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Renco Holdings Group Limited
融科控股集團有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 2323)

INTERIM RESULTS FOR THE SIX MONTHS ENDED
30 JUNE 2024

The board (the “**Board**”) of directors (the “**Directors**”) of Renco Holdings Group Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2024 (the “**Period**”), together with the comparative figures for the corresponding period in 2023.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME

		Six months ended 30 June	
		2024	2023
	<i>Notes</i>	HK\$’000	HK\$’000
		(Unaudited)	(Unaudited)
REVENUE	<i>4</i>	133,344	136,885
Cost of sales		<u>(108,241)</u>	<u>(116,399)</u>
GROSS PROFIT		25,103	20,486
Other income	<i>4</i>	146,442	2,071
Other gains and losses, net	<i>5</i>	(53,881)	(92,289)
Selling and distribution costs		(18,911)	(11,060)
Administrative expenses		(32,455)	(36,115)
Finance costs	<i>6</i>	(29,473)	(33,268)
Share of results of associates		<u>(11,432)</u>	<u>(3,033)</u>

		Six months ended 30 June	
		2024	2023
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
PROFIT/(LOSS) BEFORE INCOME TAX	7	25,393	(153,208)
Income tax expense	8	<u>(604)</u>	<u>(566)</u>
PROFIT/(LOSS) FOR THE PERIOD		<u>24,789</u>	<u>(153,774)</u>
Other comprehensive income/(loss) for the period			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		<u>32,752</u>	<u>(44,791)</u>
Total other comprehensive income/(loss) for the period		<u>32,752</u>	<u>(44,791)</u>
PROFIT/(LOSS) AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>57,541</u>	<u>(198,565)</u>
Earnings/(Loss) per share attributable to owners of the Company			
– Basic	9	<u>HK0.94 cents</u>	<u>HK(5.81) cents</u>
– Diluted	9	<u>HK0.94 cents</u>	<u>HK(5.81) cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 June 2024 <i>HK\$'000</i> (Unaudited)	At 31 December 2023 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		283,126	299,089
Right-of-use assets		11,117	8,830
Interests in associates		523,790	528,622
Rental and utility deposits		480	21
Financial assets at fair value through profit or loss	11	4,595	2,407
Deposits paid		35	36
		823,143	839,005
CURRENT ASSETS			
Inventories		35,107	31,079
Trade receivables	12	46,426	56,767
Loan receivables	13	583,611	630,135
Note receivables	14	–	–
Prepayments, other receivables and other assets	12	73,053	70,135
Financial assets at fair value through profit or loss	11	61,176	56,393
Bank balances and deposits		9,016	23,877
		808,389	868,386
CURRENT LIABILITIES			
Trade payables	15	60,213	60,459
Other payables and accruals	15	311,501	234,379
Tax payable		44,252	274,643
Lease liabilities		3,367	2,890
Borrowings	16	1,112,425	1,195,468
Loans from a director	17	117,827	16,957
		1,649,585	1,784,796
NET CURRENT LIABILITIES		(841,196)	(916,410)
TOTAL ASSETS LESS CURRENT LIABILITIES		(18,053)	(77,405)

		At 30 June 2024 <i>HK\$'000</i> (Unaudited)	At 31 December 2023 <i>HK\$'000</i> (Audited)
NON-CURRENT LIABILITIES			
Lease liabilities		5,068	3,257
Borrowings	16	–	–
Deferred tax liabilities		<u>23,926</u>	<u>23,926</u>
Total non-current liabilities		<u>28,994</u>	<u>27,183</u>
NET LIABILITIES		<u>(47,047)</u>	<u>(104,588)</u>
CAPITAL AND RESERVES			
Share capital	18	264,800	264,800
Reserves		<u>(311,847)</u>	<u>(369,388)</u>
TOTAL DEFICIT IN EQUITY		<u>(47,047)</u>	<u>(104,588)</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

(a) Basis of preparation

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by the management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those applied to note 4 and note 5 in 2023 annual financial statements.

These condensed consolidated interim financial statements are presented in Hong Kong Dollars (“**HK\$**”), unless otherwise stated. These condensed consolidated interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2023 annual financial statements. These condensed consolidated interim financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (the “**HKFRSs**”) and should be read in conjunction with the 2023 annual financial statements.

(b) Basis of measurement and going concern assumption

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

During the six months ended 30 June 2024, the Group recorded consolidated net profit of approximately HK\$57,541,000 and had net cash flows used in operating activities of HK\$10,413,000. As at 30 June 2024, the Group had cash and cash equivalents of approximately HK\$9,016,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern.

The Directors of the Company consider the Group will have sufficient working capital to finance its operations and financial obligations as and when they fall due within 12 months from 30 June 2024, and accordingly, are satisfied that it is appropriate to prepare the condensed consolidated financial statements on a going concern basis after taking into consideration of the followings:

- i) enhancing the collection of loan and note receivables by monitoring repayments when they fall due;
- ii) a substantial shareholder, through a related company of which is also owned by this substantial shareholder, has undertaken to provide continuing financial support to the Group to remain continuing operations and to meet its liabilities and obligations when they fall due;
- iii) the Group will actively negotiate with the lenders for debts restructuring and the renewal of the Group’s borrowings when they fall due in order to secure necessary funds to meet the Group’s working capital and financial requirements in the foreseeable future. In the opinion of the Directors, the Group will be able to roll over or refinance the borrowings upon their maturity;

- iv) identifying new investment and business development opportunities to increase the Group's profitability; and
- v) the Group is actively exploring the availability of various sources of financing including but not limited to the disposal of assets or obtain secured facilities by way of pledge of assets etc.

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

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In 2024, the Group has adopted the following amendments to HKFRSs which are pertinent to the Group's operations and effective for accounting periods beginning on or after 1 January 2024:

(a) Adoption of new/revised HKFRSs

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current
Amendments to HKAS 1	Non-current Liabilities with Covenants
HK Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The adoption of these amendments did not have any financial impact on the Group during the six months ended 30 June 2024.

3. SEGMENT INFORMATION

(a) Reportable segments

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

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

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

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

	Manufacturing <i>HK\$'000</i>	Treasury investments <i>HK\$'000</i>	Financial services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 30 June 2024				
(Unaudited)				
Revenue from external customers	<u>120,853</u>	<u>12,491</u>	–	<u>133,344</u>
Reportable segment profit/(loss)	<u>(15,326)</u>	<u>45,272</u>	–	<u>29,946</u>
Interest income	–	5,521	–	5,521
Finance costs	(6,656)	(22,817)	–	(29,473)
Depreciation				
– Own assets	(89)	–	–	(89)
Share of results of associates	–	(11,432)	–	(11,432)
Gain on disposal of subsidiary	–	83,413	–	83,413
Impairment losses on loan receivables	–	(47,677)	–	(47,677)
Impairment loss on other receivables	–	(11,000)	–	(11,000)
	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>

	Manufacturing <i>HK\$'000</i>	Treasury investments <i>HK\$'000</i>	Financial services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 30 June 2023 (Unaudited)				
Revenue from external customers	138,407	(1,522)	–	136,885
Reportable segment loss	(16,540)	(133,301)	–	(149,841)
Interest income	9	5,525	–	5,534
Finance costs	(6,848)	(26,420)	–	(33,268)
Depreciation				
– Own assets	(369)	(402)	–	(771)
Share of results of associates	–	(3,033)	–	(3,033)
Impairment losses on loan receivables	–	(61,665)	–	(61,665)
Impairment loss on note receivable	–	(34,525)	–	(34,525)

Reconciliation of reportable segment profit or loss:

	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Profit or loss		
Reportable segment profit/(loss)	29,946	(149,841)
Other unallocated staff cost	(4,553)	(3,367)
Consolidated profit/(loss) before income tax	<u>25,393</u>	<u>(153,208)</u>

(b) Geographical information

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

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Europe	56,112	62,765
Hong Kong	22,512	12,239
The People's Republic of China ("PRC")	28,741	35,660
United States of America	436	2,257
Malaysia	159	497
Japan	11,722	14,610
Singapore	6,174	6,405
Others	7,488	2,452
	133,344	136,885

(c) Information about major customers

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

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Customer A ^{1, 2}	11,722	14,610
Customer B ²	8,007	14,876
Customer C ^{1, 2}	14,830	14,384
Customer D ²	5,336	5,094
Customer E ²	2,885	5,722
Customer F ²	4,818	7,651
Customer G ^{1, 2}	16,311	9,663
Customer I ²	4,353	7,756
Customer J ²	4,497	5,883

¹ These customers contributed more than 10% of the Group's revenue for the six months ended 30 June 2024.

