EGIC 中國恒嘉融資租賃集團有限公司
CHINA EVER GRAND FINANCIAL LEASING GROUP CO., LTD.

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 379)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

RESULTS

The board of directors ("Board" or "Directors") of China Ever Grand Financial Leasing Group Co., Ltd. ("Company") hereby announces the unaudited condensed consolidated results of the Company and its subsidiaries ("Group") for the six months ended 30 June 2017 together with the comparative figures for the corresponding period in 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2017

		Six months ended 30 June	
		2017	2016
		(Unaudited)	(Unaudited and restated)
	Notes	***HK$'000***	*HK$'000*
Continuing operations			
Revenue	*3*	**63,216**	73,079
Cost of services		**(47,982)**	(56,651)
Gross profit		**15,234**	16,428
Other income	*5*	**10,167**	14,142
Other gains and losses	*6*	**(12,829)**	(2,864)
Administrative expenses		**(32,762)**	(35,954)
Share of result of joint venture		**21,084**	21,115
Profit before taxation from continuing operations		**894**	12,867
Income tax expense	*7*	**(1,475)**	(2,494)

	Notes	Six months ended 30 June **2017** **(Unaudited)** ***HK$'000***	 2016 (Unaudited and restated) *HK$'000*
(Loss)/profit for the period from continuing operations		**(581)**	10,373
Discontinued operation			
Loss for the period from discontinued operation	*8*	**(114)**	(7,253)
(Loss)/profit for the period	*9*	**(695)**	3,120
Attributable to:			
– Owners of the Company		**(2,165)**	(4,546)
– Non-controlling interests		**1,470**	7,666
		(695)	3,120
(Loss)/earnings per share *(HK cent)*	*11*		
From continuing and discontinued operations			
– Basic		**(0.02)**	(0.04)
– Diluted		**(0.02)**	N/A
From continuing operations			
– Basic		**(0.02)**	0.02
– Diluted		**(0.02)**	N/A

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited and restated)
	HK$'000	*HK$'000*
(Loss)/profit for the period	**(695)**	3,120
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Exchange difference arising on translation to presentation currency	**29,616**	(51)
Items that may be subsequently reclassified to profit or loss:		
Reclassification adjustments relating to foreign operation disposed during the period	**114**	–
Other comprehensive income/(expense) for the period, net of income tax	**29,730**	(51)
Total comprehensive income for the period	**29,035**	3,069
Total comprehensive income/(expense) attributable to:		
– Owners of the Company	**22,794**	(4,597)
– Non-controlling interests	**6,241**	7,666
	29,035	3,069

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	Notes	30 June 2017 (Unaudited) HK$'000	31 December 2016 (Audited) HK$'000
Non-Current Assets			
Property and equipment		**27,187**	1,656
Investment properties		**–**	26,200
Goodwill		**103,373**	103,373
Interest in joint venture		**779,542**	738,675
Available-for-sale investments		**23,024**	22,334
Finance lease receivables	*12*	**335,247**	142,523
Loan receivables		**40,292**	33,501
Restricted bank deposit		**54,682**	53,393
Service income receivables and deposits	*13*	**13,382**	10,782
		1,376,729	1,132,437
Current Assets			
Finance lease receivables	*12*	**324,808**	359,736
Loan receivables		**157,326**	35,584
Service income receivables, other receivables, deposits and prepayments	*13*	**38,975**	21,466
Held for trading investments		**63,703**	112,964
Deposits placed with non-bank financial institutions		**15,848**	17,763
Restricted bank deposits		**30,507**	52,219
Bank balances and cash		**110,904**	81,236
		742,071	680,968
Assets classified as held for sale		**–**	20,470
		742,071	701,438

	Notes	30 June 2017 (Unaudited) HK$'000	31 December 2016 (Audited) HK$'000
Current Liabilities			
Service cost payables, other payables and accruals	14	**32,006**	58,168
Deposits received from customers		**11,513**	62,221
Taxation payable		**15,738**	27,747
Borrowings		**295,872**	135,346
		355,129	283,482
Liabilities associated with assets classified as held for sale		**–**	10,820
		355,129	294,302
Net Current Assets		**386,942**	407,136
Total Assets less Current Liabilities		**1,763,671**	1,539,573
Capital and Reserves			
Share capital	15	**119,192**	119,192
Reserves		**1,090,804**	1,068,010
Equity attributable to owners of the Company		**1,209,996**	1,187,202
Non-controlling interests		**138,427**	152,695
Total Equity		**1,348,423**	1,339,897
Non Current Liabilities			
Deposit received from customers		**62,335**	31,159
Borrowings		**334,095**	142,523
Service cost payables	14	**2,877**	8,800
Deferred tax liabilities		**15,941**	17,194
		415,248	199,676
		1,763,671	1,539,573

