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)

2017 ANNUAL RESULTS ANNOUNCEMENT

The board of directors (the "Board") of China Ever Grand Financial Leasing Group Co., Ltd. (the "Company") announces the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2017 and the comparative figures for last year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

	NOTES	**2017** **HK$'000**	2016 *HK$'000*
Continuing operations			
Revenue	*3*	**198,134**	221,212
Cost of services		**(166,866)**	(148,720)
Gross profit		**31,268**	72,492
Other income	*5*	**20,763**	23,833
Other gains and losses	*5*	**(26,885)**	(1,459)
Administrative expenses		**(66,081)**	(87,262)
Impairment loss on goodwill		**(31,000)**	–
Change in fair value of convertible bonds designated as financial assets at fair value through profit or loss		**–**	43,257
Gain on disposal of subsidiaries		**–**	20,547
Share of results of joint ventures		**43,508**	27,545
Other expenses		**(1,203)**	(2,109)
(Loss)/profit before taxation from continuing operations		**(29,630)**	96,844
Income tax expense	*6*	**(6,059)**	(17,651)
(Loss)/profit for the year from continuing operations		**(35,689)**	79,193
Discontinued operation			
Loss for the year from discontinued operation	*7*	**(114)**	(27,365)
(Loss)/profit for the year	*8*	**(35,803)**	51,828

	NOTES	2017 HK$'000	2016 HK$'000
(Loss)/profit for the year attributable to:			
Owners of the Company		**(42,654)**	29,813
Non-controlling interests		**6,851**	22,015
		(35,803)	51,828
(Loss) earnings per share *(HK cent)*	*9*		
From continuing and discontinued operations			
Basic		**(0.36)**	0.25
Diluted		**(0.36)**	0.25
From continuing operations			
Basic		**(0.36)**	0.48
Diluted		**(0.36)**	0.48

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017	2016
	HK$'000	*HK$'000*
(Loss)/profit for the year	**(35,803)**	51,828
Other comprehensive income/(expense)		
Items that will not be reclassified to profit or loss:		
Exchange difference arising on translation to presentation currency	**71,640**	(59,166)
Items that may be subsequently reclassified to profit or loss:		
Reclassification adjustments relating to disposal of foreign operation during the year	**114**	(818)
Net fair value loss on available-for-sale investments during the year	**(932)**	–
Reclassification adjustments relating to investment revaluation reserve upon disposal of subsidiaries	**–**	285
	(818)	(533)
Other comprehensive income/(expense) for the year, net of income tax	**70,822**	(59,699)
Total comprehensive income/(expense) for the year	**35,019**	(7,871)
Total comprehensive income/(expense) attributable to:		
Owners of the Company	**17,245**	(22,323)
Non-controlling interests	**17,774**	14,452
	35,019	(7,871)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	NOTES	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment		**26,157**	1,656
Investment properties		**–**	26,200
Goodwill		**72,373**	103,373
Interests in a joint venture		**831,236**	738,675
Available-for-sale investments		**77,096**	22,334
Finance lease receivables	*11*	**602,643**	142,523
Loan receivables		**24,014**	33,501
Restricted bank deposits		**21,505**	53,393
Service income receivables and deposits	*12*	**12,693**	10,782
		1,667,717	1,132,437
Current assets			
Finance lease receivables	*11*	**478,037**	359,736
Loan receivables		**101,022**	35,584
Service income receivables, other receivables, deposits and prepayments	*12*	**56,851**	21,466
Held for trading investments		**40,628**	112,964
Deposits placed with non-bank financial institutions		**143,288**	17,763
Restricted bank deposits		**40,167**	52,219
Bank balances and cash		**56,879**	81,236
		916,872	680,968
Assets classified as held for sale	*7*	**–**	20,470
		916,872	701,438

	NOTES	2017 HK$'000	2016 HK$'000
Current liabilities			
Service cost payables, other payables and accruals	*13*	**64,186**	58,168
Deposits received from customers	*11*	**35,094**	62,221
Tax payable		**17,055**	27,747
Borrowings		**472,795**	135,346
		589,130	283,482
Liabilities associated with assets classified as held for sale	*7*	**–**	10,820
		589,130	294,302
Net current assets		**327,742**	407,136
Total assets less current liabilities		**1,995,459**	1,539,573
Capital and reserves			
Share capital	*14*	**119,192**	119,192
Reserves		**1,085,255**	1,068,010
Equity attributable to owners of the Company		**1,204,447**	1,187,202
Non-controlling interests		**149,961**	152,695
Total equity		**1,354,408**	1,339,897
Non-current liabilities			
Deposits received from customers	*11*	**25,912**	31,159
Borrowings		**597,466**	142,523
Service cost payables	*13*	**–**	8,800
Deferred tax liabilities		**17,673**	17,194
		641,051	199,676
		1,995,459	1,539,573