² Included in the manufacturing segment.

³ Included in the financial services segment.

4. REVENUE AND OTHER INCOME

An analysis of revenue is as follows:

	Six months ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Revenue from contracts with customers		
Sales of goods	<u>120,853</u>	<u>138,407</u>
Total revenue from contracts with customers	<u>120,853</u>	<u>138,407</u>
Revenue from other sources:		
Fair value loss on trading purpose financial assets at fair value through profit or loss ("FVTPL")		
– Realised loss	–	–
– Unrealised gain/(loss)	<u>6,970</u>	<u>(7,517)</u>
	<u>6,970</u>	<u>(7,517)</u>
Interest income:		
– Loan receivables	<u>5,521</u>	<u>5,995</u>
– Loan to an associate	–	–
– Note receivables	<u>–</u>	<u>–</u>
Total revenue/(loss) from other sources	<u>12,491</u>	<u>(1,522)</u>
	<u>133,344</u>	<u>136,885</u>
Other income		
Interest income from bank deposits	–	12
Gain on disposal of subsidiary	<u>83,413</u>	–
Service income	<u>300</u>	–
Others	<u>62,729</u>	<u>2,059</u>
	<u>146,442</u>	<u>2,071</u>

5. OTHER GAINS AND LOSSES, NET

	Six months ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Net exchange gain	<u>4,796</u>	<u>3,901</u>
Impairment loss on other receivables	<u>(11,000)</u>	<u>(61,665)</u>
Impairment loss on loan receivables	<u>(47,677)</u>	<u>(34,525)</u>
	<u>(53,881)</u>	<u>(92,289)</u>

6. FINANCE COSTS

	Six months ended 30 June	
	2024 <i>HK\$'000</i> (Unaudited)	2023 <i>HK\$'000</i> (Unaudited)
Interests on:		
– Borrowings	27,771	29,348
– Loans from a director	1,702	3,920
	<u>29,473</u>	<u>33,268</u>

7. LOSS BEFORE INCOME TAX

This is arrived at after charging:

	Six months ended 30 June	
	2024 <i>HK\$'000</i> (Unaudited)	2023 <i>HK\$'000</i> (Unaudited)
Depreciation		
– Own assets	89	771
	<u>89</u>	<u>771</u>

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024 <i>HK\$'000</i> (Unaudited)	2023 <i>HK\$'000</i> (Unaudited)
The income tax expense comprises:		
PRC Enterprise Income Tax:		
Current period	(604)	(566)
	<u>(604)</u>	<u>(566)</u>
Deferred tax credit	–	–
	<u>–</u>	<u>–</u>
Income tax expense	<u>(604)</u>	<u>(566)</u>

9. EARNINGS/(LOSS) PER SHARE

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

Loss

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
earnings/(loss) for the purpose of basic and diluted earnings/(loss) per share	<u>24,789</u>	<u>(153,774)</u>

Number of shares

	Six months ended 30 June	
	2024	2023
	'000	'000
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>2,648,000</u>	<u>2,648,000</u>

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2024 and 2023.

10. DIVIDEND

The Directors do not recommend the payment of any interim dividend for the Period (six months ended 30 June 2023: HK\$Nil).

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 June 2024 <i>HK\$'000</i> (Unaudited)	At 31 December 2023 <i>HK\$'000</i> (Audited)
Non-current assets:		
Financial assets at FVTPL:		
– Club debentures, at fair value	<u>4,595</u>	<u>2,407</u>
Current assets:		
Financial assets at FVTPL:		
– Listed equity investments, at fair value (<i>Note</i>)	<u>61,176</u>	<u>56,393</u>

Note:

Assuming the portfolio of the Group's listed equity investments has remained unchanged, the market value of the Group's listed equity investments at the date of publication of these unaudited condensed consolidated interim financial statements was approximately HK\$74,480,000.

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

	At 30 June 2024 <i>HK\$'000</i> (Unaudited)	At 31 December 2023 <i>HK\$'000</i> (Audited)
Trade receivables (<i>Note (a)</i>)	141,934	150,275
Less: Allowance for doubtful debts (<i>Note (a)</i>)	<u>(95,508)</u>	<u>(93,508)</u>
	<u>46,426</u>	<u>56,767</u>
Prepayments, other receivables and other assets (<i>Note (b)</i>)		
– Prepayments	5,940	5,499
– Deposits paid	1,488	1,980
– Other receivables	63,199	60,230
– Loan to a third party	<u>2,426</u>	<u>2,426</u>
	<u>73,053</u>	<u>70,135</u>
	<u>119,479</u>	<u>126,902</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:

	At 30 June 2024 HK\$'000 (Unaudited)	At 31 December 2023 HK\$'000 (Audited)
0-30 days	18,944	18,678
31-60 days	22,382	5,226
61-90 days	5,100	16,720
Over 90 days	–	16,143
	<u>46,426</u>	<u>56,767</u>

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

	At 30 June 2024 HK\$'000 (Unaudited)	At 31 December 2023 HK\$'000 (Audited)
At beginning of the year	93,508	92,108
Impairment loss recognised	2,000	1,419
Exchange realignment	–	(19)
At end of the Period/year	<u>95,508</u>	<u>93,508</u>

b) Prepayments, other receivables and other assets

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

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

13. LOAN RECEIVABLES

	At 30 June 2024 HK\$'000 (Unaudited)	At 31 December 2023 HK\$'000 (Audited)
Secured loans	1,343,342	1,710,891
Less: Allowances for doubtful debts	<u>(759,731)</u>	<u>(1,080,756)</u>
	<u>583,611</u>	<u>630,135</u>

The balance represents secured loans to independent third party corporate borrowers which bear fixed interest rates ranging from 3% to 36% (31 December 2023: 3% to 36%) per annum with loan period ranging from 12 months to 24 months. These loans were secured by the following:

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

14. NOTE RECEIVABLES

	At 30 June 2024 HK\$'000 (Unaudited)	At 31 December 2023 HK\$'000 (Audited)
Secured	-	230,165
Less: Allowances for doubtful debts	<u>-</u>	<u>(230,165)</u>
	<u>-</u>	<u>-</u>

As at 30 June 2024, the note receivables were disposed during the period by way of disposal of the entire equity interest in a subsidiary of the Company. As at 31 December 2023, the Group subscribed from third party issuers 5% fixed redeemable coupon bonds. Both the principal and interests on the bonds are repayable within the next year. The bonds are secured by an issuer's interests in certain bonds issued by a company listed on the Stock Exchange. The bonds were also secured by personal guarantee executed by the director of certain issuer.

15. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	At 30 June 2024 <i>HK\$'000</i> (Unaudited)	At 31 December 2023 <i>HK\$'000</i> (Audited)
Trade payables	60,213	60,459
Other payables and accruals		
– Other payables	115,534	66,231
– Interests payables	51,836	26,814
– Accruals	89,906	87,109
– Provision for litigation	54,225	54,225
	<u>311,501</u>	<u>234,379</u>
	<u><u>371,714</u></u>	<u><u>294,838</u></u>

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

	At 30 June 2024 <i>HK\$'000</i> (Unaudited)	At 31 December 2023 <i>HK\$'000</i> (Audited)
0-30 days	14,320	9,963
31-60 days	9,480	11,089
61-90 days	9,889	7,022
Over 90 days	26,524	32,385
	<u>60,213</u>	<u>60,459</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.