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

1. BASIS OF PRESENTATION

The condensed consolidated financial statements for the six months ended 30 June 2017 have been prepared in accordance with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis other than certain financial instruments measured at fair value through profit or loss and investment properties measured at fair value.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2016.

In the current interim period, the Group has adopted and applied, for the first time, certain new interpretation and amendments to the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are mandatorily effective for the current interim period.

The application of these new interpretation and amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in the condensed consolidated financial statements and/or disclosures set out in the condensed consolidated financial statements.

A number of new standards and amendments to standards and interpretations to be adopted in future reporting periods have not been applied in preparing this condensed consolidated financial statements.

3. REVENUE

Revenue from continuing operations represents finance lease interest income generated from financial leasing and service fee income provided to outsiders during the period.

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited and restated)
	HK$'000	*HK$'000*
Continuing operations		
Service fee income	**47,929**	61,621
Finance lease interest income	**15,287**	11,458
	63,216	73,079

4. SEGMENT INFORMATION

Information reported to the Board, being the chief operating decision maker, for the purpose of resource allocation and performance assessment focuses on the nature of the operations of the Group.

The Group's operating and reportable segments are as follows:

Financial leasing	–	provision of finance lease consulting services and financing services
Terminal and logistics services	–	loading and discharging services, storage services, and leasing of terminal facilities and equipment through investment in a joint venture
Investment	–	investments in held for trading investments, convertible bonds, available-for-sale investments, investment property and loan receivables from the money lending business

During the period, as described in note 8, the Group completed the disposal of polishing materials and equipment segment (the "Polishing Segment") on 5 January 2017. The result of the Polishing Segment for the periods ended 30 June 2017 and 2016 was classified as discontinued operation as described in note 8.

The analysis of the revenue and segment results of the Group by reportable and operating segments is as follows:

	Continuing operations			
	Revenue		**Segment results**	
	Six months ended 30 June			
	2017	2016	**2017**	2016
	(Unaudited)	(Unaudited and restated)	**(Unaudited)**	(Unaudited and restated)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Segments				
Financial leasing	**63,216**	73,079	**4,469**	17,129
Terminal and logistics services	**–**	–	**21,084**	21,115
Investment	**–**	–	**(10,004)**	(3,927)
	63,216	73,079	**15,549**	34,317
Unallocated corporate expenses			**(14,774)**	(21,705)
Unallocated other income, gains and losses			**119**	255
Profit before taxation			**894**	12,867

Segment result represents the profit earned or loss incurred by each segment without allocation of certain other income, certain other gains and losses and corporate expenses.

The analysis of the assets and liabilities of the Group by reportable and operating segments is as follows:

	Assets		Liabilities	
	30 June 2017 (Unaudited)	31 December 2016 (Audited)	**30 June 2017 (Unaudited)**	31 December 2016 (Audited)
Segments				
Continuing operations				
Financial leasing	**1,118,940**	810,314	**728,244**	406,749
Terminal and logistics services	**779,574**	738,719	**–**	–
Investment	**145,058**	160,308	**14,804**	31,393
Discontinued operation				
Polishing segment	**–**	20,470	**–**	10,820
Unallocated corporate items	**75,228**	104,064	**27,329**	45,016
	2,118,800	1,833,875	**770,377**	493,978

For the purposes of monitoring segment performances and allocating resources between segments:

– all assets are allocated to reportable and operating segments other than certain other receivables and bank balances and cash; and

– all liabilities are allocated to reportable and operating segments other than certain other payables, tax payables and deferred tax liabilities.