Notes:

1. GENERAL INFORMATION

China Ever Grand Financial Leasing Group Co., Ltd. (the "Company") is a public limited company incorporated in Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are provision of finance lease and related consulting services in the People's Republic of China (the "PRC"), the trading of equity securities, investment in property, investment in terminal and logistics services business, investment holding, investment in food additives business and money lending business. The Group was also engaged in the manufacture and trading of polishing materials and equipment which was discontinued in prior year.

The functional currency of the Company is Renminbi ("RMB"). The consolidated financial statements are presented in Hong Kong dollars ("HK$") as the directors consider that it is a more appropriate presentation for a company listed on the Stock Exchange and for the convenience of the shareholders.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time in the current year:

Amendments to HKAS 7	Disclosure initiative
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses
Amendments to HKFRS 12	As part of the annual improvements to HKFRSs 2014-2016 cycle

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 7 Disclosure initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

3. REVENUE

Revenue represents finance lease interest income generated from financial leasing and service fee income provided to outsiders.

	2017	2016
	HK$'000	*HK$'000*
Continuing operations		
Service fee income	**134,510**	192,479
Finance lease interest income	**63,624**	28,733
	198,134	221,212

4. SEGMENT INFORMATION

Information reported to the executive directors, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on the nature of the operations of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 Operating segments are as follows:

Financial leasing	–	provision of finance lease consulting services and financing services in the PRC ("Financial Leasing Segment")
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 money lending business in Hong Kong
Others	–	research and development, manufacturing and sales of food additives, new food ingredients and nutritional enhancers in the PRC ("Food Additives Business")

During the year ended 31 December 2016, as described in note 7, the Group had committed to dispose of its sale of polishing materials and equipment segment (the "Polishing Segment"). The Polishing Segment was classified as discontinued operation as described in note 7.

During the year ended 31 December 2017, the Group expanded its business to the Food Additives Business, which has been regarded as an operating segment of the Group since then. There was no aggregation of operating segments to derive the reportable segments of the Group.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment:

For the year ended 31 December 2017

	Continuing operations				
	Financial leasing	Terminal and logistics services	Investment	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue					
External sales	198,134	–	–	–	198,134
Segment (loss) profit	(10,932)	43,508	(24,298)	(367)	7,911
Other income, gains and losses					1,642
Corporate expenses					(38,643)
Other expenses					(540)
Loss before taxation					(29,630)

For the year ended 31 December 2016

	Continuing operations			
	Financial leasing	Terminal and logistics services	Investment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue				
External sales	221,212	–	–	221,212
Segment profit	61,045	27,545	44,833	133,423
Other income, gains and losses				2,617
Gain on disposal of subsidiaries				20,547
Corporate expenses				(57,634)
Other expenses				(2,109)
Profit before taxation				96,844

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies. Segment result represents the profit earned or loss incurred by each segment without allocation of certain other income, certain other gains and losses, gain on disposal of subsidiaries and corporate expenses. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

At 31 December 2017

	Continuing operations				
	Financial leasing	Terminal and logistics services	Investment	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	1,563,881	831,256	105,177	4,090	2,504,404
Unallocated corporate assets					80,185
Consolidated assets					2,584,589
Segment liabilities	1,179,659	–	14,804	–	1,194,463
Unallocated corporate liabilities					35,718
Consolidated liabilities					1,230,181

At 31 December 2016

	Continuing operations			
	Financial leasing	Terminal and logistics services	Investment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	810,314	738,719	160,308	1,709,341
Assets related to Polishing Segment				20,470
Unallocated corporate assets				104,064
Consolidated assets				1,833,875
Segment liabilities	406,749	–	31,393	438,142
Liabilities related to Polishing Segment				10,820
Unallocated corporate liabilities				45,016
Consolidated liabilities				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 an office premise for administrative purpose, 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.

