income Fund (as defined below) had decided to adjust the investment strategies and entered into a series of restructuring and debt assignment agreements with several funds (the “**OBOR Funds Restructuring**”). Pursuant to the restructuring and debt assignment agreements, each of the Natural Resource Fund and the Fixed Income Fund acquired 50% interest of Hong Kong Bridge High-Tech Investment Fund, L.P. (the “**High-Tech Investment Fund**”) and HKBridge Special Situation Fund, L.P. (the “**Special Situation Fund**”) respectively; and the Natural Resource Fund acquired 100% interest of Hong Kong Bridge One Belt One Road M&A Fund, L.P. (the “**M&A Fund**”), by respectively assigning Bond I and Bond II (as defined below) to the original limited partners of the High-Tech Investment Fund, the Special Situation Fund and the M&A Fund and became the new limited partners of these funds. The OBOR Funds Restructuring took retrospective effect on 1 January 2020.

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

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

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

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

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

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

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

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

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

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

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

Details of the OBOR Funds Restructuring are set out in the paragraph headed “(c) Hong Kong Bridge One Belt One Road Natural Resource Fund LP” above.

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

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

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

(e) Hong Kong Bridge One Belt One Road M&A Fund LP (the “M&A Fund”)

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

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

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

The M&A Fund had not received the settlement of the outstanding amounts due from the Borrower during the Year as the Borrower was still suffering from the adverse impacts caused by the COVID-19 outbreak. The recoverable value of the bonds issued by CRTG as the securities decreased significantly due to the poor financial performance of CRTG as disclosed in its interim report 2021 published on 30 December 2021. Having considered the worsened situation, the general partner and the manager of the M&A Fund decided to provide further impairment loss of HK\$35.19 million in respect of the Loan I for the Year according to the HKFRS 9. The carrying value of the Loan I after the accumulated impairment loss of HK\$100.53 million as at 31 December 2021 amounted to approximately HK\$150.80 million (2020: HK\$185.96 million).

(f) Hong Kong Bridge High-Tech Investment Fund LP (the “High-Tech Investment Fund”)

The High-Tech Investment Fund entered into the sale and purchase agreement with four independent third parties to acquire 64,148,063 shares of the SuperRobotics Shares Batch 3 (as defined below). Details of the subscription of interest in the High-Tech Investment Fund were set out in the paragraph headed “(II) Subscription and/or Holding of Listed Securities” under the section headed “Management Discussion and Analysis” of this announcement.

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

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

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

The High-Tech Investment Fund had not received the outstanding amounts from the Borrower during the Year. Having considered the worsened situation and the aforesaid reasons, the general partner and the manager of the High-Tech Investment Fund decided to provide further impairment loss of HK\$13.64 million in respect of the Loan II for the Year according to the HKFRS 9. The carrying value of the Loan II after the accumulated impairment loss of HK\$38.95 million as at 31 December 2021 amounted to approximately HK\$58.43 million (2020: HK\$72.05 million).

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

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

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

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

The Landmark Fund had not received the outstanding amounts due from the Borrower during the Year. After having considered the worsened situation and the aforesaid reasons, the general partner and the manager of the Landmark Fund decided to provide further impairment loss of HK\$35.03 million for the Bond III according to the HKFRS 9. The carrying value of the Bond III after the accumulated impairment loss of HK\$100.07 million as at 31 December 2021 amounted to approximately HK\$150.10 million (2020: HK\$185.10 million).

(h) *HKBridge Absolute Return Fund LP (the “Absolute Return Fund”)*

The Absolute Return Fund entered into the sale and purchase agreement with four independent third parties to acquire 24,397,946 shares of the SuperRobotics Shares Batch 2 (as defined below). Details of the subscription of interest in the Absolute Return Fund were set out in the paragraph headed “(II) Subscription and/or Holding of Listed Securities” under the section headed “Management Discussion and Analysis” of this announcement.

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

Upon completion of the OBOR Funds Restructuring, the Group held 100% (2020: 100%) of interest in the Absolute Return Fund. The unrealised fair value loss of the equity investments of the Absolute Return Fund had been consolidated into the Group’s financial statements since the Group obtained the majority interest in the Absolute Return Fund.