5. OTHER INCOME

Continuing operations

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited and restated)
	HK$'000	*HK$'000*
Government grants	**4,110**	8,886
Interest income from loan receivables	**3,747**	3,329
Interest income from banks and non-bank financial institutions	**1,805**	535
Interest income from convertible bonds designated as financial assets at fair value through profit or loss ("FVTPL")	**–**	792
Rental income	**154**	230
Sundry income	**351**	370
	10,167	14,142

6. OTHER GAINS AND LOSSES

Continuing operations

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited and restated)
	HK$'000	*HK$'000*
Change in fair value of held for trading investments	**(12,528)**	(672)
Change in fair value of convertible bonds designated as financial assets at FVTPL	**–**	(4,450)
	(12,528)	(5,122)
Foreign exchange (losses) gains	**(301)**	2,258
	(12,829)	(2,864)

7. TAXATION

Continuing operations

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited and restated)
	HK$'000	*HK$'000*
The charge comprises:		
Current tax		
– Hong Kong profits tax	**(20)**	–
– PRC income tax	**1,495**	1,438
Deferred tax		
– Withholding tax on undistributed profits of joint ventures in the PRC	**–**	1,056
	1,475	2,494

8. DISCONTINUED OPERATION

On 17 November 2016, the Group entered into a disposal agreement to dispose of the entire 100% equity interest in Teamcom Group Limited, which operated the Polishing Segment, at a consideration of HK$10,000,000 (the "Disposal"). The completion of the Disposal took place on 5 January 2017.

The comparative figures in the consolidated statement of profit or loss have been restated to re-present the Polishing Segment as a discontinued operation in accordance with HKFRS 5. The profit or losses for the periods from the Polishing Segment are set out below.

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited and restated)
	HK$'000	*HK$'000*
Revenue	–	22,091
Cost of sales	–	(21,059)
Other income, gains and losses	–	401
Selling and distribution expenses	–	(2,469)
Administrative expenses	–	(6,533)
Share of result of a joint venture	–	430
Finance costs	–	(114)
Loss before tax	–	(7,253)
Income tax expenses	–	–
Loss for the period	–	(7,253)
Loss on disposal of subsidiaries	**(114)**	–
Loss for the period from discontinued operation	**(114)**	(7,253)

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited and restated)
	HK$'000	*HK$'000*
Loss for the period from discontinued operation has been arrived at after charging:		
Depreciation	–	292
Cost of inventories recognised as an expense	–	21,059
Impairment loss on trade receivable	–	2,680
Staff costs	–	3,321

There was no cash movement of the Polishing Segment during the six-months ended 30 June 2017 before completion of the Disposal. During the six-months ended 30 June 2016, the Polishing Segment contributed net cash outflow of HK$1.3 million to the Group's net operating cash flows, received HK$0.4 million in respect of investing activities and received HK$0.3 million in respect of financing activities.

On 5 January 2017 (date of completion), the major classes of assets and liabilities of the Polishing Segment and the calculation of loss of disposal are as below:

	HK$'000
Inventories	2,916
Trade and other receivables, deposits and prepayments	13,556
Bank balances and cash	3,998
Trade and other payables and accruals	(4,265)
Obligations under finance leases	(1,556)
Borrowings	(2,780)
Tax payables	(1,915)
Deferred tax liabilities	(304)
Net assets	9,650
Less: Consideration receivable	(9,650)
Less: Cumulative exchange translation reserve of foreign operation reclassified from equity to profit or loss	(114)
Loss on disposal	(114)

9. (LOSS)/PROFIT FOR THE PERIOD

Continuing operations

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited and restated)
	HK$'000	*HK$'000*
Loss for the period has been arrived at after charging:		
Interest expenses (included in cost of services)	**12,452**	8,973
Depreciation	**704**	436
Minimum lease payment in respect of rental premises	**1,659**	2,219
Staff costs (including directors and chief executive's emoluments)	**23,257**	17,606

10. DIVIDEND

The Board does not recommend payment of an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

11. (LOSS)/EARNINGS PER SHARE

For continuing operations

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

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited and restated)
	HK$'000	*HK$'000*
(Loss)/earnings		
Loss for the period attributable to the owners of the Company	**(2,165)**	(4,546)
Add: Loss for the period from discontinued operation	**114**	7,253
(Loss)/earnings for the purpose of basic and diluted (loss)/earnings per share from continuing operations	**(2,051)**	2,707

	Number of shares	
	30 June	30 June
	2017	2016
	(Unaudited)	(Unaudited and restated)
	'000	*'000*
Number of shares		
Number of ordinary shares for the purpose of basic (loss)/earnings per share	**11,919,198**	11,919,198
Number of ordinary shares for the purpose of diluted loss per share	**11,919,198**	N/A

The computation of diluted loss per share for the period ended 30 June 2017 does not assume the exercise of share options granted by the Company as the exercise price of those options was higher than the average market price for shares.