Other segment information

For the year ended 31 December 2017

	Continuing operations				
	Financial leasing	**Terminal and logistics services**	**Investment**	**Others**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Amounts charged (credited) in the measure of segment profit or loss or segment assets:					
Additions to non-current assets	**–**	**–**	**–**	**686**	**686**
Additions of property, plant and equipment	**17**	**–**	**–**	**–**	**17**
Depreciation of property, plant and equipment	**695**	**–**	**–**	**–**	**695**
Change in fair value of held for trading investments	**601**	**–**	**25,984**	**–**	**26,585**
Interest income from loan receivables	**(7,395)**	**–**	**(2,252)**	**–**	**(9,647)**
Finance lease interest income	**(63,624)**	**–**	**–**	**–**	**(63,624)**
Interest expenses (included in cost of services)	**47,017**	**–**	**–**	**–**	**47,017**
Impairment loss on goodwill	**31,000**	**–**	**–**	**–**	**31,000**
Interest in a joint venture	**–**	**831,236**	**–**	**–**	**831,236**
Share of result of a joint venture	**–**	**(43,508)**	**–**	**–**	**(43,508)**
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:					
Income tax expense	**5,974**	**–**	**85**	**–**	**6,059**

For the year ended 31 December 2016

	Continuing operations			
	Financial leasing	Terminal and logistics services	Investment	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts charged (credited) in the measure of segment profit or loss or segment assets:				
Additions of property, plant and equipment	17	–	38	55
Depreciation of property, plant and equipment	833	–	228	1,061
Change in fair value of held for trading investments	2,060	–	3,203	5,263
Change in fair value of investment properties	–	–	(3,250)	(3,250)
Change in fair value of convertible bonds designated as financial assets at fair value through profit or loss	–	–	(43,257)	(43,257)
Interest income from convertible bonds designated as financial assets at fair value through profit or loss	–	–	(820)	(820)
Interest income from loan receivables	(3,797)	–	(747)	(4,544)
Realised gain on disposal of available-for-sale investments	–	–	(550)	(550)
Finance lease interest income	(28,733)	–	–	(28,733)
Interest expenses (included in cost of services)	25,937	–	–	25,937
Interest in a joint venture	–	738,675	–	738,675
Share of result of a joint venture	–	(27,545)	–	(27,545)
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:				
Income tax expense	17,184	116	351	17,651

Information about major customers

Revenue from customers of the financial leasing segment of corresponding years contributing over 10% of total sales of the Group are as follows:

	Continuing operations	
	2017	2016
	HK$'000	*HK$'000*
Customer A	**51,782**	32,988
Customer B	**36,222**	N/A[1]
Customer C	**27,297**	N/A[1]
Customer D	**N/A[1]**	35,472
Customer E	**N/A[1]**	23,278

[1] *The corresponding revenue did not contribute over 10% of the total revenue of the Group.*

Geographical information

The Group's financial leasing, terminal and logistics services divisions and Food Additives Business are located in the PRC. Investment division is located in Hong Kong. Locations are determined according to principal place of operating the businesses. Revenue was generated in respective locations.

The following is an analysis of the carrying amount of non-current assets analysed by the geographical location and in which the assets are located:

	2017	2016
	HK$'000	*HK$'000*
PRC	**904,295**	842,092
Hong Kong	**25,471**	27,812
	929,766	869,904

Note: Non-current assets excluded finance lease receivables and other financial instruments.

5. OTHER INCOME, GAINS AND LOSSES

Continuing operations

	2017	2016
	HK$'000	*HK$'000*
Other income		
Interest income from loan receivables	**9,647**	4,544
Interest income from banks and non-bank financial institutions	**2,995**	1,934
Interest income from convertible bonds designated as financial assets at fair value through profit or loss	**–**	820
Rental income	**155**	691
Government grants *(Note)*	**4,552**	13,080
Sundry income	**3,414**	2,764
	20,763	23,833

	2017	2016
	HK$'000	*HK$'000*
Other gains and losses		
Change in fair value of held for trading investments	**(26,585)**	(5,263)
Net foreign exchange (losses) gains	**(168)**	12
Loss on disposal of property, plant and equipment	**(132)**	(8)
Realised gain on disposal of available-for-sale investments	**–**	550
Change in fair value of investment properties	**–**	3,250
	(26,885)	(1,459)

Note: The amount represents government subsidies from local finance bureau which are calculated by reference to the amount of tax paid and based on fulfilment of certain conditions in accordance with the rules and regulations issued by the local government.

