中澤豐國際有限公司
RENZE HARVEST INTERNATIONAL LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01282)

SUPPLEMENTAL ANNOUNCEMENT TO 2023 ANNUAL REPORT AND UPDATES ON USE OF PROCEEDS

USE OF PROCEEDS

Reference is made to the sections headed "USE OF PROCEEDS FROM SHARE SUBSCRIPTION IN JULY 2019" and "USE OF PROCEEDS FROM SHARE SUBSCRIPTION IN APRIL 2023" in the annual report for the year ended 31 December 2023 published by Renze Harvest International Limited (the "**Company**", together with its subsidiaries, the "**Group**") on 25 April 2024 (the "**2023 Annual Report**"). Unless otherwise defined, capitalized items used in this announcement shall have the same meanings as those defined in the 2023 Annual Report.

In addition to the information disclosed in the 2023 Annual Report, pursuant to the requirements under paragraph 11(8) of Appendix D2 to the Listing Rules, the board of directors (the "**Board**" or the "**Director(s)**") of the Company now provide more details on (i) the use of proceeds from the subscription of 4,000,000,000 new shares of the Company by Bao Xin Development Limited completed in December 2019 (the "**BXD Share Subscription**") and (ii) the use of proceeds from the subscription of 800,000,000 new shares of the Company by China Grand Developments Limited completed in July 2023 (the "**China Grand Share Subscription**").

The BXD Share Subscription

As disclosed in the 2023 Annual Report, as at the date of the 2023 Annual Report, HK$55.6 million out of the net proceeds of HK$999.4 million from the BXD Share Subscription remains unutilised. The amount was originally allocated to be utilized by the corporate finance division of the Group. Followed by the cessation of the operation of the corporate finance business of the Group by the end of 31 December 2023, the Company decided to apply the proceeds for the repayment of maturing indebtedness, with a view to reducing the costs of borrowings. The Company expects that such amount shall be utilised by 31 December 2024.

The China Grand Share Subscription

As disclosed in the 2023 Annual Report, as at the date of the 2023 Annual Report, the net proceeds of the China Grand Share Subscription were approximately HK$224.7 million, approximately 90% of which will be applied for the repayment of maturing indebtedness and the rest will be applied as general working capital of the Group. The net proceeds designated for general working capital will be utilised for the (i) distribution costs of the Group including but not limited to staff costs, advertising, promotion and exhibition expenses and (ii) administrative expenses of the Group including but not limited to utilities expenses.

Out of the net proceeds of HK$224.7 million from the China Grand Share Subscription, the amount of approximately HK$134.0 million and HK$8.6 million were dedicated to the repayment of maturing indebtedness and general working capital of the Group respectively, the sums remained unutilised. The unutilised net proceeds which have been deposited with the banks in Hong Kong is expected to be utilised by 31 December 2024. The table below demonstrates the breakdown and description of the utilisation of the net proceeds from the China Grand Share Subscription:

		HK$' million
1.	Repayment of maturing indebtedness	68.23
2.	General working capital	
	(i) distribution costs of the Group including but not limited to staff costs, advertising, promotion and exhibition expenses	9.70
	(ii) administrative expenses of the Group including but not limited to utilities expenses	4.17
		82.10

IMPAIRMENT LOSS ON LOANS AND ADVANCES RECEIVABLES

As at 31 December 2023, the Group recognised impairment loss on loans and advances receivables of approximately HK$721,612,000 (the "**Impairment Loss**"). The Group engaged an independent professional qualified valuer (the "**Valuer**") to carry out a valuation of the expected credit loss as at 31 December 2023 (the "**Valuation Report**"). The movement of impairment loss for the year ended 31 December 2023 is illustrated as below:

	HK$'000
At 1 January 2022	375,743
Provision for impairment	292,567
Written off	(38,967)
At 31 December 2022 and 1 January 2023	629,343
Provision for impairment	351,386
Recovery of impairment losses on financial assets arising from acquisition of a subsidiary	(259,117)
At 31 December 2023	721,612

Save as disclosed in the 2023 Annual Report, further information regarding the Impairment Loss is set out below:

Nature of the Impairment Loss

The balance of loans and advances receivables represents the outstanding principals and interests from customers of the Group on financial services segment (the "**Financial Services Segment**") and unallocated business units. As at 31 December 2023, accumulated impairment loss on loans and advances receivables of the Financial Services Segment of approximately HK$200,985,000 was recognised and loans and advances receivables of the unallocated business units of approximately HK$520,627,000 was recognised.