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

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

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

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

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

Goodwill arising from the OBOR Funds Restructuring

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

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

(II) Subscription and/or Holding of Listed Securities

As at 31 December 2021, the Group held financial assets at FVTPL of approximately HK\$120.13 million (31 December 2020: HK\$177.40 million) of which the club debenture of HK\$4.27 million was classified as non-current assets and the listed equity investments of HK\$115.87 million (2020: HK\$173.13 million) was classified as current assets in the consolidated statement of financial position of the Group.

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

Name of investees	Notes	Number of shares	Approximate percentage of interest held	For the year ended 31 December 2021							
				Cost/ fair value as at 1 January 2021 (HK\$'000)	Additions/ (transfer) (HK\$'000)	Market prices as at 31 December 2021 (HK\$)	Market value (HK\$'000)	Approximate percentage of investments attributable to the Group's total assets	Dividend received (HK\$'000)	Disposal gain/(loss) (HK\$'000)	Fair value gain/(loss) (HK\$'000)
SuperRobotics Holdings Limited (HKSE Stock Code: 8176) (the "SuperRobotics Shares Batch 1")	(a)	41,666,666	8.23%	37,500	N/A	0.400	16,667	0.62%	N/A	N/A	(20,833)
SuperRobotics Holdings Limited (HKSE Stock Code: 8176) (the "SuperRobotics Shares Batch 2")	(b)	64,148,063	12.67%	57,733	N/A	0.400	25,659	0.96%	N/A	N/A	(32,074)
SuperRobotics Holdings Limited (HKSE Stock Code: 8176) (the "SuperRobotics Shares Batch 3")	(c)	24,397,946	4.82%	21,958	N/A	0.400	9,759	0.37%	N/A	N/A	(12,199)
Huarong International Financial Holdings Limited (HKSE Stock Code: 993) (the "Huarong Financial")	(d)	237,359,400	2.73%	38,452	N/A	0.196	46,522	1.74%	N/A	N/A	8,070
Bank of Gansu Co., Ltd. (HKSE Stock Code: 2139) (the "Bank of Gansu")	(e)	11,506,000	0.30%	17,490	N/A	1.500	17,259	0.65%	N/A	N/A	(231)

(a) SuperRobotics Shares Batch 1

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

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

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

(b) SuperRobotics Shares Batch 2

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

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

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

(c) SuperRobotics Shares Batch 3

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

The High-Tech Investment Fund's investment objective is to generate high risk-adjusted returns by primarily investing in equity, equity-related investments, fixed income securities, debt securities and loans or convertible bonds in connection with 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 continued to research on the industry of high and new technology to expand the fund investing activities. The Board considered that the subscription of interests in the High-Tech Investment Fund was beneficial to the Group and the Shareholders as a whole, by generating the returns from the investments and to enhance the experience of assets management in the coming years.

(d) Huarong Financial Shares

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

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

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

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

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

As at the date of this announcement, all of the Huarong Financial Shares have been pledged as security for a long-term borrowing of HK\$660.00 million of the Group.

(e) Bank of Gansu Shares

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

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

During the Year, the investment in the Bank of Gansu Shares recorded an unrealised fair value loss of HK\$0.23 million (2020: HK\$11.83 million) due to the unexpected downturn in the share price performance of Bank of Gansu. With reference to the investment objectives of the Fixed Income Fund and the Growth Fund, the general partner and manager considered that the investment in Bank of Gansu was beneficial to the Group and the Shareholders as a whole, by generating the returns from medium to long term investments and by enhancing the experience of assets management in the coming years.

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

Deposits of Investment in potential business

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

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

On 17 May 2021, the Group entered into an agreement with two different independent third parties respectively to receive the deposit of HK\$50.00 million on or before 31 December 2022 by assigning its investment rights. Thus, the accumulated impairment loss of HK\$23.00 million was expected to be reduced to HK\$20.00 million. The carrying value of the other receivables in relation to this deposit should amount to HK\$80.00 million (2020: HK\$77.00 million) as at 31 December 2021.

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 2021, the total outstanding receivables in relation to this activity amounted to approximately HK\$1,208.32 million (2020: HK\$1,431.51 million) and those transactions that were summarised below were relatively significant to the Group at the time of entering into the relevant agreements between the Group and those relevant independent third parties respectively.