6. TAXATION

	2017	2016
	HK$'000	*HK$'000*
Continuing operations		
Current tax:		
Hong Kong Profits Tax	**–**	351
PRC Enterprise Income Tax ("EIT")	**4,612**	16,172
PRC withholding tax	**1,084**	–
	5,696	16,523
Overprovision in prior years:		
Hong Kong Profits Tax	**(16)**	–
Deferred tax expense for current year	**379**	1,128
Taxation for the year	**6,059**	17,651

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit.

EIT is calculated at 25% of the estimated assessable profits of subsidiaries operating in the PRC.

7. DISCONTINUED OPERATION/DISPOSAL GROUP HELD FOR SALE

On 17 November 2016, the Group entered into a disposal agreement to dispose of 100% equity interest in Teamcom Group Limited, which operated the Polishing Segment, at a consideration of HK$10,000,000 (the "Disposal"). The cash consideration of HK$10,000,000 is to be settled in two instalments. The first instalment in the sum of HK$5,000,000 was paid upon the completion of the Disposal, and the second instalment in the sum of HK$5,000,000 is to be paid on or before the date falling on the date of the first anniversary of the completion date of the Disposal. Fair value of the consideration is HK$9,650,000, which represents the present value of total consideration discounted at an effective interest rate of 7.5% per annum. As for the second instalment, HK$3,320,000 has been early repaid during the current year, the unsettled consideration of HK$1,680,000 was recorded as other receivables in the consolidated statement of financial position as at 31 December 2017.

As at 31 December 2016, the assets and liabilities attributable to the Polishing Segment, which were expected to be disposed within twelve months, had been classified as a disposal group held for sale and were presented separately in the consolidated statement of financial position (see below). The net proceeds of Disposal are expected to be lower than the net carrying amount of the relevant assets and liabilities and accordingly, impairment loss had been recognised as follows during the year ended 31 December 2016. The Disposal was completed on 5 January 2017.

	2016
	HK$'000
Impairment loss on:	
Property, plant and equipment	932
Interest in a joint venture	9,281
Club debentures	350
Inventories	8,587
	19,150

The loss for the year from the Polishing Segment is set out below:

	2017	2016
	HK$'000	*HK$'000*
Revenue	**–**	74,347
Cost of sales	**–**	(71,533)
Other income, gains and losses	**–**	931
Selling and distribution expenses	**–**	(4,740)
Administrative expenses	**–**	(7,955)
Share of result of a joint venture	**–**	971
Finance costs	**–**	(229)
Impairment loss	**–**	(19,150)
Income tax expense	**–**	(7)
	–	(27,365)
Loss on disposal of operation	**(114)**	–
Loss for the year from discontinued operation	**(114)**	(27,365)

Loss for the year from discontinued operation includes the following:

	2017	2016
	HK$'000	*HK$'000*
Auditor's remuneration	**–**	–
Depreciation of property, plant and equipment	**–**	566
Costs of inventories recognised as an expense (included in cost of sales)	**–**	71,533
Minimum lease payment in respect of rental premises	**–**	970
Staff costs:		
Director's emoluments	**–**	1,166
Other staff costs		
– Salaries and other benefits	**–**	5,231
– Retirement benefits scheme contributions	**–**	245
	–	6,642

The major classes of assets and liabilities of the Polishing Segment as at 31 December 2016 and as at the date of disposal, which had been presented separately in the consolidated statement of financial position as at 31 December 2016 were as follows:

	HK$'000
Inventories	2,916
Trade and other receivables, deposits and prepayments	13,556
Bank balances and cash	3,998
	20,470
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)
	(10,820)
Net assets disposed of	9,650

8. (LOSS) PROFIT FOR THE YEAR

	2017	2016
	HK$'000	*HK$'000*
(Loss) profit for the year from continuing operations is arrived at after charging:		
Auditor's remuneration	**1,100**	1,100
Depreciation of property, plant and equipment	**1,787**	1,061
Interest expenses (included in cost of services)	**47,017**	25,937
Minimum lease payment in respect of rental premises	**4,039**	4,462
Staff costs:		
Directors' and chief executive's emoluments	**16,854**	30,819
Other staff costs		
– Salaries and other benefits	**25,940**	23,861
– Retirement benefits scheme contributions	**2,159**	2,342
– Share-based payments	**–**	1,534
	44,953	58,556