16. BORROWINGS

	At 30 June 2024 <i>HK\$'000</i> (Unaudited)	At 31 December 2023 <i>HK\$'000</i> (Audited)
Secured bank loans repayable within one year (<i>Note (a)</i>)	111,111	116,779
Other loans, unsecured (<i>Note (b)</i>)	166,415	266,607
Other loans, secured (<i>Note (c)</i>)	834,899	812,082
	<u>1,112,425</u>	<u>1,195,468</u>
Current portion	1,112,425	1,195,468
Non-current portion	–	–
	<u><u>1,112,425</u></u>	<u><u>1,195,468</u></u>

Notes:

- (a) The bank loans were secured by certain buildings and right-of-use assets in respect of leasehold land held by the Group, corporate guarantee of the Company and personal guarantee of Mr. Cheok Ho Fung (“**Mr. Cheok**”), an executive director of the Company. As at 30 June 2024, bank loans of approximately HK\$111,111,000 (31 December 2023: HK\$116,779,000) carried fixed interest rate ranged from 3.30% to 3.40% (31 December 2023: 3.65% to 6.07%) per annum.
- (b) As at 30 June 2024, unsecured other loans obtained from Jade Summit Holdings Limited (an associate) amounting to approximately HK\$166,415,000. The loan from the associate is non-interest bearing, unsecured and repayable in 2024.
- (c) Secured other loans borrowed from independent third parties as lenders bear interest at a rate of 3% to 8% per annum (31 December 2023: 3% to 8% per annum) whereas HK\$834,899,000 of which is repayable within the next twelve months (31 December 2023: HK\$812,082,000 of which is repayable within the next twelve months). The balance is secured by:
- Corporate guarantee of the Company;
 - Equity interests in certain subsidiaries of the Company;
 - The Group’s interest in an associate;
 - Trade and loan receivables with carrying amount of HK\$215,328,000; and
 - Financial assets at FVTPL with carrying amount of HK\$16,614,000.

17. LOANS FROM A DIRECTOR

	At 30 June 2024 HK\$’000 (Unaudited)	At 31 December 2023 HK\$’000 (Audited)
Unsecured loan from a Director:		
– Interest bearing at 7% per annum and repayable on demand (<i>Note (a)</i>)	117,827	16,957

Note:

- (a) The loan was advanced by Mr. Cheok, an executive director of the Company.

18. SHARE CAPITAL

	Number of ordinary shares of HK\$0.1 each (’000)	HK\$’000
Authorised:		
At 1 January 2023, 31 December 2023 (audited), 1 January 2024 and 30 June 2024 (unaudited)	5,000,000	500,000
Issued and fully paid:		
At 1 January 2023, 31 December 2023 (audited), 1 January 2024 and 30 June 2024 (unaudited)	2,648,000	264,800

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

For the Period, the Group recorded a total revenue of approximately HK\$133.34 million, representing a decrease of approximately 2.59% as compared with the total revenue of approximately HK\$136.89 million for the corresponding period in 2023. Such a decrease in revenue was mainly due to the decrease in sales volume from manufacturing segment of the Group. The revenue generated by the manufacturing segment during the Period amounted to approximately HK\$120.85 million (six months ended 30 June 2023: HK\$138.41 million). The revenue from the treasury investments segment was approximately HK\$12.49 million (six months ended 30 June 2023: loss of HK\$1.52 million).

For the Period, the Group recorded a profit before tax of approximately HK\$24.79 million (six months ended 30 June 2023: loss of HK\$153.21 million), which was mainly attributable to gain on disposal of subsidiary of approximately HK\$83.41 million, partially offset by the impairment losses on loan receivables and other receivables of approximately HK\$58.68 million (six months ended 30 June 2023: HK\$96.19 million).

Profit attributable to owners of the Company for the Period amounted to approximately HK\$24.79 million, as compared with the loss attributable to owners of the Company of loss approximately HK\$153.77 million for the corresponding period in 2023. Basic earnings per share attributable to owners of the Company for the Period was approximately 0.94 HK cents, as compared with that loss per share of 5.81 HK cents for the corresponding period in 2023.

INTERIM DIVIDENDS

The Board has resolved not to recommend any declaration of interim dividends for the Period (six months ended 30 June 2023: HK\$ Nil).

BUSINESS REVIEW

Manufacturing Business

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

Compared to the revenue for the corresponding period of 2023, the sales of goods in the Group's manufacturing segment decreased by approximately 12.69% from approximately HK\$138.41 million in the corresponding period in 2023 to approximately HK\$120.85 million for the Period whereas its gross profit margin decreased from 15.94% in the corresponding period in 2023 to 10.44% for the Period.

Treasury Investments

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

For the Period, the Group's treasury investments segment recorded a profit of approximately HK\$45.27 million (six months ended 30 June 2023: loss of HK\$133.30 million) in the form of unrealised fair value gain, gain on disposal of subsidiary and interest income. The substantial fair value gain were arisen from the upward share price performance of the listed securities held by the Group during the Period. The provision for impairment losses was arisen as a result of the increase in credit-impaired receivables of the treasury investments segment.

Financial Services

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

Investment, Consultancy and Corporation Solution Services

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

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

FINANCIAL REVIEW

Liquidity and Financial Resources

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

As at 30 June 2024, the Group had total deficit in equity of approximately HK\$47.05 million (31 December 2023: HK\$104.59 million) and net debts (trade payables, other payables and accruals, loan from a Director, and borrowings less bank balances and deposits) of approximately HK\$1,592.95 million (31 December 2023: HK\$1,483.39 million), representing a gearing ratio, defined as net debts over total equity plus net debts, of 103.04% (31 December 2023: 107.59%).

As at 30 June 2024, the Group's net current liabilities of approximately HK\$841.20 million (31 December 2023: net current liabilities of approximately HK\$916.41 million) consisted of current assets of approximately HK\$808.39 million (31 December 2023: HK\$868.39 million) and current liabilities of approximately HK\$1,649.59 million (31 December 2023: HK\$1,784.80 million), representing a current ratio of 0.49 (31 December 2023: 0.49).

As at 30 June 2024, the Group's current assets amounted to HK\$808.39 million (31 December 2023: HK\$868.39 million) and mainly consisted of loan receivables of approximately HK\$583.61 million (31 December 2023: HK\$630.14 million). As at 30 June 2024, the Group had bank balances and deposits of approximately HK\$9.02 million (31 December 2023: HK\$23.88 million), which were mainly denominated in HK\$, US\$ and RMB.

As at 30 June 2024, the Group's manufacturing segment's current assets also consisted of approximately HK\$46.43 million (31 December 2023: HK\$56.77 million) held as trade receivables. As at 30 June 2024, the debtors turnover days was approximately 70 days (31 December 2023: 80 days).

The Group's inventories increased from approximately HK\$31.08 million as at 31 December 2023 to approximately HK\$35.11 million as at 30 June 2024. Inventory turnover days in the Group's manufacturing segment was approximately 59 days as at 30 June 2024 (31 December 2023: 47 days). Trade payables decreased from approximately HK\$60.46 million as at 31 December 2023 to approximately HK\$60.21 million as at 30 June 2024. Creditors turnover days was approximately 97 days as at 30 June 2024 (31 December 2023: 92 days).

Interest-bearing Borrowings

The bank loans were secured by certain buildings and right-of-use assets related to leasehold land, corporate guarantee of the Company and personal guarantee of a Director during the Period. As at 30 June 2024, bank loans of approximately HK\$111.11 million (31 December 2023: HK\$116.78 million) carried fixed interest rates ranging from 3.30% to 3.40% per annum (31 December 2023: 3.65% to 6.07% per annum).

As at 30 June 2024, other loan obtained from an associate amounting to approximately HK\$166.42 million (31 December 2023: HK\$166.42 million) was unsecured, non-interest bearing and repayable in 2024. On 27 May 2024, the Company entered into a deed of assignment with a company which is incorporated in British Virgin Islands ("**Assignor**"), and the director, Mr. Cheok ("**Assignee**"). The Assignor has agreed to assign and transfer the unsecured loan of approximately HK\$102,668,000 ((i) principal amount of HK\$67,921,000 and (ii) unpaid interest approximately HK\$34,747,000 up and until 7 May 2024) ("**Indebtedness**") to the Assignee. The Indebtedness bears interest at the rate of 7% per annum and repayment on demand. The Assignor is an independent third party to the Group. The remaining balance of other loans was secured by equity interests in certain subsidiaries and an associate of the Group, other trade and loan receivables and financial assets at fair value through profit or loss (the "**FVTPL**"), bearing interest at a rate for the range of 3% to 8% per annum (31 December 2023: 3% to 8% per annum), of which approximately HK\$834.90 million (31 December 2023: HK\$812.08 million) were repayable within the next 12 months.