No diluted earnings per share was presented for the period ended 30 June 2016 as there were no potential ordinary shares in issue during that period.

For continuing and discontinued operations

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

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited and restated)
	HK$'000	*HK$'000*
Loss		
Loss for the period attributable to the owners of the Company	**(2,165)**	(4,546)

The denominators used are the same as those detailed above for both basic and diluted loss per share.

For discontinued operation

Basic and diluted loss per share for the discontinued operation is HK0.001 cent per share (six-months ended 30 June 2016: basic loss per share is HK0.06 cent per share), based on the loss for the period from the discontinued operation of HK$114,000 (six-months ended 30 June 2016: HK$7,253,000) and the denominators detailed above.

12. FINANCE LEASE RECEIVABLES

	30 June 2017 (Unaudited) ***HK$'000***	31 December 2016 (Audited) *HK$'000*
Current finance lease receivables	**324,808**	359,736
Non-current finance lease receivables	**335,247**	142,523
	660,055	502,259

Leasing arrangements

As at 30 June 2017, certain of the Group's plant and machinery are leased out under finance leases. All leases are denominated in RMB. The average term of finance leases entered into is 3.5 years (31 December 2016: 4.0 years).

Amounts receivable under finance leases

	Minimum lease payments		**Present value of lease payments**	
	30 June 2017 (Unaudited) ***HK$'000***	31 December 2016 (Audited) *HK$'000*	**30 June 2017 (Unaudited)** ***HK$'000***	31 December 2016 (Audited) *HK$'000*
Not later than one year	**344,612**	369,935	**324,808**	359,736
Later than one year and not later than five years, inclusive	**363,135**	152,980	**335,247**	142,523
	707,747	522,915	**660,055**	502,259
Less: unearned finance income	**(47,692)**	(20,656)	**N/A**	N/A
Present value of minimum lease payments receivable	**660,055**	502,259	**660,055**	502,259

The Group's finance leases receivables are denominated in RMB. The effective interest rates of the finance leases as at 30 June 2017 range from 4.28% to 5.22% per annum (31 December 2016: 4.28% to 7.05% per annum).

As at 30 June 2017, finance lease receivables amounting to HK$419,806,000 (31 December 2016: HK$243,310,000) were guaranteed by related parties of customers and/or secured by the leased assets and customers' deposits.

There was no unguaranteed residual value in connection with finance lease arrangements or contingent lease arrangements that needed to be recorded as at the end of the reporting period.

As at 30 June 2017, the finance lease receivables with carrying amounts of HK$629,967,000 (31 December 2016: HK$277,869,000) were pledged as security for the Group's borrowings.

Deposits of HK$12,194,000 (31 December 2016: HK$93,380,000) have been received by the Group to secure certain finance lease receivables and classified into current or non-current liabilities based on the final lease instalment due date stipulated in the finance lease agreements. In addition, the finance lease receivables are secured over the leased assets, mainly plant and machinery leased, at the end of the reporting periods. The Group is not permitted to sell, or repledge the collateral of the finance lease receivables without consent from the lessee in the absence of default by the lessee.

Estimates of fair value of collateral are made during the credit approval process. These estimates of valuations are made at the inception of finance lease, and generally not updated except when the receivable is individually impaired. When a finance lease receivable is identified as impaired, the corresponding fair value of collateral of that receivable is updated by reference to market value such as recent transaction price of the assets.

At the end of the reporting periods, with the consent from the relevant lessees, certain of these assets have been repledged to secure borrowings of the Group.

The finance lease receivables at the end of the reporting periods are neither past due nor impaired.

13. SERVICE INCOME RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

The normal credit period given on service income is 0 – 5 days. The credit period relating to service income receivables provided to customers can be longer based on a number of factors including the customer's credit profile and relationship with the customers.