9. EARNINGS PER SHARE

For continuing operations

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

	2017	2016
	HK$'000	*HK$'000*
(Loss) earnings		
(Loss) profit for the year attributable to the owners of the Company	**(42,654)**	29,813
Add: Loss for the year from discontinued operation	**114**	27,365
(Loss) earnings for the purpose of basic and diluted earnings per share from continuing operations	**(42,540)**	57,178

	2017	2016
	'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) earnings per share	**11,919,198**	11,919,198

The computation of diluted earnings per share for the years ended 31 December 2017 and 2016 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.

For continuing and discontinued operations

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

	2017	2016
	HK$'000	*HK$'000*
(Loss) earnings		
(Loss) earnings for the purpose of basic and diluted earnings per share ((loss) profit for the year attributable to owners of the Company)	**(42,654)**	29,813

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

For discontinued operation

Basic and diluted loss per share for the discontinued operation is HK$0.001 cent per share (2016: basic loss per share is HK$0.23 cent per share), based on the loss for the year from the discontinued operation of HK$114,000 (2016: HK$27,365,000) and the denominators detailed above.

10. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2017, nor was any dividend been proposed since the end of the reporting period (2016: Nil).

11. FINANCE LEASE RECEIVABLES/DEPOSITS RECEIVED FROM CUSTOMERS

	2017	2016
	HK$'000	*HK$'000*
Current finance lease receivables	**478,037**	359,736
Non-current finance lease receivables	**602,643**	142,523
	1,080,680	502,259

Leasing arrangements

Certain of the Group's machinery and equipment are leased out under finance leases. All leases are denominated in RMB. The average term of finance leases entered into is 3.5 years (2016: 4 years).

Amounts receivable under finance leases

	Minimum lease payments		Present value of lease payments	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Not later than one year	**518,710**	369,935	**478,037**	359,736
Later than one year and not later than two years	**333,528**	52,035	**309,093**	46,768
Later than two years and not later than five years	**305,398**	100,945	**293,550**	95,755
	1,157,636	522,915	**1,080,680**	502,259
Less: unearned finance income	**(76,956)**	(20,656)	**N/A**	N/A
Present value of minimum lease payments receivable	**1,080,680**	502,259	**1,080,680**	502,259

The Group's finance lease receivables are denominated in RMB. The effective interest rates of the finance leases as at 31 December 2017 range from 4.28% to 6.30% (2016: 4.28% to 7.05%) per annum.

As at 31 December 2017, finance lease receivables amounting to HK$866,925,000 (2016: HK$243,310,000) were guaranteed by related parties of customers and 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 31 December 2017, the finance lease receivables with carrying amounts of HK$656,169,000 (2016: HK$277,869,000) were pledged as security for the Group's borrowings.

Deposits of HK$61,006,000 (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. The deposits are non-interest bearing, carried effective interest rate at 4.75% (2016: 4.75%) per annum. In addition, the finance lease receivables are secured over the leased assets, mainly plant and machinery leased, at the end of the reporting period. 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 period, 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 period are neither past due nor impaired.

Security deposits received from customers at the end of the reporting period represent finance lease deposits received from customers which are repayable by end of the lease period of the respective finance leases.

12. 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, net of allowance for bad and doubtful debts, presented based on the date of recognition of revenue for service income at the end of the reporting period, which approximated the revenue recognition dates:

	2017	2016
	HK$'000	*HK$'000*
Service income receivables		
0–30 days	**33,520**	–
31–60 days	**–**	3,853
61–90 days	**–**	–
91–180 days	**–**	2,983
181–365 days	**–**	7,767
Over 365 days	**12,266**	10,782
Service income receivables	**45,786**	25,385
Less: Amount not receivable within one year shown under non-current assets	**–**	(10,782)
	45,786	14,603
Other receivables, deposits and prepayments	**23,758**	6,863
Less: Amount not receivable within one year shown under non-current assets	**(12,693)**	–
	56,851	21,466

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed regularly. The Group has policy for allowance of bad and doubtful debts which is based on an evaluation of the collectability and age analysis of accounts on every individual trade debtor basis and on management's judgment including creditworthiness and the past collection history of each customer.