The Group had provided additional impairment of approximately HK\$122.27 million (2020: HK\$103.25 million) for those overdue financial assistances during the Year. The Board was of the opinion that such impairment provided by the Group were made in accordance with the requirements of the accounting standards. In order to lower the investment risks and reduce the losses, the Group puts its best efforts to maximise the recovery of the relevant financial assistances by restructuring or conducting lawsuits against several debtors.

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

(a) **Zhanjiang Advance**

On 22 March 2017, the Group entered into a loan facility agreement with 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 were set out in the Company’s announcement dated 22 March 2017.

Due to the default in repayment and failure of negotiation for settlement of the Loan Facility, the Group filed a statement of claim (起訴狀) on 30 June 2019 at the Shaoguan Intermediate People’s Court (韶關市中級人民法院) (the “**Shaoguan Court**”) against the Zhanjiang Borrower and the guarantors to claim for the principal amount of the 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 the Shaoguan Court on 16 July 2019. On 24 July 2019, the Group paid the required litigation fee to the Shaoguan Court to confirm the first hearing of the said litigation proceedings which was originally scheduled to be held on 20 August 2019, but was adjourned to be held on 14 February 2020. Details in relation to the aforesaid legal proceedings were set out in the Company’s announcement dated 25 July 2019.

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

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

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

Due to the failure of Zhanjiang Borrower to make repayment and having regard to the lengthy legal proceedings and enforcement process, the management of the Group considered that the loan amount due from the Zhangjiang Borrower would probably not be able to be recovered until second half of year 2023 and determined to provide additional impairment loss of HK\$16.53 million during the Year for the loan receivables according to the HKFRS 9. The carrying amount of the amount due from the Zhanjiang Borrower after the accumulated impairment loss of HK\$76.96 million as at 31 December 2021 was approximately HK\$197.88 million (2020: HK\$214.42 million).

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

(b) Zhonghong Advance

On 25 January 2018, the Group entered into a loan agreement with Zhonghong Holding Co., Ltd. (the “**Zhonghong Borrower**”) for 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 the 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) (the “**Arbitral Awards**”) dated 25 April 2019 given by the SCIA in respect of the aforesaid arbitration proceedings. Further details of the Zhonghong Advance in relation to the provision of financial assistance and the abovesaid developments on the arbitrations were set out in the Company’s announcements dated 13 February 2018, 19 March 2018, 25 May 2018, 6 September 2018, 20 September 2018 and 3 May 2019 respectively.

As at the date of this announcement, the disposal of the Sea Area Use Certificate (海域使用權證書) through public auction approved by the Hainan Province Haikou Intermediate People’s Court (the “**Hainan Court**”) (海南省海口市中级人民法院) and the relevant properties held by the guarantors of the Zhonghong Borrower as pledged securities of the Zhonghong Advance held by the Group had not yet been initiated. The Group will continue to consult its PRC legal advisors for exploring further legal actions against the 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 had been exploring potential well-known buyers or property developers during the past two years to set up a restructuring arrangement between Zhonghong Borrower and existing creditors of Zhonghong Borrower.

Pursuant to the Arbitral Awards, the Group could apply to the Hainan Court to auction the relevant guarantor’s assets. However, as the recovering process of the Zhonghong Advance would involve restructuring discussion with other major creditors of the Zhonghong Borrower, in the opinion of the management of the Group, the outstanding amount of loan would likely to be recovered within three to four years. Having considered the restructuring plan which would be complicated and required extra time, the management of the Group decided to provide further impairment loss of HK\$16.30 million during the Year for the loan receivables according to HKFRS 9. The carrying amount of the amount due from the Zhonghong Borrower after the accumulated impairment loss of HK\$246.10 million as at 31 December 2021 was approximately HK\$215.33 million (2020: HK\$231.62 million).

(c) **China Gem Jiangsu Advance**

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

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

Since the financial performance and the status of business operations of China Gem Jiangsu as at 31 December 2021 were worse than those of the previous year, therefore no settlement had been received during the Year. In addition, the market value of the collaterals of the loan had been declined enormously as trading in the China Gem Shares on the Stock Exchange had been suspended since 30 August 2021. As the default in repayment by China Gem Jiangsu caused significant increase in the credit risk on the Group’s loan receivable, it was considered that credit-impairment loss should be made for China Gem Jiangsu as at 31 December 2021. The management of the Group decided to provide additional impairment loss of HK\$55.13 million for the Year in view of the loan receivable overdue from China Gem Jiangsu. The carrying amount due from China Gem Jiangsu after the accumulated impairment loss of HK\$145.09 million as at 31 December 2021 was approximately HK\$5.92 million (2020: HK\$61.05 million).