The following is an aged analysis of service income receivables of HK$18,751,000 (31 December 2016: HK$25,385,000) , net of allowance for bad and doubtful debts, presented based on the date of recognition of revenue for service income relating to service income receivables at the end of the reporting period which approximated the revenue recognition dates:

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
	HK$'000	*HK$'000*
Service income receivables		
Within 30 days	**1,209**	–
31 to 60 days	**1,209**	3,853
61 to 90 days	**2,763**	–
91 – 180 days	**2,456**	2,983
181 – 365 days	**7,047**	7,767
Over 365 days	**4,067**	10,782
	18,751	25,385
Other receivables, deposits and prepayments	**33,606**	6,863
Less: Amounts not receivable within one year shown under non-current asset	**(13,382)**	(10,782)
	38,975	21,466

14. SERVICE COST PAYABLES, OTHER PAYABLES AND ACCRUALS

The aged analysis of the service cost payables of HK$17,829,000 (31 December 2016: HK$28,383,000) which are included in the Group's service cost payables, other payables and accruals is as follows:

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
	HK$'000	*HK$'000*
Service cost payables:		
Within 30 days	**1,132**	4,365
31 to 60 days	**5,890**	11,597
61 to 90 days	**–**	–
91 – 180 days	**967**	2,190
181 – 365 days	**6,963**	1,431
Over 365 days	**2,877**	8,800
	17,829	28,383
Other payables and accruals	**17,054**	38,585
Less: Amount not payable within one year shown under non-current liabilities	**(2,877)**	(8,800)
	32,006	58,168

15. SHARE CAPITAL

	Number of shares of HK$0.01 each	Nominal value
	'000	*HK$'000*
Authorised:		
At 1 January 2016, 31 December 2016 and 30 June 2017	**40,000,000**	400,000
Issued and fully paid:		
At 1 January 2016, 31 December 2016 and 30 June 2017	**11,919,198**	119,192

16. CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2017 and 31 December 2016.

17. CAPITAL COMMITMENTS

At 30 June 2017 and 31 December 2016, the Group had no material capital commitments.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Following the completion of disposal of manufacturing and trading of polishing materials and equipment ("Polishing Segment") on 5 January 2017, the Group regarded (i) Financial leasing business, (ii) Terminal and logistics services and (iii) Investment division as continuing operations and (iv) Polishing segment as discontinued operation for the period under review (the "Current Period"). The comparative figures of profit or loss of the Polishing Segment was restated to re-present to conform the Current Period presentation.

The continuing operations of the Group recorded the revenue of HK$63.2 million in the Current Period as compared with HK$73.1 million (restated) for the six-months ended 30 June 2016 (the "Corresponding Period"), gross profit of HK$15.2 million in the Current Period against HK$16.4 million (restated) in the Corresponding Period and net loss of HK$0.6 million as compared to net profit of HK$10.4 million (restated) in the Corresponding Period. Together with net loss of HK$0.1 million from the discontinued operation in the Current Period as compared with net loss of HK$7.3 million (restated) in the Corresponding Period, the Group recorded the net loss of HK$0.7 million from the continuing and discontinued operations in the Current Period as compared with the net profit of HK$3.1 million in the Corresponding Period.

For the period under review, the Financial leasing business has contributed a segment profit of HK$4.5 million (30 June 2016: HK$17.1 million) (the definition of segment profit or loss and detailed analysis set out in note 4 to the condensed consolidated financial statements). The decrease was mainly attributable to (i) overall decrease in government grants due to absence of a government subsidy income of approximately HK$8.9 million from a non-recurring financial support policy in the Corresponding Period, partially offset by a government subsidy income of approximately HK$4.1 million receivable from the tax preferential policy of Tianjin Free Trade Zone in the Current Period pursuant to which our Tianjin subsidiary is entitled to a refund of certain percentage of value-added tax and enterprise income tax paid in prior years, (ii) increase in staff costs and (iii) depreciation of exchange rate in RMB to HKD used for translation of its RMB statement of profit or loss to HKD by around 5% in the Current Period. In term of the gross profit amount in RMB, it is rather stable on period-on-period basis.

The Terminal and logistics services contributed a segment profit of approximately HK$21.1 million for the both reporting periods. The stable performance can be further analyzed as (i) decrease in gross profit due to the decrease in tons of throughput of the ports as a result of the downturn of the chinese shipping and import and export markets which was mostly offset by (ii) decrease in impairment losses on receivables and finance costs.