At the end of the reporting period, the Group's service income receivables are neither past due nor impaired. The Group did not hold any collateral over these balances.

Movement in the allowance for bad and doubtful debts

	2017	2016
	HK$'000	*HK$'000*
Balance at beginning of the year	–	1,133
Written off	–	(1,133)
Balance at end of the year	–	–

The following is the breakdown of other receivables, deposits and prepayments:

	2017	2016
	HK$'000	*HK$'000*
Prepayments	**1,553**	1,549
Deposits	**13,339**	839
Deposits for property, plant and equipment	**686**	–
Other receivables	**8,180**	4,475
	23,758	6,863

Other receivables are unsecured, interest-free and will be settled within twelve months after the end of reporting period. Deposits mainly represented deposits paid to a non-bank financial institution.

13. SERVICE COST PAYABLES, OTHER PAYABLES AND ACCRUALS

	2017	2016
	HK$'000	*HK$'000*
Service cost payables	**42,351**	28,383
Accruals	**13,180**	26,259
VAT payables	**3,377**	45
Other payables	**5,278**	12,281
	64,186	66,968
Less: Amount not payable within one year shown under non-current liabilities	–	(8,800)
	64,186	58,168

Service cost, other payables and accruals principally comprise amounts outstanding for service rendering purposes and ongoing costs.

The normal credit period of service cost is 0 – 5 days.

An aged analysis of the Group's service cost payables at the end of the reporting period presented based on the invoice dates is as follows:

	2017	2016
	HK$'000	*HK$'000*
0–30 days	**32,440**	4,365
31–60 days	**–**	11,597
91–180 days	**450**	2,190
181–365 days	**–**	1,431
Over 365 days	**9,461**	8,800
	42,351	28,383

14. SHARE CAPITAL

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

15. OPERATING LEASE ARRANGEMENT

The Group as lessor

At 31 December 2016, the Group had contracted with tenants for future minimum lease payments of HK$844,000 within one year.

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises which fall due as follows:

	2017	2016
	HK$'000	*HK$'000*
Within one year	**145**	2,566
In the second to fifth year inclusive	**–**	5,014
	145	7,580

Leases are negotiated for an average term of two years and rentals are fixed for an average of two years.

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, (iii) manufacture and sales of food additives, new food ingredients and nutritional enhancers ("Food additive business") and (iv) Investment division as continuing operations and (v) Polishing segment as discontinued operation for the year under review (the "Current Year").

The continuing operations of the Group recorded revenue of HK$198.1 million in 2017 as compared with HK$221.2 million in 2016, gross profit of HK$31.3 million in 2017 against HK$72.5 million in 2016 and net loss of HK$35.7 million as compared to net profit of HK$79.2 million in 2016. The discontinued operation recorded a net loss of HK$0.1 million in 2017 as compared with a net loss of HK$27.4 million in 2016.

For the year under review, the Financial leasing business has contributed a segment loss of HK$10.9 million (including a non cash impairment loss on goodwill of HK$31.0 million) as compared with a segment profit of HK$61.0 million in 2016 (definition of segment profit or loss and detailed analysis set out in note 4). The decrease is mainly due to an unfavorable change in financial environment in the PRC where the tight liquidity and rising interest rates resulting from the strict regulatory policies made the Group difficult to obtain bank credits to finance the potential finance lease projects and thus lowering the lease volume and overall profitability. The increasingly intensified competition in the finance lease industry as a result of increasing number of finance lease company in the PRC also aggravated the business performance. They caused the segment revenue and gross profit amount to reduce by 10% to HK$198.1 million and 57% to HK$31.3 million respectively. In addition, the decrease is also attributable to the absence of a government subsidy income of approximately HK$8.5 million derived from an one-time financial support policy in 2016.

The Terminal and logistic service recorded an increase in segment profit from HK$27.5 million in 2016 to HK$43.5 million in 2017. The increase is mainly due to the improvement of optimization of the berth and storage facilities and reduction in the finance cost in current year.

The Food addictive business, classified under others in the segment information, only commenced this year and is now in a preliminary stage. The segment is still sourcing the necessary machineries and equipment, recruiting manpower, completing the plant facilities and applying the production license. At the end of this reporting period, certain machineries and equipment was secured and will be delivered and installed in the first quarter of 2018. It is expecting to commence trial production of the first production line in the second half of 2018. The segment loss of HK$0.4 million in this year mainly represented the start-up cost.