Apart from the secured borrowings described above of approximately HK\$117.83 million as at 30 June 2024 (31 December 2023: HK\$16.96 million) at an effective interest rate of 7% per annum (31 December 2023: 7% per annum) which are repayable on demand were advanced by Mr. Cheok. The financial assistance provided by Mr. Cheok constitutes connected transaction under Chapter 14A of the Rules (the "**Listing Rules**") Governing the Listing of the Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). However, this transaction is fully exempted from the reporting, announcement, and approval from independent Shareholders requirements pursuant to the Listing Rules because it is conducted on normal commercial terms or better and is not secured by the assets of the Group.

CAPITAL STRUCTURE

As at 30 June 2024, the total issued share capital of the Company was HK\$264,800,000 (31 December 2023: HK\$264,800,000), comprising 2,648,000,000 (31 December 2023: 2,648,000,000) ordinary shares of HK\$0.1 each.

SIGNIFICANT INVESTMENTS

Subscription and/or Holding of Listed Securities

As at 30 June 2024, the Group held financial assets at FVTPL of approximately HK\$65.77 million (31 December 2023: HK\$58.80 million) of which the club debenture of approximately HK\$4.60 million (31 December 2023: HK\$2.40 million) was classified as non-current assets and the listed equity investments of approximately HK\$61.18 million (31 December 2023: HK\$56.39 million) was classified as current assets in the consolidated statement of financial position of the Group.

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

Name of investment targets	Notes	Number of shares	Approximate percentage of interest held	Cost/ fair value as at 1 January 2024 (HK\$'000)	Additions/ (transfer) (HK\$'000)	For the six months ended 30 June 2024		Dividend received (HK\$'000)	Disposal gain/(loss) (HK\$'000)	Fair value gain/(loss) (HK\$'000)	
						Market prices as at 30 June 2024 (HK\$)	Approximate percentage of investments attributable to the Group's total assets as at 30 June 2024				
SuperRobotics Holdings Limited ("SuperRobotics") (HKSE Stock Code: 8176) (the "SuperRobotics Shares Batch 1")	(a)	41,666,666	8.23%	10,417	N/A	0.310	12,917	0.79%	N/A	N/A	2,500
SuperRobotics (the "SuperRobotics Shares Batch 2")	(a)	64,148,063	12.67%	16,037	N/A	0.310	19,886	1.22%	N/A	N/A	3,849
SuperRobotics (the "SuperRobotics Shares Batch 3")	(a)	24,397,946	4.82%	6,099	N/A	0.310	7,563	0.46%	N/A	N/A	1,464
SuperRobotics (the "SuperRobotics Shares Batch 4")	(a)	13,533,333	2.67%	3,383	N/A	0.310	4,195	0.25%	N/A	N/A	812
Huarong International Financial Holdings Limited (HKSE Stock Code: 993) (the "Huarong Financial")	(b)	237,359,400	2.73%	14,242	N/A	0.054	12,817	0.79%	N/A	N/A	(1,424)
Bank of Gansu Co., Ltd. (HKSE Stock Code: 2139) (the "Bank of Gansu")	(c)	11,506,000	0.30%	4,027	N/A	0.800	3,797	0.23%	N/A	N/A	(230)

(a) SuperRobotics Shares

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.

As at 30 June 2024, the Group held a total number of 41,666,666 shares in the SuperRobotics Shares Batch 1, a total number of 64,148,063 shares in the SuperRobotics Shares Batch 2, a total number of 24,397,946 shares in the SuperRobotics Shares Batch 3 and a total number of 13,533,333 shares in the SuperRobotics Shares Batch 4. Further details of the SuperRobotics Shares were set out in the Company's announcement dated 23 November 2016 and on pages 16 to 19 in the annual report for the year ended 31 December 2023 published on 30 April 2024 (the "**2023 Annual Report**") respectively.

As at the date of this announcement, the Group held approximately 28.4% shareholding in SuperRobotics and the market value of all SuperRobotics Shares was approximately HK\$57.50 million as at the date of this announcement (As at the date of 2023 Annual Report: approximately HK\$57.50 million).

(b) Huarong Financial Shares

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 30 June 2024, the Group held a total of 237,359,400 shares (the "**Huarong Financial Shares**") in Huarong Financial. Further details of the Huarong Financial Shares were set out in the Company's announcement dated 8 December 2017 and on pages 20 to 21 in the 2023 Annual Report respectively.

As at the date of this announcement, all of the Huarong Financial Shares have been pledged as security for a long-term borrowing of approximately HK\$675.90 million of the Group and the fair value of the Huarong Financial was approximately HK\$13.53 million (As at the date of 2023 Annual Report: approximately HK\$12.82 million).

(c) Bank of Gansu Shares

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.

As at 30 June 2024, the Group held a total of 11,506,000 shares (the "**Bank of Gansu Shares**") in Bank of Gansu. Further details of the Bank of Gansu Shares were set out on page 21 in the 2023 Annual Report.

As at the date of this announcement, all of the Bank of Gansu Shares have been pledged as security for the long-term borrowings of approximately HK\$675.90 million in total and the fair value of the Bank of Gansu Shares was approximately HK\$3.45 million (As at the date of 2023 Annual Report: approximately HK\$4.20 million).

PROVISION OF FINANCIAL ASSISTANCE

During the Period, the Group also engaged in the provision of financial assistance for debt investments to some independent third parties. As at 30 June 2024, the total outstanding receivables in relation to this activity amounted to approximately HK\$583.61 million (31 December 2023: HK\$630.14 million) and those transactions set out below were relatively significant to the Group at the time of entering into the relevant agreements between the Group and those relevant independent third parties respectively.

The Group had provided additional impairment of approximately HK\$58.68 million (six months ended 30 June 2023: HK\$96.19 million) for those overdue financial assistances during the Period. The Board was of the opinion that such impairment provided by the Group were made in accordance with the requirements of the accounting standards.

In order to lower the investment risks and reduce the losses, the Group puts its best efforts to maximise the recovery of the relevant financial assistances by restructuring or conducting lawsuits against several debtors. The Board will keep on assessing and ascertaining the recoverability of the following transactions closely and may further increase the provisions for impairment loss in the coming years.

(a) Zhanjiang Advance

Due to the failure of Zhanjiang Dingsheng Real Estate Development Co., Ltd. (the “**Zhanjiang Borrower**”) and the guarantors for the provision of a loan facility of not more than RMB200.00 million (the “**Zhanjiang Advance**”) and having regard to the lengthy legal proceedings and enforcement process, the management of the Group considered that the loan amount due from the Zhanjiang Borrower would probably not be recovered until the first half year of 2025. Further details of the Zhanjiang Advance were set out in the Company’s announcement dated 22 March 2017, 25 July 2019 and on pages 24 to 26 in the 2023 Annual Report respectively.

Having considered the current market value and the feasibility of the execution of the collaterals by the management of the Group, no further impairment loss was provided for the Period in respect of the loan receivables according to the HKFRS 9 (six months ended 30 June 2023: HK\$Nil). The carrying amount of the amount due from the Zhanjiang Borrower (after deducting the accumulated impairment loss of HK\$76.96 million) as at 30 June 2024 was approximately HK\$192.05 million (31 December 2023: HK\$192.05 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) New Zhonghong Advance

To secure the recovery of the principal amount of the totally approximately HK\$381.50 million, (the “**New Zhonghong Advance**”) and to reduce the risk of impairment loss, the Group had filed an application for arbitration proceedings at the Shenzhen Court of International Arbitration (the “**SCIA**”) against the Zhonghong Borrower and the relevant guarantors for the breach of the aforesaid supplemental agreements and guarantee agreement. After the completion of the aforesaid arbitration proceedings, an arbitral awards (裁決書) (the “**Arbitral Awards**”) dated 25 April 2019 given by the SCIA. 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, 3 May 2019 and on pages 27 to 29 in the 2023 Annual Report respectively.

Pursuant to the Arbitral Awards, the Group could apply to the Hainan Court to dispose by way of auction the relevant guarantor's assets. However, the recovering process of the New Zhonghong Advance would involve restructuring discussion with other major creditors of the Zhonghong Holding Co., Ltd. (the "**Zhonghong Borrower**"). In the opinion of the management of the Group, the outstanding amount of the New Zhonghong Advance would likely to be recovered within three to four years. Although the restructuring plan would be complicated and time consuming, however, having considered the existing market values and the feasibility of the execution of the collaterals, no further impairment loss was provided during the Period for the New Zhonghong Advance in the opinion of the management of the Group according to the HKFRS 9 (six months ended 30 June 2023: HK\$Nil). The carrying amount of the amount due from the Zhonghong Borrower (after deducting the accumulated impairment loss of HK\$246.10 million) as at 30 June 2024 was approximately HK\$205.53 million (31 December 2023: HK\$205.53 million).