The Investment division expanded the segment loss from HK$3.9 million in the Corresponding Period to HK$10.0 million in the Current Period. The segment performance was adversely affected by a significant unrealized fair value loss of approximately HK$18.5 million on the listed shares issued by China Fortune Financial Group Limited ("CFFGL") which was acquired through conversion of HK$32.0 million convertible bonds on 9 November 2016. Taking out this non-cash fair value loss, the segment would be profitable in the current period.

The Polishing segment, currently classified as discontinued operation, was disposed on 5 January 2017 and ceased to be consolidated thereafter. Therefore, the net loss of the discontinued operations was largely reduced from HK$7.3 million in the Corresponding Period to HK$0.1 million in the Current Period. After further considering the corporate expenses of HK$14.8 million, down by HK$6.9 million, as a result of effective cost saving initiative, certain other income and income tax expense, the Group recorded net loss of HK$0.7 million and net loss attributable to owners of the Company of HK$2.2 million in the Current Period as compared with net profit of HK$3.1 million and net loss attributable to the owner of the Company of HK$4.5 million in the Corresponding Period.

FINANCIAL REVIEW

Continuing Operations

Revenue and gross profit

The Group's revenue and gross profit, entirely derived from the Financial leasing business, represented HK$63.2 million and HK$15.2 million (six months ended 30 June 2016: HK$73.1 million (restated) and HK$16.4 million (restated)) respectively. The revenue represents (i) service fee income for financing arrangements and consultation services and (ii) finance lease interest income generated from financial leasing business. The cost of services mainly represents (i) service cost to banks and other non-bank financial institutions on various kinds of factoring and consultancy services and (ii) interest expenses on borrowings from banks and other non-bank financial institutions. The main customer base primarily includes large corporations covering industries of energy resources, chemical, manufacturing, medical and urban infrastructure and public utility construction.

Other income

Other income of the Group mainly comprised of interest income from loan receivables, banks and non-bank financial institutions, government grants and rental income. During the Current Period, the other income amounted to HK$10.2 million, down by HK$4.0 million. The decrease was primarily attributable to the decrease in the government grants as mentioned above.

Other gains and losses

In the Current Period, other gains and losses of the Group amounted to loss of HK$12.8 million predominantly representing losses from change in fair value of held for trading investment. Increase in loss by HK$10.0 million in the Current Period was mainly attributable to increase in net loss from change in fair value of securities investments as a result of the significant unrealized fair value loss of approximately HK$18.5 million on the listed shares of CFFGL.

Administrative expenses

The Group's administrative expenses in the Current Period amounted to HK$32.8 million, down by HK$3.2 million, mainly including staff costs (including directors' and chief executive's emoluments) of HK$23.3 million (six months ended 30 June 2016: HK$17.6 million (restated)), office rental expenses, legal and professional fees and various other administrative expenses. The decrease is primarily due to the cost reduction on corporate expenses.

Share of joint venture's result

The share of joint venture's result from the Terminal and Logistics business remains at HK$21.1 million for both reporting periods. Detailed analysis refers to the above.

Income taxation

Income tax expenses for the Current Period mainly comprised of current taxation of HK$1.5 million primarily from the PRC.

Discontinued operation

The Polishing segment, currently classified as discontinued operation, was disposed of and ceased to be consolidated in early January of this year while the profit or loss was consolidated for the whole six-months in the Corresponding Period. As such, the loss from the discontinued operation for the Current Period only amounted to HK$0.1 million, decrease in loss by HK$7.1 million.

(Loss)/Profit for the period from continuing and discontinued operations

Net loss for the Current Period of the Group amounted to approximately HK$0.7 million against net profit of approximately HK$3.1 million in the Corresponding Period was mainly owning to the above-mentioned decrease in government grants and increase in loss from fair value change in securities investments.