The investment division recorded a significant decline from segment profit of HK$44.8 million in 2016 to segment loss of HK$24.3 million in 2017. The segment performance was affected by an adverse change in the fair value of securities investments from an overall profit of HK$38.0 million from the convertible bonds and the listed shares in 2016 to a loss of HK$26.6 million from the listed shares in 2017.

The Polishing segment, currently classified as discontinued operations, was disposed on 5 January 2017 and ceased to be consolidated thereafter. Therefore, the net loss of the discontinued operation was largely reduced from HK$27.4 million in 2016 to HK$0.1 million in 2017.

After considering the corporate expenses (2017: HK$38.6 million; 2016: HK$57.6 million), certain unallocated other income, gains and losses, other expenses and income tax expense, the Group recorded a net loss of HK$35.8 million (2016: net profit of HK$51.8 million) and a net loss attributable to the owners of the company of HK$42.7 million in the Current Year (2016: net profit of HK$29.8 million).

To remove the non-cash material gain or loss on goodwill and disposal of subsidiaries and profit or loss from the change in fair value on the securities investment, the adjusted profit or loss from the continuing operation in both years can be reconciled as below:

	2017	2016
	HK$'000	*HK$'000*
(Loss)/profit for the year from continuing operations	**(35,689)**	79,193
Add: impairment loss on the goodwill	**31,000**	–
Less: Gain on disposal of subsidiaries	**–**	(20,547)
Less: change in fair value of convertible bonds designated as financial assets at fair value through profit or loss	**–**	(43,257)
Add: change in fair value of held for trading investments	**26,585**	5,263
	21,896	20,652

Continuing Operations

Revenue and gross profit

During the year, the Group's revenue and gross profit, entirely derived from the Financial leasing business, represented HK$198.1 million and HK$31.3 million (2016: HK$221.2 million and HK$72.5 million) respectively. The revenue mainly represents (i) service fee income for financing arrangement and consultancy services and (ii) finance lease interest income generated from financial leasing. 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, manufacturing, medical and urban infrastructure, transportation and public utility construction.

During the year, the Group entered into 18 finance lease transactions (2016: 21). The aggregate finance lease volume is approximately RMB3.1 billion or HK$3.7 billion (2016: RMB6.2 billion or HK$6.9 billion). The decrease in revenue is mainly attributable to the increasingly stringent regulatory environment in the Chinese financial market making the Group become more difficult to obtain bank factoring to finance the potential finance lease projects, as a result, less sizable finance lease projects could be completed during the Current Year. The stringent regulatory policy also led to a temporarily tight liquidity and put up the overall interest cost in the market. It not only put off certain potential customers but also eroded the profitability of the completed projects in the Current Year. To decrease its reliance on bank factoring, the Group diligently completed 4 finance lease projects, funded by the internal resource (2016: nil) during the Current Year. The principal of the self-funded finance lease project is relatively shorter term and smaller in size for risk prevention at the expense of much smaller profitability as compared with those of the factoring-backed finance projects. This also elaborates the significant reduction in the finance lease volume by half while only slight decline in term of the project number in the Current Year.

The decrease in gross profit margin is also due to increasingly intensified competition in the financial leasing market in the PRC as a result of increasing number of finance lease company in the PRC. It weakened the Group's ability to negotiate price and shift the increasing cost pressure from the interest rate hike with customers, and led the gross profit margin to fall in the Current Year.

Other income, gains and losses

The breakdown of other income and gains or losses are set out as below:

		2017	2016
		HK$'000	*HK$'000*
Other income			
Interest income from loan receivables	*Note 1*	**9,647**	4,544
Interest income from banks and non-bank financial institutions		**2,995**	1,934
Interest income from fund product and convertible bonds designated as financial assets at fair value through profit or loss		**–**	820
Rental income		**155**	691
Government grants	*Note 2*	**4,552**	13,080
Sundry income		**3,414**	2,764
		20,763	23,833
Other gains and losses			
Change in fair value of held for trading investments		**(26,585)**	(5,263)
Net foreign exchange (losses) gains		**(168)**	12
Loss on disposal of plant and equipment		**(132)**	(8)
Realised gain on disposal of available-for-sale investments		**–**	550
Change in fair value of investment properties		**–**	3,250
		(26,885)	(1,459)

Note 1: the amount represents interest income arising from subscriptions of trust products in the PRC and money lending business in Hong Kong.