Meanwhile, in order to increase the recoverability of the New Zhonghong Advance, the Group had been exploring potential well-known buyers or property developers during the past two years to set up a restructuring arrangement between Zhonghong Borrower and the existing creditors of Zhonghong Borrower. The New Zhonghong Advance also has been pledged to a creditor of Zhonghong Borrower as security for a long-term borrowing of approximately HK\$675.90 million of the Group.

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

(c) **China Gem Jiangsu Advance**

Since the financial performance was declining and the status of business operations of China Gem Enterprise Development (Jiangsu) Limited (the "**China Gem Jiangsu Borrower**") was in difficult, no settlement of the principal amount of the provision of a loan of RMB100.00 million (the "**China Gem Jiangsu Advance**") had been received in recent years. In addition, the market value of the collaterals of the loan had declined to zero as, where the shares listed on the Main Board of the Stock Exchange (HKSE Stock Code:1911) (the "**China Gem Shares**") had been suspended trading since 30 August 2021 and with effect on 5 May 2023, the listing of the China Gem Shares was canceled. As the default in repayment by China Gem Jiangsu Borrower caused significant increase in the credit risk on the Group's loan receivables, credit-impairment loss had previously been made for China Gem Jiangsu Advance which had been fully impaired as at 31 December 2022. The carrying amount due from China Gem Jiangsu Borrower as at 30 June 2024 (after deducting the accumulated impairment loss of HK\$151.01 million) was HK\$Nil (31 December 2023: HK\$Nil).

Further details of the China Gem Jiangsu Advance were set out on page 30 in the 2023 Annual Report respectively.

DEBT INVESTMENTS

(a) Description of the Business Model

The Company engages in (a) the provision of financial assistance (the “**Financial Assistance**”) for debt investments and (b) asset and shareholding restructuring business (the “**Asset and Shareholding Restructuring Business**”) (collectively, the “**Debt Investments**”) during the Period.

The Financial Assistance is a part of the business activities in the treasury investments segment. The investment management team has been continuing to make effective use of its available financial resources in monitoring and making investment/disposal on a wide variety of financial assets including investments in listed equity securities and providing Financial Assistance to independent third parties. For details of the business of Financial Assistance, please also refer to the paragraphs headed “PROVISION OF FINANCIAL ASSISTANCE” above on pages 23 to 24 in this announcement.

The Asset and Shareholding Restructuring Business is a part of the business activities in the financial services segment. The Group has been actively providing asset management, consultancy services, corporate solution services and debt, the asset and shareholding Restructuring services in Hong Kong and PRC.

Save as disclosed above, the Group did not have other license business in relation to the Debt Investments during the Period and as at the date of this announcement. The Group did not target on a specific group of customers. The customers of the Group, as at the date of this announcement, were mainly the Group’s business partners or companies referred by the former and existing substantial shareholders and/or former executive Directors of the Company.

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

(b) Number of borrowers of the Debt Investments

As at 30 June 2024, the Group had 15 borrowers of the Debt Investments (31 December 2023: 16 borrowers). The total carrying amount of the loan receivables and note receivables (after deducting the impairments and write-offs for the Period) was approximately HK\$583.61 million (31 December 2023: HK\$630.14 million) whereas 11 borrowers were related to the Financial Assistance and 4 borrowers were related to the Asset and Shareholding Restructuring Business.

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

	As at 30 June 2024		As at 31 December 2023		Principal amount HK\$'000	Interest rate %	Grant date	Duration Year(s)	Terms	Extension granted	Overdue Year(s)	Type of Security
Gross amount HK\$'000	Impairments HK\$'000	Net amount HK\$'000	Net amount HK\$'000									
Secured Loan receivables												
(I) the Financial Assistance												
Borrower A	269,005	(76,955)	192,050	192,050	240,000	18.0%	23-Mar-2017	7.3	Expiry on 23 March 2019 with one year extension option (24 September 2020)	N/A	6.3	55% Equity interest of Borrower A
Borrower B	151,009	(151,009)	-	-	120,000	12.0%	19-Oct-2017	6.7	18 October 2018 and then extended to 30 June 2020	N/A	4.0	Hong Kong listed shares
Borrower C	— ^(a)	-	-	-	50,000	5.0%	19-Dec-2018	4.5	18 June 2020 and 6 months extension option (17 December 2020)	Extended to 19 December 2020, 31 December 2021 and 31 December 2022	0.5	Hong Kong listed shares
Borrower D	18,933	(11,360)	7,573	9,466	25,000	5.0%	18-Aug-2020	3.9	31 December 2021 and 1 year extension option (31 December 2022)	N/A	1.5	Hong Kong listed shares
Borrower E	49,729	(29,837)	19,892	24,864	35,000	12.0%	29-Mar-2018	6.3	29 June 2018	Extended to 31 December 2018, 31 December 2019 and 31 December 2021	2.5	Corporate guarantee
Borrower F	109,437	(67,086)	42,351	53,532	84,000	12.0%	09-Jan-2019	5.5	30 June 2019 and 18 months extension option (31 December 2020)	Extended to 31 December 2021	2.5	Corporate guarantee and personal guarantee from director of the Borrower F
Borrower G	68,260	(40,956)	27,304	34,130	60,000	5.0%	23-Jan-2019	5.4	23 April 2019	Extended to 23 October 2019, 23 October 2020, 23 October 2021 and 31 December 2022	1.5	Personal guarantee from director of the Borrower G
Borrower H	69,077	(41,446)	27,631	34,538	69,600	5.0%	28-Jan-2019	5.4	27 April 2019	Extended to 24 July 2019, 24 October 2019, 31 December 2021 and 31 December 2022	1.5	Corporate guarantee
Borrower I	40,094	(24,056)	16,038	20,886	40,000	10.0%	13-Sep-2019	4.9	18 November 2019 and 3 months extension option (17 February 2020)	Extended to 31 December 2020, 31 December 2021 and 31 December 2022	1.5	Personal guarantee from director of the Borrower I
Borrower J	39,673	(23,804)	15,869	19,685	60,000	8.5%	29-Apr-2020	4.2	28 April 2021	Extended to 31 December 2021 and 31 December 2022	1.5	Personal guarantee from director of the Borrower J
Borrower K	46,345	(27,807)	18,538	22,431	48,000	8.5%	28-May-2020	4.1	27 May 2021	Extended to 31 December 2021 and 31 December 2022	1.5	Personal guarantee from director of the Borrower K
Borrower L	27,085	(16,251)	10,834	13,019	21,000	10.0%	25-Aug-2020	3.9	31 December 2021 and 1 year extension option (31 December 2022)	N/A	1.5	Personal guarantee from director of the Borrower L
	888,646	(510,567)	378,079	424,603								
(II) the Asset and Shareholding Restructuring Business												
Borrower M	274,592	(168,324)	106,269	106,269	240,000	10.0%	25-Jan-2018	6.4	24 February 2018 and 30 days extension option (24 March 2018)	Extended to 8 August 2018	5.9	Right of the Sea Area Use Certificate
Borrower N	123,567	(54,286)	59,281	69,281	108,000	10.0%	26-Jan-2018	6.4	25 February 2018 and 30 days extension option (25 March 2018)	Extended to 8 August 2018	5.9	Right of the Sea Area Use Certificate
Borrower O1	17,132	(7,526)	9,605	9,605	15,000	10.0%	23-Feb-2018	6.4	25 February 2018 and 30 days extension option (24 March 2018)	Extended to 8 August 2018	5.9	Right of the Sea Area Use Certificate
Borrower O2	36,345	(15,967)	20,378	20,378	33,000	10.0%	04-Apr-2018	6.2	2 June 2018 and 60 days extension option (1 August 2018)	Extended to 8 August 2018	5.9	Right of the Sea Area Use Certificate
Borrower P	3,060	(3,060)	-	-	3,000	3.0%	07-Apr-2020	4.2	6 July 2020 and 3 months extension option (5 October 2020)	Extended to 31 December 2020	3.5	Contractual interest of properties
	454,695	(249,163)	205,532	205,532								
(III) the Subscriptions in Funds												
Borrower Q-1	— ^(b)	-	-	-	217,901	5.0%	30-Aug-2017	6.0	30 August 2018 and 1 year extension option (30 August 2019)	Extended to 31 December 2020, 31 December 2021 and 31 December 2022	1.0	Bonds issue by a Hong Kong listed company
Borrower Q-2	— ^(b)	-	-	-	84,150	5.0%	12-Sep-2017	6.3	12 September 2018 and 1 year extension option (12 September 2019)	Extended to 31 December 2020, 31 December 2021 and 31 December 2022	1.0	Bonds issue by a Hong Kong listed company
Borrower Q-3	— ^(b)	-	-	-	20,000	0%	27-Dec-2017	6.0	27 December 2018 and 1 year extension option (27 December 2019)	Extended to 31 December 2020, 31 December 2021 and 31 December 2022	1.0	Bonds issue by a Hong Kong listed company
	1,343,342	(759,731)	583,611	630,135								
Secured Note receivables												
(I) the Subscription in Funds												
Borrower Q-3	— ^(b)	-	-	-	200,000	5.0%	27-Dec-2017	6.0	27 December 2018 and 1 year extension option (27 December 2019)	Extended to 31 December 2020, 31 December 2021 and 31 December 2022	1.0	Bonds issue by a Hong Kong listed company
	1,343,342	(759,731)	583,611	630,135								