FINANCIAL POSITION

The total asset amount of the Group as at 30 June 2017 amounted to HK$2,118.8 million, up by HK$284.9 million as compared with HK$1,833.9 million as at 31 December 2016. Increase was mainly attributable to increase in segment assets of Financial leasing business by HK$308.6 million, which, due to its highly leveraged business nature, further increased the total liability amount of the Group to HK$770.4 million as at 30 June 2017 by the similar extent. The gearing ratios (measured as total liabilities over total asset) increased from 26.9% as at 31 December 2016 to 36.4% as at 30 June 2017 and the current ratios (measured as total current assets over total current liabilities after excluding the assets and liabilities classified as held for sale) decreased from 2.4 as at 31 December 2016 to 2.1 as at 30 June 2017.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2017, the Group had bank balances, restricted bank deposits, deposits placed with non-bank financial institutions and cash of approximately HK$211.9 million (of which HK$85.2 million was pledged to the banks to secure bank borrowings granted to the Group for Financial leasing business (31 December 2016: HK$105.6 million)) as compared to HK$204.6 million as at 31 December 2016. As at 30 June 2017, the Group had bank and other borrowings amounting to HK$295.9million (31 December 2016: HK$135.3 million) and HK$334.1 million (31 December 2016: HK$142.5 million) which are due within one year and over one year respectively. For the period under review, the Group has financed its operations with facilities provided by banks and other non-bank financial institutions and internally generated cash flows.

FOREIGN EXCHANGE EXPOSURE

During the Current Period, the continuing operations of the Group had no foreign currency sales and purchases. During the Corresponding Period, several subsidiaries of the Group from the discontinued operation had foreign currency sales and purchases which exposed the Group to foreign currency risk.

CREDIT EXPOSURE

The Group's major credit risk is primarily attributable to finance lease receivables and loan receivables. Any deterioration in collectability of our finance lease receivables and the underlying quality of leased assets and collaterals could adversely affect our business and financial conditions. In order to minimise the credit risk of the finance lease receivables, the management of the Group has delegated a team responsible for evaluation of credit risk stemming from the financial viability of customers and guarantors (if any) and the prospect of the industries in which the customers operate and critical assessment on adequacy of the value of the leased assets, collaterals and any forms of securities provided by customers at the inception of the lease. Throughout the lease term, the Group closely monitored the recoverability and will consider requesting additional collaterals or any form of security from customers in case of any adverse change in credibility.

Before investing in the loan receivables, the Group also assesses the credit quality of the loan borrowers and defines the terms of the loans. The Group closely monitored recoverability to ensure prompt follow-up action is taken to recover any overdue debt.

CHARGE OF ASSETS

As at 30 June 2017, the restricted bank deposits of HK$85.2 million (31 December 2016: HK$105.6 million) and the finance lease receivables of HK$630.0 million (31 December 2016: HK$277.9 million) were pledged to the banks and other non-bank financial institutions for facilities granted to the Group.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2017 and 31 December 2016.

CAPITAL COMMITMENTS

The Group had no material capital commitments as at 30 June 2017 and 31 December 2016.

PROSPECT

Looking forward, the global economy is still facing uncertainty as result of expectation on interest rate hike. In China, the economy is facing multiple challenges and uncertainties over the economic structural reform and measures to address the excess capacity and credit intensive investments. Through various policy stimulus measures implemented by the Chinese government, as indicated by the data for the first-half 2017 gross domestic product (so called "GDP"), published by National Bureau of Statstics, the Chinese economy has shown a sign of recovery and improvement on the economic structure and will possibly continue to improve steadily.

Finance lease industry in the PRC has become more competitive as a result of increasing numbers of financial leasing company in the PRC over the past decade, the future industry will continue to play an important role to serve and to grow with the real economy, driven by abundant opportunities from the industrial upgrades for manufacturing high-quality and innovative products and government support policies to facilitate the finance lease industry development. Our local management team will explore opportunities of cooperation with e-commerce business and deepen the cooperation with conventional industries. We will also broaden funding channels through cooperation with various banks, insurance companies, trusts and funds in an effort to establish unique and innovative business model to protect the sustained stable growth of the financial leasing business. Coupled with upholding effective and proven risk management policies and leveraging on highly experienced local management team, the segment will bring positive contribution to the Group.

The Chinese shipping industry has been in a cyclic adjustment for the past few years. Local management will endeavor to improve the operation efficiency and promote cost reduction during the industry downturn. Meantime, disposal of the terminal and logistics services experiences delay since additional time is required by the both contracting parties to fulfil the conditions (other than the approval from the shareholders as required under the Listing Rules for the disposal agreements and the transactions contemplated there under having been obtained by the Vendor) for the disposal agreements taking effect. Reference is made to the announcement of the Company dated 22 January 2015 in relation to the disposal, the announcements of the Company dated 29 April 2015, 30 October 2015, 28 April 2016, 28 October 2016 and 28 April 2017 relating to the delay in dispatch of the circular for the disposal.