INTERNAL CONTROL SYSTEMS IN CONNECTION WITH PROVISION OF FINANCIAL SERVICES

(a) **Credit Risk Assessment**

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

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

(b) Mechanism in Determining Loan Term

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

(c) Monitoring Loan Repayment and Recovery

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

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

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

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

(d) Impairment Loss and Write-off Treatment

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

- the customers experienced operational difficulties;
- worsened macroeconomic and industry conditions, leading to further deterioration of the financial conditions of the customers; and
- the customers have been involved in lawsuits for debt collection.

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

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

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

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

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

FOREIGN EXCHANGE EXPOSURE

Sales of the Group’s products in manufacturing segment are principally denominated in US dollars and the purchases of materials and payments of operational expenses are mainly denominated in US dollars, HK dollars and RMB. Most of the Group’s purchases and expenses during the Year were denominated in RMB. As such, the Group had incurred a net exchange loss of HK\$16.35 million for the Year (2020: HK\$22.13 million) due to the depreciation of US dollars and RMB.

As at 31 December 2021, 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, complications caused by the COVID-19 pandemic and its customers which are highly volatile, combined with the rising labour and production costs. The Group's manufacturing segment has to compete with its competitors on various factors, such as product variety, product performance, customer service, quality, pricing, new product innovation, timely delivery and brand recognition.

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

Credit Risk

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

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

The Group's maximum exposure to credit risk, which will cause a financial loss to the Group due to the failure to perform an obligation by the counterparties arising from the carrying amount of the respective recognised financial assets, was stated in the consolidated statement of financial position of the Group as at 31 December 2021.

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 2021, excluding those employed by the Company's associates, the Group had 1,115 employees (2020: 1,126 employees). For the Year, our total staff costs amounted to HK\$138.81 million (2020: HK\$149.65 million).

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

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

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2021, the Group had capital commitments for acquisition of property, plant and equipment of HK\$Nil (2020: HK\$0.92 million) and had no material contingent liabilities (2020: Nil).

SIGNIFICANT EVENTS AFTER THE YEAR

On 26 May 2022 (after trading hours), the Company and Aristo Securities Limited (the "**Placing Agent**") entered into the placing agreement pursuant to which the Placing Agent has conditionally agreed to procure the placing (the "**Placing**") of a maximum of 440,000,000 placing shares (the "**Placing Share(s)**") on best endeavor basis to currently expected not less than six places at a price of HK\$0.1 per Placing Share. The Placing is conditional upon, among other factors, the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Placing Shares. For further details, please refer to the announcement of the Company dated 26 May 2022.

Save as disclosed above, there were no significant events occurred subsequent to 31 December 2021 which would materially affect the Group's operating and financial performance as at the date of this announcement.

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, during the Year, the Company acted in compliance with the code provisions set out in the CG Code contained in Part 2 of Appendix 14 to the Listing Rules.

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

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

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

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

CHANGES IN THE COMPOSITION OF THE BOARD AND BOARD COMMITTEES

With effect from 4 November 2021,

- (i) Mr. Shan Yongxin (“**Mr. Shan**”) resigned as an executive Director, a member of the executive committee of the Board (the “**Executive Committee**”) and an authorised representative of the Company under Rule 3.05 of the Listing Rules (the “**Authorised Representative**”) due to his intention to concentrate on the pursuit and development of his other business activities. Following Mr. Shan's resignation, there is no member in the Executive Committee; and
- (ii) Mr. Lau Fai Lawrence, an independent non-executive Director, has been appointed as an Authorised Representative.

The Company will identify suitable candidate(s) who is(are) qualified for appointment as the member(s) of the Executive Committee as soon as possible.

The Directors are of the opinion that the aforesaid changes in the composition of the Board can be well managed without undue disruption to the management and operation of the Group.