Details on the Circumstances and Reasons for the Impairment Loss

The debtors in the Financial Services Segment and unallocated business units consist of outstanding debts, which faced unexpected cash flows due to the downturn of the Chinese economy in the past few years which led to serious disruption and adverse impact to the macro-economic environment. Therefore, the recovery probability from these customers is questionable. The Group carried out an assessment of the expected credit loss of loan and advance receivables of the Financial Services Segment and unallocated business units with reference to the Valuation Report performed by the Valuer, which was based on certain key assumptions. Key assumptions used by the Valuer included probability of default ("**PD**") of 100% considering defaulted status of loan and advance receivables without repayment and loss given default ("**LGD**") of over 90% with reference to post-default market bond price movements. Based on the Valuation Report, the management of the Group considered the recoverability to be low. The Group has been following up the status and the Group has taken and/or is planning to take legal actions against the legal representative of the such customers.

Movement of impairment losses on loans and advances

For events and circumstances that lead to the Company in recognising or further making impairment of its loans, factors would normally include (a) delay in settlement of loan interest or loan principal amounts by the borrowers on the due date; (b) legal actions being taken by the Company against the borrowers; (c) decrease in value of the collaterals due to the decline in the global equity market in general; and (d) the decrease in confidence in the properties development industry in China considering some of the borrowers of the Company are in this industry.

During the year ended 31 December 2023, an impairment loss of around HK$351.4 million was recognised (2022: impairment loss of HK$292.6 million), of which approximately HK$334.9 million (2022: HK$217.3 million) was related to other loan receivables ("**Impairment of Other Loan Receivables**") apart from regular money lending business. The increase was mainly related to borrowings made during 2022 to certain PRC project companies that engaged in property development business and were defaulted in 2022 and 2023. The other loans were considered as an attempt for the Group to establish business relationship of their respective debtors given the debtors are the owners of property development projects in the PRC. The Group might consider investing in the projects if the developments gone well and the Group assessed the possibility to convert the other loans to equity in the projects. By way of granting loans instead of capital injection at the early stage of project provides an exit strategy to the Group if the project development did not proceed as expected. Either way is in line with the Group's business strategy in diversifying investments, and to generate profits for the Group, whether in short-term as loan interest income, or in long-term as revenue from property segment.

Notwithstanding that these borrowings were secured by corporate guarantee and equity interests, taken into consideration that (i) the borrowers are principally engaged in property development business in China and the property sector in China over the past few years has been thrust into a severe debt crisis; (ii) failure of borrowers in making timely loan settlement to the subsidiary of the Company on the loan maturity date; and (iii) legal proceedings have already been instituted by the Group against the PRC project companies, impairments were recognised on their overdue loans outstanding during the year ended 31 December 2023.

Due the above factors, the business strategy has not been materialised, not owing to the strategy itself but the fact that PRC property development projects or other related opportunities are not the best investment options for the time being given the current macro environment. Depending on the worthiness and potential of the investment projects themselves, the Group may revisit the said strategy in the future.

The Board confirmed that the above supplemental information does not affect other information contained in the 2023 Annual Report. Save as disclosed in this announcement, the contents of the 2023 Annual Report remain unchanged.

By Order of the Board
Renze Harvest International Limited
Zhang Chi
Acting Chairman

Hong Kong, 22 October 2024

As at the date of this announcement, the Board comprises one executive Director, namely Mr. Li Minbin; one non-executive Director, namely Mr. Zhang Chi; and three independent non-executive Directors, namely Ms. Zhao Yizi, Ms. Zhang Juan and Mr. Chan Manwell.