The global stock markets showed a sign of recovery in the Current Period and the general market perspective tends to be optimistic about the future performance. The Group will continue to adopt a proven and effective investment strategy towards the investment portfolio.

Lastly, the Group will look for new potential growth opportunities in a very diligent manner in order to diversify the source of income and attain growth on a long term.

SIGNIFICANT INVESTMENTS/MATERIAL DISPOSALS

At 30 June 2017, the Group held loan receivables of HK$197.6 million (2016: 69.1 million), available-for-sale investments of HK$23.0 million (2016: HK$22.3 million) and held for trading investments of approximately HK$63.7 million (2016: HK$113.0 million). During the period, the Group made a 35 million 1-year 10% per annum loan to an individual third party in Hong Kong, invested in loan receivables through short-term wealth management products of HK$86.3 million and 2-years trust products of HK$6.1 million both issued by financial institutions in the PRC. The Group recorded loan interest income from loan receivables amounting to HK$3.7 million (30 June 2016: HK$3.3 million). The available-for-sale investment of HK$22.3 million represents unlisted equity securities issued by private entities established in the PRC acquired in 2016. As their fair value cannot be measured reliably, it is accounted for at cost. Increase in net loss from change in fair values of securities investments from approximately HK$5.1 million in the Corresponding Period (further divided by loss from change in fair value of held for trading investments of HK$0.7 million and convertible bonds of HK$4.4 million) to approximately HK$12.5 million in the Current Period was mainly due to the significant unrealized fair value loss of approximately HK$18.5 million on the listed shares of CFFGL.

During the period, an office premise which was leased out to tenant and classified as investment property as at 31 December 2016 has been changed for self-use since the lease was expired. Accordingly, the property was transferred from investment property to property and equipment and depreciated thereafter.

The completion of the disposal of the entire issued share capital of Teamcom Group Limited took place on 5 January 2017 and the Polishing Segment ceased to be consolidated thereafter. Further details of the disposal are set out in the Company's announcements dated 17 November 2016 and 9 January 2017.

EMPLOYEE AND REMUNERATION

As at 30 June 2017, the Group had 57 (31 December 2016: 75) employees (excluding employees of the Company's joint ventures) in Hong Kong and the PRC. The employees are remunerated with basic salary, bonus and other benefits in kind with reference to industry practice and their individual performance.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the period.

CORPORATE GOVERNANCE

The Board are committed to maintain high standards of corporate governance as good corporate governance is crucial to sustain the Group in the long-run through the changing regulatory and market environment. The Company has applied the principles and complied with all the applicable code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules for the six months ended 30 June 2017, except for the following deviations:–

1. **Code Provision B.1.2**

   The terms of reference of the Remuneration Committee exclude review of and making recommendations to the Board in relation to senior management remuneration as in the Board's opinion, it was more appropriate for the executive directors to perform these duties.

2. **Code Provision E.1.2**

   Under Code Provision E.1.2 of the CG Code, the Chairman of the Board should attend the annual general meeting. Mr. Wong Lik Ping, Chairman of the Board was unable to attend the annual general meeting of the Company held on 1 June 2017 due to his other important commitment.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its code of conduct for dealings in securities of the Company by the Directors. On specific enquiries made, all Directors confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2017.

To comply with the code provision A.6.4 of the CG Code and Report, the Company has also adopted the Model Code as the code of conduct for securities transactions by Relevant Employees to regulate the dealings in the securities of the Company by certain employees of the Group who are considered to be likely in possession of unpublished price sensitive information of the Company.

AUDIT COMMITTEE REVIEW

The Company has established an Audit Committee, which consists of three independent non-executive Directors of the Company, namely Mr. Ho Hin Yip, Mr. Goh Choo Hwee and Mr. U Keng Tin.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements for the six months ended 30 June 2017.

By order of the Board
China Ever Grand Financial Leasing Group Co., Ltd.
Lai Ka Fai
Executive Director

Hong Kong, 15 August 2017

As at the date of this announcement, the Board comprises (1) Mr. Wong Lik Ping, Mr. Lai Ka Fai, Mr. Tao Ke and Mr. Qiao Weibing as executive Directors; (2) Ms. Yeung Sau Han Agnes as non-executive Director, and (3) Mr. Goh Choo Hwee, Mr. Ho Hin Yip and Mr. U Keng Tin as independent non-executive Directors