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

(b) The loans from Borrower Q-1, Borrower Q-2 and Borrower Q-3 were disposed during the Period.

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

	30 June 2024		31 December 2023	
	<i>Number of borrowers</i>	<i>HK\$</i>	<i>Number of borrowers</i>	<i>HK\$</i>
0-1 year past due	0	–	8	154,156
1-3 years past due	9	186,028	3	78,396
Over 3 years past due	6	397,583	5	397,583
	15	583,611	16	630,135

(e) **Top five largest borrowers of the Debt Investments**

The total loan receivables of the Group as at 30 June 2024 and 31 December 2023 were approximately HK\$583.61 million and HK\$630.14 million respectively. The carrying amount of loan receivables due from the top five borrowers together with the percentage to the total loan receivables of the Group are set out below:

Borrower	As at 30 June 2024		As at 31 December 2023	
	<i>Amount HK\$'000</i>	<i>% to total loan receivables</i>	<i>Amount HK\$'000</i>	<i>% to total loan receivables</i>
The Zhanjiang Borrower	192,050	32.91%	192,050	30.48%
The Zhonghong Borrower	106,269	18.21%	106,269	16.86%
Weifang Hengdi Chengsheng Investment Co., Ltd.* (the “Weifang Borrower”)	69,281	11.87%	69,281	10.99%
Shenzhen Zehua International Trade Co., Ltd.* (the “Zehua Borrower”)	42,351	7.26%	53,532	8.50%
Grandcheer Limited (the “Grandcheer Borrower”)	29,983	5.14%	29,983	4.76%
Great River Capital Limited	27,631	4.73%	34,538	5.48%

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

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

During the Period, an impairment loss of approximately HK\$47.68 million was recognised (six months ended 30 June 2023: impairment loss of HK\$61.66 million), of which was related to the Financial Assistance (the “**Impairment of Financial Assistance**”). The main reason for the Impairment of the Financial Assistance was the overdue repayment of certain borrowings and the delay in completion of the ongoing debt restructuring with a new independent borrower to reassign the debt of approximately HK\$102.51 million (31 December 2023: HK\$128.13 million) in total from two existing independent borrowers, Borrower D, Borrower G and Borrower H (the “**Ongoing Debt Restructuring**”) during the Period.

(g) Business Prospect for the Debt Investments

The Group acknowledged that the downturn of economic might continue to hinder the repayment of the debts by the borrowers of the loans and issuers of the bonds to the Group in the coming years, which may result additional provision for impairment loss on the loan receivables and note receivables which may have a material impact on the financial results of the Group. The Group will closely monitor the day-to-day operations and management of its principal businesses to reduce the adverse impacts on the Group's operations and financial performance. Considering the provision for impairment losses on the Group's business of financial assistance and asset and shareholding restructuring, the Group would endeavour to recover the investment loss from the aforesaid business in the next two years and would gradually cease for engaging significant amounts in the transactions of the Financial Assistance and the Asset and Shareholding Restructuring Business.

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

INTERNAL CONTROL SYSTEMS IN CONNECTION WITH DEBT INVESTMENTS

(a) Credit Approval Processes

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

(b) Credit Risk Assessment

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

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

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

(c) Mechanism in Determining Loan Term

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

(d) Monitoring Loan Repayment and Recovery

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

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

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

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

(e) Impairment Loss and Write-off Treatment

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

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

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

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

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

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

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

FOREIGN EXCHANGE EXPOSURE

Sales of the Group's products in manufacturing segment are principally denominated in US dollars and the purchases of materials and payments of operational expenses are mainly denominated in US dollars, HK dollars and RMB. Most of the Group's purchases and expenses during the Period were denominated in RMB. As such, the Group had incurred a net exchange gain of approximately HK\$4.80 million for the Period (six months ended 30 June 2023: a net exchange gain of HK\$3.90 million) due to the depreciation of US dollars and RMB.

As at 30 June 2024, the Group had not entered into any financial instruments for hedging purpose. Nevertheless, the Board will continue to monitor the foreign exchange exposure in the future and will consider hedging such exposure to minimise exchange risk should the need arise.

RISK AND UNCERTAINTIES

(a) Macroeconomic Risk

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

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

(b) Credit Risk

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

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

The Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure to perform an obligation by the counterparties arising from the carrying amount of the respective recognised financial assets, was stated in the consolidated statement of financial position of the Group as at 30 June 2024.

(c) Foreign Currency Risk

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

(d) Liquidity Risk

Liquidity risk is the potential risk that the Group will be unable to meet its obligations when they fall due because of an inability to obtain adequate funding or liquidate assets. In managing liquidity risk, the Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

NUMBER AND REMUNERATION OF EMPLOYEES

As at 30 June 2024, excluding those employed by the Company's associates, the Group had 710 employees (31 December 2023: 752 employees). For the Period, our total staff costs amounted to approximately HK\$40.15 million (2023: HK\$43.46 million).

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

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

DETAILS OF CHARGES ON GROUP ASSETS

Details of charges on the Group's assets for the Period are set out in the paragraph headed "Significant Investments" and "Provision of Financial Assistance" under the section headed "Management Discussion and Analysis" of this announcement on pages 21 and 24 respectively.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2024, the Group had capital commitments for acquisition of property, plant and equipment of approximately HK\$38,000 (31 December 2023: HK\$33,000) and had no material contingent liabilities (31 December 2023: HK\$Nil).

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

References are made to the announcements of the Company dated 28 June 2022, 8 July 2022, 20 July 2022, 29 July 2022, 12 August 2022, 21 June 2024 and 19 July 2024 respectively (collectively, the "**R13.09 and 13.19 Announcements**"). Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the R13.09 and 13.19 Announcements.

Further to the HK Demand Letter, the PRC Demand Letter, the Second HK Demand Letter, the Second PRC Demand Letter, the Third HK Demand Letter and the Fourth HK Demand Letter, a letter (the "**Fifth HK Demand Letter**") dated 17 July 2024 (and issued by the Hong Kong legal advisers of the Lender) was received by the Company, which was addressed to the Company and the Guarantor Subsidiaries in relation to the Loan and the Guarantee.

It is stated in the Fifth HK Demand Letter that (among other matters):

- (i) The Lender will not prepare to wait any further and will proceed with commencing legal proceedings, including but not limited to winding-up proceedings against all or any of the Borrower and the Guarantor Subsidiaries as well as proceed with enforcing the collaterals held by the Guarantors to secure the repayment of the Loan and unpaid interest accrued thereon, without further notice in order to protect its rights and interest; and
- (ii) The Lender is not prepare to further negotiate with the Borrower on any settlement and the Borrower is hereby demanded to perform its obligations under the Guarantee forthwith or face enforcement actions by the Lender. Further, the Fifth HK Demand Letter sets out the calculation of the interests (being, RMB98,896,803) accrued on the Loan from 28 October 2016 up to and inclusive of 14 June 2024.