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

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

The Company will endeavour to identify a suitable candidate for appointment as an independent non-executive Director, chairman and member of the Remuneration Committee, member of the Audit Committee and member of the Nomination Committee within three months from the date of Mr. Ng's resignation pursuant to Rule 3.11, Rule 3.23 and Rule 3.27 of the Listing Rules.

AUDIT COMMITTEE

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

AUDITOR

BDO Limited had tendered its resignation letter as the Company's external auditor (the "**Auditor**") which had been accepted by the Board on 10 November 2021. ZHONGHUI ANDA CPA Limited was appointed as the Auditor by the Board to fill the casual vacancy created by BDO Limited, the resigned Auditor, and to hold office commencing from 10 November 2021 until the conclusion of the next annual general meeting of the Company at a fee to be agreed with the Directors as authorised by the Shareholders thereat.

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

REVIEW OF THE AUDITED ANNUAL RESULTS

As stated in the Announcements, due to the implementation of the COVID-19 pandemic prevention and control quarantine measures in certain cities in the PRC, Macau and Hong Kong, including delay in sending and receiving audit confirmations to and from banks, customers, suppliers, partners and other parties due to delays in postal or express services, and suspension of work and closure of some of the above parties' offices due to lockdown measures in the PRC, Macau and Hong Kong which adversely affected the preparation and gathering process of necessary documents and information required for the audit work, the publication of the audited annual results of the Group for the Year was delayed. The audit of the financial statements of the Group for the Year has been completed as of the date of this announcement. Therefore, the audited annual results of the Group for the Year contained herein have been agreed with the Auditor, ZHONGHUI ANDA CPA Limited, as required under Rule 13.49(2) of the Listing Rules. The audited annual results of the Group for the Year contained herein have been reviewed by the Audit Committee.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report from ZHONGHUI ANDA CPA Limited, the external auditor of the Company, on the Group's consolidated financial statements for the year ended 31 December 2021:

“QUALIFIED OPINION

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

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

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of a loan to an associate, certain trade receivables, loan receivables, note receivables and certain other receivables of HK\$89,449,000, HK\$5,464,000, HK\$1,070,223,000, HK\$138,099,000 and HK\$84,806,000 as at 31 December 2021 respectively and HK\$101,902,000, HK\$27,717,000, HK\$1,261,210,000, HK\$170,301,000 and HK\$88,454,000 respectively as at 31 December 2020 and whether the loss allowance provisions in respect to a loan to an associate, certain trade receivables, loan receivables, note receivables and certain other receivables of HK\$22,362,000, HK\$22,253,000, HK\$186,648,000, HK\$32,230,000 and HK\$3,648,000 respectively for the year ended 31 December 2021 and HK\$Nil, HK\$28,205,000, HK\$222,327,000, HK\$37,822,000 and HK\$19,805,000 respectively for the year ended 31 December 2020 were appropriately recorded.

In the absence of the information in relation to the financial status of these issuer, customers and borrowers on assessing their ability for settling on these outstanding amounts to the Group, the management considered that there is uncertainty on recovering the abovementioned balances. The management has initiated actions including but not limited to legal action against certain abovementioned balances, hence no result from actions is available up to the date of this report for justifying the extent of the recoverability of the aforesaid balances. There are no other satisfactory audit procedures that we could adopt to determine whether any allowance for non-recovery of the amount should be made in respect to a loan to an associate, certain trade receivables, loan receivables, note receivables and certain other receivables in the consolidated financial statements for the years ended 31 December 2021 and 2020.

2. Prepayments, other receivables and other assets

Included in prepayments, other receivables and other assets in the consolidated statement of financial position as at 31 December 2021 and 2020 were balances of approximately HK\$30,821,000 and HK\$26,841,000 respectively which were due from certain parties. Due to the limited accounting books and records available to us, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the nature and recoverability of other receivables and other assets of approximately HK\$30,821,000 and HK\$26,841,000 respectively as at 31 December 2021 and 2020. There are no other satisfactory audit procedures that we could adopt to determine the nature and whether any allowance for non-recovery of the amount should be made in the consolidated financial statements for the years ended 31 December 2021 and 2020.