In addition, the collaterals and guarantee in relation to the Loan comprised of the following:

- (1) The Company as the first guarantor and together with the wholly-owned subsidiaries of the Company, being, TPC Limited (formerly known as Topsearch Industries (BVI) Limited) as the second guarantor (the “**Second Guarantor**”), Topsearch International (Holdings) Limited (formerly known as Topsearch Industries (Holdings) Limited) as the third guarantor (the “**Third Guarantor**”) and Topsearch Printed Circuits (HK) Limited as the fourth guarantor (the “**Fourth Guarantor**”) (the “**Guarantors**”) irrevocably, unconditionally, jointly and severally guarantee as primary obligor and not merely as surety the due and punctual repayment and settlement of all outstanding principal, interest and other payments payable to the Borrower under the Loan and the due performance by the obligor under the transaction documents of their respective obligations under the following documents. As a result of the internal restructuring, as at the date of this announcement, (i) the Second Guarantor no longer hold any shareholding in the Third Guarantor, (ii) the Second Guarantor holds the entire shareholding in TPC PC1 LTD (the “**PC1**”), a company incorporated under the laws of British Virgin Island (the “**BVI**”); (iii) PC1 holds the entire shareholding in TPC PC2 LTD (the “**PC2**”), a company incorporated under the laws of BVI; and (iv) PC2 holds the entire shareholding of the Fourth Guarantor;
- (2) A share charge entered into between the Company and the Lender in relation to the entire issued share capital of the Second Guarantor, and the debenture entered into between the Second Guarantor and the Lender under the Loan;
- (3) A share charge entered into between the PC1 and the Lender in relation to the entire issued share capital of PC2;
- (4) A share charge entered into between the Second Guarantor and the Lender in relation to the entire issued share capital of the Third Guarantor, and the debenture entered into between the Third Guarantor and the Lender under the Loan;
- (5) A share charge entered into between the PC2 and the Lender in relation to the entire issued share capital of the Fourth Guarantor, and the debenture entered into between the Fourth Guarantor and the Lender under the Loan; and
- (6) A share pledge previously entered into between the Fourth Guarantor and the Lender in relation to the entire equity interests of 至卓飛高線路板(曲江)有限公司 (the “**PRC OPCO**”), being the wholly-owned subsidiary of the Fourth Guarantor, was released and charged to an independent commercial bank to secure repayment of the then outstanding loan between the PRC OPCO and the bank. As the bank loan was recently repaid and such share pledge was released, the Fourth Guarantor is in the process of re-creating the share pledge in the PRC OPCO in favour of the Lender.

Furthermore, as at 31 December 2023 and in relation to the Loan, the Company recognized approximately HK\$221.39 million (approximately equivalent to RMB201.21 million) as the current liabilities in its consolidated statement of financial position of the annual report for the financial year ended 31 December 2023 (the “**Existing Liabilities**”). If the Outstanding Sum as requested in the Fourth HK Demand Letter were repaid, the consolidated statement of financial position of the Company would record a borrowing from a shareholder in the amount of approximately RMB268.92 million as the non-current liabilities. If the Company were to repay the Outstanding Sum, it intends to incur additional borrowings from the substantial shareholder of the Company, which provided financial support on 28 March 2024 for supporting the going concern basis.

As at the date of this announcement, the Company is (i) in the process of engaging a legal adviser and to recalculate the amount of the accrued interest arising from the Loan and (ii) endeavor to reach out with representatives of the Lender to extend the repayment schedule. In the meantime, the Company is reaching out with its substantial shareholder to obtain financial assistance in the event that the Company decided to repay the Outstanding Sum in full or in part. Further announcement(s) will be made by the Company in compliance with the Listing Rules as and when appropriate or required.

LITIGATION INVOLVING A SUBSIDIARY

Topsearch Printed Circuits Macao Commercial Offshore Company Limited (the “**Topsearch Macao**”), an indirect wholly-owned subsidiary of the Company, was informed on 25 July 2023 that the Court (as defined in the announcement of the Company published on 31 July 2023 (the “**31/7 Announcement**”)) handed down its judgment on 19 July 2023 (the “**Judgment**”) for a claim made by Topsearch Macao against Circuitronix LLC (the “**CTX**”). The Judgment was entered in favour of Topsearch Macao. However, the Judgment was also entered in favour of CTX for its counterclaims. The net amount that Topsearch Macao was adjudged to pay CTX in the Judgement was US\$6,944,217.36 bearing interest at the applicable statutory rate.

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

Given that Topsearch Macao does not own any substantial asset nor does it generate any meaningful profit for the Group, subject to the advice from the United States and the Macao legal advisors as mentioned above, the Directors are of the opinion that the Judgment and the Order will not have any material adverse impact to the business operation and the financial position of the Group. Further announcement(s) will be made by the Company in compliance with the Listing Rules as and when appropriate or required.

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

EXPLANATION OF QUALIFIED OPINION

References are made to the Company's announcements dated 18 January 2023, 30 March 2023, 9 May 2023, 11 April 2024 and the Company's annual report for the year ended 31 December 2023 published on 30 April 2024 (the "**2023 Annual Report**"), in which the auditor of the Company (the "**Auditor**") continued to express the qualified opinion (the "**Audit Qualifications**") in relation to loan to an associate, trade receivables, loan receivables, note receivables and other receivables, other payables and accruals and tax payable.

(I) Reasons for the Audit Qualifications

(a) *Recoverability of the Receivables*

To confirm the recoverability of a loan to an associate, certain trade receivables, loan receivables, note receivables and certain other receivables of approximately HK\$671,047,000 as at 30 June 2024 and approximately HK\$733,051,000 as at 31 December 2023, respectively (the "**Receivables**"), the Auditor requested, among other things, the audit evidence of subsequent settlements of the Receivables that may be received by the Group. However, as at the date of this announcement, the Group did not receive any subsequent settlements of any of the Receivables and hence none of the documents or materials in relation to subsequent settlements were presented to the Auditor. The Auditor was, therefore, unable to obtain sufficient appropriate audit evidence to satisfy the recoverability of the Receivables.

(b) *Nature of the Other Payables*

To verify and confirm the nature of other payables and accruals of approximately HK\$2,311,000 as at 30 June 2024 and approximately HK\$2,311,000 as at 31 December 2023, respectively (the "**Other Payables**"), the Auditor mainly requested for the related contracts and/or agreements, payment advices or slips, statements and calculation basis. The management of the Company has provided to the Auditor all available details of the identified transactions in relation to the Other Payables. However, as some of the supporting documents in respect of some short-term borrowings agreed by way of oral confirmation, such as the balance confirmation from the lenders or further supplemental written agreements were not available to be provided by the Company to the Auditor as at the date of this announcement.

(c) *Tax assessment of the Tax Payables*

To verify and confirm the obligation of tax payables of approximately HK\$35,521,000 as at 30 June 2024 and approximately HK\$266,790,000 as at 31 December 2023, respectively (the "**Tax Payables**"), the Auditor mainly requested for the final tax assessment of each subsidiary of the Company from IRD. The Company has notified the chargeability of Hong Kong profits tax to IRD and provided to the Auditor all details of the profits tax computation in relation to the Tax Payables. However, the final tax assessment from IRD had not been issued and presented to the Auditor up to the date of this announcement. Accordingly, the Auditor could only verify and confirm the obligation of the Tax Payables upon receipt of the final tax assessment.

(II) Impact on the Company's Financial Position

(a) Receivables

Given that the Receivables in the aggregate sum of approximately HK\$671.05 million has been long overdue and remained outstanding as at 30 June 2024 (31 December 2023: HK\$733.05 million), the Company has continued to negotiate with the counterparties for settlement proposal and/or commenced or considering to commence legal actions and/or litigation proceedings against the relevant counterparties with a view to recover the Receivables.

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

In the event that the entire aggregate amount of the Receivables could not be recovered by the Group, the Group may have to write off the Receivables and record a potential impairment loss/written off of approximately HK\$58.68 million.

(b) Other Payables

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

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

(c) Tax payables

The income tax payables of approximately HK\$35.52 million and approximately HK\$266.79 as at 30 June 2024 and 31 December 2023 respectively, mainly represented income tax payables of certain subsidiaries under Hong Kong Profits Tax.

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

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

(a) Receivables

In relation to the recoverability of the balancing amounts of the Receivables in the aggregate amount of approximately HK\$671.05 million, the management of the Company has initiated actions including but not limited to legal action against the relevant borrowers and debtors and also conducted debt restructuring. The Company believed that the abovementioned balances can be collected or restructured in the coming three years, therefore further provision for impairment losses of the abovementioned balances have been provided after having considered the increasing risk of recoverability.

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

(b) Other Payables

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

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

(c) Tax Payables

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

(IV) Audit Committee’s View on the Audit Qualifications

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

(V) The Company’s Action Plans to Address the Audit Qualifications

(a) Receivables

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

In order to collect the outstanding Receivables, the Group commenced legal proceedings against four borrowers (Borrower A, Borrower M, Borrower N and Borrower O) and the aggregate amounts of the Receivables represented HK\$397.58 million as at 30 June 2024 (31 December 2023: HK\$397.58 million). As at the date of this announcement, all the legal actions are still on-going. Based on the information currently available, the Directors estimated that the litigations will be concluded more than two years.

In addition, the Group is continuing to conduct the Ongoing Debt Restructuring during the Period and the management of the Company has continued to request the financial information to demonstrate its ability to repay in the future and the valuation report for those potential assets to be provided as pledged assets of the Ongoing Debt Restructuring. If the Ongoing Debt Restructuring could not be proceed as expected by the end of the year of 2024, the management of the Company may consider to withdraw the Ongoing Debt Restructuring to conduct the legal proceedings against those borrowers of the Ongoing Debt Restructuring after evaluating the cost and benefits of such actions.

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

(b) Other Payables

The management of the Company plans to write off the Other Payables and seek further advisory from the Company's independent advisors to assess whether those uncertain Other Payables and accruals should be written off.

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

(c) Tax Payables

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

As at the date of this announcement, the Company has not yet received all final assessment of the tax payables from IRD and the tax representative is in the processing of response the enquiry from IRD for determining the final assessment of the tax payables in order to remove the Audit Qualifications of the Tax Payables.

(VI) Expected Timetable to Remove of the Audit Qualifications

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

The Company expects that the Audit Qualifications for the Receivables may be removed in stages within the next financial year (i.e. by the year ending 31 December 2025) after having taken into account of the development and outcomes of the debt restructuring and lawsuits.

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

After having discussed with the Auditor, the management of the Company understands and expects that all Audit Qualifications may be removed by the year ending 31 December 2025 if the proposed action plans as disclosed in the section headed "(V) The Company's Action Plans to Address the Audit Qualifications" above should have been fully implemented whereas sufficient appropriate audit evidence can be provided to the Auditor.

UPDATE ON AUDIT QUALIFICATIONS

The updates on the Audit Qualifications from the publication date of the 2023 Annual Report to the date of this announcement are set out below:

(a) Receivables

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

The Company intended to conduct the Ongoing Debt Restructuring since the year of 2022, but the expected progress of the Ongoing Debt Restructuring is in delay. According to the information currently available to the Group and a preliminary assessment on the Ongoing Debt Restructuring, key components of the Ongoing Debt Restructuring are still in the process of negotiation as at the date of this announcement and it is currently expected to be completed by the fourth quarter of 2024. Therefore, the Auditor was unable to obtain sufficient appropriate audit evidence to satisfy the recoverability of the Receivables in respect of the Ongoing Debt Restructuring as at the date of this announcement.

During the Period, the Group had received the cumulative interest of HK\$5,490,699 and interest of HK\$6,642,000 during the year of 2023 from four borrowers (Borrower I, Borrower J, Borrower K and Borrower L).

As at the date of this announcement, the management of the Company had discussed with the Auditor and was informed that the Audit Qualifications on the Receivables might be eliminated for the year ending 31 December 2025 provided that the actions as set out above can be implemented accordingly with sufficient and appropriate audit evidence being provided to the Auditor.

(b) Other Payables

As at the date of this announcement, the management of the Company has determined to write off the Other Payables of approximately HK\$2.31 million as other income in the Financial Statements during the Period but is still in the process of consulting with the PRC lawyer to issue a legal opinion for writing off those uncertain Other Payables, and all the procedures are expected to complete by the end of the year of 2024.

The management of the Company had discussed with the Auditor. It was understood that the audit qualification on the Other Payables would be removed and may representing the amounts of written back on other payables and accruals (the “**Written Back**”) would be recognised in respect of the Other Payables by the financial year ending 31 December 2024 if the proposed actions as set out above can be implemented with sufficient and approximate audit evidence being provided.

(c) Income Tax Payables

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

Save as disclosed under the section headed “**MATERIAL ACQUISITIONS OR DISPOSALS**” of this announcement on page 42, upon the completion of the disposal of the entire equity interest in a target company and its several subsidiaries, some certain distressed assets together with the total amount of the Tax Payables of approximately HK\$232.23 million were disposed and deconsolidated from the Financial Statements during the Period.

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

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

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

As set out in the Company's announcements dated 11 September 2023 and 12 December 2023 respectively (the "**IC Review Announcements**"). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the IC Review Announcements. The Group had already taken certain remedial actions in response to the issues identified in the Phase One Review and the deficiencies identified by Roma in the Phase One Review had been reviewed and evaluated in the Phase Two Review.

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

PROSPECTS

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

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

IMPORTANT EVENTS AFFECTING THE GROUP AFTER THE PERIOD

Save as disclosed above, there were no important events occurred subsequent to 30 June 2024 which would materially affect the Group's operating and financial performance as at the date of this announcement.

MATERIAL ACQUISITIONS OR DISPOSALS

On 12 June 2024 (after trading hours), the Company and Fullenter Limited (the "**Purchaser**") entered into the share purchase agreement, pursuant to which the Company agreed to sell, and the Purchaser agreed to purchase the sale share, which represents the entire equity interest in Delightful Time Limited (the "**Target Company**") at a consideration of HK\$2.0 million subject to the terms thereunder (the "**Disposal**"). To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are third parties independent of and not connected with the Company and its connected persons under the Listing Rules. Further details of the Disposal were set out in the Company's announcement dated 12 June 2024.

Save as disclosed above, the Group did not carry out any material acquisitions or disposals of its subsidiaries and associates during the Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Period.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Company are of the opinion that during the Period, the Group has complied with the "Corporate Governance Code" in Appendix C1 to the Listing Rules (the "CG Code") throughout the Period. Save as disclosed below, the Company has complied with all the applicable code provisions set out in the CG Code during the Period.

Code Provision C.1.5 of part 2 of the CG Code provides that independent non-executive directors and other non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. The independent non-executive Director, Mr. Xu Xinwei, did not attend the annual general meeting of the Company held on 24 June 2024 due to other work commitments.

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

1. ensuring the decision-making process, risk management process, internal audit and controls, disclosure of information and the communication with stakeholders are carried out in accordance with good management practices and compliance with the respective regulatory standards;
2. cultivating a culture of integrity, transparency and accountability for the Company, its staff and the Directors and emphasising the importance of their roles in such an environment; and
3. adopting quality standards widely recognised to foster quality management in every aspect of daily operations to enhance the performance and value of the Company as a whole.

Corporate Strategy

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

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

The Company has adopted its own code of conduct (the "Own Dealing Code") regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code in Appendix C3 to the Listing Rules.

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

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

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the updated changes in information of the Directors subsequent to the publication of the 2023 Annual Report of the Company are set out below:

Mr. Mak Kwok Kei, the independent non-executive Director of the Company, joined China Goldlink Capital Group Limited (the "**China Goldlink**") as group vice president to oversee the operations of the China Goldlink with effect from 29 July 2024.

REVIEW BY AUDIT COMMITTEE

The Audit Committee had reviewed this announcement (including the interim results and the unaudited condensed consolidated interim financial statements of the Group) for the Period and had discussed with the management of the Company about the accounting principles and accounting standards adopted by the Group and the matters relating to the risk management, internal control and financial reporting of the Group. The Audit Committee has the delegated responsibility from the Board to assure that adequate internal controls are in place and followed. The unaudited condensed consolidated interim financial information of the Group has not been audited or reviewed by the Company's auditors.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the HKEXnews website of The Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and on the website of the Company at www.renco.com.hk, respectively. The interim report for the six months ended 30 June 2024 of the Company, which contains all the information required by the Listing Rules, will be published on the aforesaid websites in due course.

APPRECIATION

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

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

Hong Kong, 30 August 2024

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

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