3. Other payables and accruals

Included in other payables and accruals in the consolidated statement of financial position as at 31 December 2021 and 2020 were other payables and accruals of approximately HK\$143,425,000 and HK\$71,121,000 respectively which were due to certain parties. Due to the limited accounting books and records available to us, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the nature and obligation of other payables and accruals of approximately HK\$143,425,000 and HK\$71,121,000 respectively as at 31 December 2021 and 2020. There are no other satisfactory audit procedures that we could adopt to determine the nature and whether any written-back should be made in the consolidated financial statements for the years ended 31 December 2021 and 2020.

4. Deferred tax assets

Included in deferred tax assets in the consolidated statement of financial position as at 31 December 2021 and 2020 were of approximately HK\$Nil and HK\$57,920,000 respectively which represent the tax effect of impairment of financial assets and unrealised fair value change on financial instruments. Management had not provided sufficient information as to the future utilisation of deferred tax assets and we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the future utilisation of deferred tax assets of approximately HK\$Nil and HK\$57,920,000 as at 31 December 2021 and 2020 respectively and whether the income tax expense and credit of HK\$57,920,000 and HK\$7,775,000 for the years ended 31 December 2021 and 2020 respectively were appropriately recorded.

5. Tax payable

Included in tax payable in the consolidated statement of financial position as at 31 December 2021 and 2020 were of approximately HK\$270,020,000 and HK\$271,232,000 respectively which represent tax payables of certain subsidiaries. In the absence of final assessment from relevant tax authority, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the obligation of tax payables of approximately HK\$270,020,000 and HK\$271,232,000 respectively as at 31 December 2021 and 2020 and whether the income tax expense and credit of HK\$Nil and HK\$2,343,000 for the years ended 31 December 2021 and 2020 respectively were appropriately recorded.

Any adjustments to the figures described above might have a consequential effect on the Group financial performance and cash flows for the years ended 31 December 2021 and 2020, the financial position of the Group as at 31 December 2021 and 2020 and the related disclosure thereof in the consolidated financial statements.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Group incurred a consolidated net loss of approximately HK\$451,590,000 during the year ended 31 December 2021. In addition, the Group had outstanding borrowings of approximately HK\$819,744,000 which would be due for repayment within the next twelve months and amount due to a related party and a director of approximately HK\$2,950,000 and HK\$103,710,000 respectively which are repayable on demand and bank balances and deposits of approximately HK\$36,328,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.”

SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Group's auditors, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2021. The work performed by ZHONGHUI ANDA CPA 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 ZHONGHUI ANDA CPA Limited on the preliminary announcement.

MATERIAL DIFFERENCES BETWEEN UNAUDITED AND AUDITED ANNUAL RESULTS

As the financial information contained in the unaudited annual results announcement published on 31 March 2022 was neither audited by nor agreed with the auditors of the Company as at the date of its publication and subsequent adjustments have been made to such information, Shareholders and potential investors of the Company are advised to pay attention to certain differences between the financial information of the unaudited and audited annual results of the Group for the Year. Set forth below are details and reasons for the material differences in relation to such financial information in accordance with Rule 13.49(3)(ii)(b) of the Listing Rules:

	2021 <i>HKD'000</i> (Unaudited)	2021 <i>HKD'000</i> (Audited)	Variance <i>HKD'000</i>	<i>Notes</i>
Consolidated Statement of Profit or Loss (Extract)				
REVENUE	535,431	535,431	–	
Cost of sales	(494,147)	(494,147)	–	
GROSS PROFIT	41,284	41,284	–	
Other income	8,468	8,468	–	
Other gains and losses	(16,348)	(16,348)	–	
Impairment loss on trade receivables	(22,307)	(22,307)	–	
Impairment loss on other receivables	(3,648)	(3,648)	–	
Impairment loss on loan receivables	(186,648)	(186,648)	–	
Impairment loss on note receivables	(32,230)	(32,230)	–	
Selling and distribution expenses	(22,237)	(22,237)	–	
Administrative expenses	(58,106)	(52,287)	(5,819)	
LOSS FROM OPERATIONS	(291,772)	(285,953)	(5,819)	
Finance costs	(63,265)	(63,265)	–	
Share of results of joint ventures	(89,287)	(89,287)	–	
Share of results of associates	(27,305)	48,090	(75,395)	<i>a</i>
LOSS BEFORE TAX	(471,629)	(390,415)	(81,214)	
Income tax credit/(expense)	13,287	(61,175)	74,462	<i>b</i>
LOSS FOR THE YEAR	(458,342)	(451,590)	(6,752)	
Other comprehensive (loss)/income after tax:				
<i>Items that may be reclassified to profit or loss:</i>				
Exchange differences on translating foreign operations	(30,989)	(30,988)	(1)	
Share of other comprehensive income of associates	–	20,745	(20,745)	<i>a</i>
<i>Items that will not be reclassified to profit or loss:</i>				
Gain/(Loss) on revaluation of property, plant and equipment	35,409	35,409	–	
Income tax effect	(8,852)	(8,852)	–	
Other comprehensive (loss)/income for the year, net of tax	(4,432)	16,314	(20,746)	
Total comprehensive loss for the year	(462,774)	(435,276)	(27,498)	

	2021 <i>HKD'000</i> (Unaudited)	2021 <i>HKD'000</i> (Audited)	Variance <i>HKD'000</i>	<i>Notes</i>
Consolidated Statement of Financial Position				
(Extract)				
NON-CURRENT ASSETS				
Property, plant and equipment	318,054	318,054	–	
Right-of-use assets	12,667	12,667	–	
Investments in associates	481,157	584,805	(103,648)	<i>a</i>
Investments in joint ventures	20,662	20,662	–	
Rental and utility deposits	65	65	–	
Financial assets at fair value through profit or loss	4,266	4,266	–	
Deposits paid	47	47	–	
Deferred tax assets	61,272	–	61,272	<i>b</i>
	<hr/>	<hr/>	<hr/>	
Total non-current assets	898,190	940,566	(42,376)	
CURRENT ASSETS				
Inventories	56,700	56,700	–	
Trade receivables	168,961	168,961	–	
Prepayments, other receivables and other assets	142,847	142,359	488	
Loan receivables	1,070,223	1,070,223	–	
Note receivables	138,099	138,099	–	
Financial assets at fair value through profit or loss	115,867	115,867	–	
Bank balances and deposits	36,328	36,328	–	
	<hr/>	<hr/>	<hr/>	
Total current assets	1,729,025	1,728,537	488	
CURRENT LIABILITIES				
Trade payables	231,201	231,201	–	
Other payables and accruals	275,428	276,628	(1,200)	
Tax payable	277,663	277,663	–	
Lease liabilities	5,689	5,689	–	
Borrowings	819,744	819,744	–	
Loan from a related party	2,950	2,950	–	
Loan from a director	103,710	103,710	–	
	<hr/>	<hr/>	<hr/>	
Total current liabilities	1,716,385	1,717,585	(1,200)	
NET CURRENT ASSETS	<hr/>	<hr/>	<hr/>	
	12,640	10,952	1,688	
TOTAL ASSETS LESS CURRENT LIABILITIES	<hr/>	<hr/>	<hr/>	
	910,830	951,518	(40,688)	
NON-CURRENT LIABILITIES				
Lease liabilities	4,504	4,504	–	
Borrowings	177,941	177,941	–	
Deferred tax liabilities	1,968	15,158	(13,190)	<i>b</i>
	<hr/>	<hr/>	<hr/>	
Total non-current liabilities	184,413	197,603	(13,190)	
NET ASSETS	<hr/>	<hr/>	<hr/>	
	<u>726,417</u>	<u>753,915</u>	<u>(27,498)</u>	

Notes:

- (a) The difference represents a late adjustment on recalculation of share of results of associates for the year ended 31 December 2021.
- (b) The difference represents a late adjustment on recalculation of recognition of deferred tax assets and liabilities for the year ended 31 December 2021.

PUBLICATION OF THE AUDITED ANNUAL RESULTS AND ANNUAL REPORT

This audited 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.

References are made to the Announcements and the announcement of the Company dated 31 May 2022, in relation to, among others, the further delay in despatch of the 2021 Annual Report and the delay in holding of the annual general meeting of the Company. The Company expects that the 2021 Annual Report, which contains all the information required by the Listing Rules, will be despatched to the Shareholders and published on the above websites on or before 10 June 2022. The further delay in despatch of the 2021 Annual Report is subject to the approval to be granted by the Stock Exchange. Further announcement(s) will be made by the Company as and when necessary.

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, 31 May 2022

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