Note 2: the amount for the Current Year represented government subsidies from local finance bureau which are calculated by reference to the amount of tax paid and based on fulfilment of certain conditions in accordance with the rules and regulations issued by the local government. The decrease is mainly due to the absence of a government subsidy income of approximately HK$8.5 million derived from an one-time financial support policy in 2016.

Administrative expenses

The Group's administrative expenses for the year mainly included staff costs (including directors 'and chief executive's emoluments) of HK$45.0 million (2016: HK$58.6 million), legal and professional and various administrative expenses. The decrease is primarily due to reduction in staff cost as a result of less staff incentive expenses and reduction in staff number.

Impairment loss on goodwill

During the year under review, the Group recorded a non-cash impairment loss on goodwill of HK$31.0 million which arose from the acquisition of the Finance lease business in January 2016. Since there was a decline in both finance lease volume and number together with the significant decrease in the gross profit margin in the Current Year, the management, amongst others, made downward revisions on revenue and gross profit margin in the latest forecast model to reflect the unfavorable changes in the Chinese financial market condition occurred in the Current Year. According to the value-in-use calculation ("VIU") based on the approved 4-year period financial budget of the Financial lease business, a shortfall, obtained by comparing the recoverable amount from the VIU with the carrying amount of the Finance lease business as at 31 December 2017, amounts to HK$31.0 million which is fully allocated to the goodwill as an impairment loss recognized in the profit or loss in the Current Year.

Share of joint venture's result

Increase in share of joint venture's result from a profit of HK$27.5 million in 2016 to HK$43.5 million in 2017 was mainly due to (i) an improvement in gross profit margin as a result of the successful implementation of optimization of the berth and storage facilities through leasing out idle facilities and (ii) reduction in the finance cost as a result of decrease in the overall bank borrowing balance during the Current Year.

Income taxation

Income tax expense for the year mainly comprised of current tax payable of HK$5.7 million (2016: HK$16.5 million) primarily from the finance lease business and deferred tax charge of HK$0.4 million (2016: HK$1.1 million) on imputed interest on deposits from customers and undistributed profits of subsidiaries. Decrease is generally in line with the decrease in the profit before taxation of the Finance lease business.

Discontinued operation

The decrease is attributable to the cessation of consolidation of the result of the Polishing Segment in early 2017 as compared with full year consolidation in 2016.

FINANCIAL POSITION

Increase in the total asset amount of the Group as at 31 December 2017 of HK$2,584.6 million as compared with HK$1,833.9 million as at 31 December 2016 is mainly due to significant increase in finance lease receivables of HK$578.4 million. By virtue of such finance lease receivable mostly backed by the corresponding borrowings, the total liability amount increased from HK$494.0 million as at 31 December 2016 to HK$1,230.2 million as at 31 December 2017 as a result of increase in borrowings by HK$792.4 million. As such, the gearing ratios (measured as total liabilities over total asset) increased from 26.9% as at 31 December 2016 to 47.6% at 31 December 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 1.6 as at 31 December 2017.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2017, the Group had bank balances, restricted bank deposits, deposits placed with non-bank financial institutions and cash of approximately HK$261.8 million (of which HK$61.7 million was pledged to the banks to secure bank borrowings granted to the Group for Financial leasing business (2016: HK$105.6 million)) as compared to HK$204.6 million as at 31 December 2016. As at 31 December 2017, the Group had bank and other borrowings amounting to HK$472.8 million (2016: HK$135.3 million), HK$304.5 million (2016: HK$46.8 million) and HK$293.0 million (2016: HK$95.8 million) which are due within one year, one to two years and two to five years respectively.

For the year 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 year ended 31 December 2017 and 2016, the continuing operations of the Group had no foreign currency sales and purchases.

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 31 December 2017, the restricted bank deposits of HK$61.7 million (2016: HK$105.6 million) and the finance lease receivables of RMB546.5 million or HK$656.2 million (2016: RMB248.8 million or 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 31 December 2017 and 2016.

CAPITAL COMMITMENTS

At 31 December 2017, the Group had capital commitments of HK$2.0 million for the acquisition of property, plant and equipment (2016: nil).

PROSPECT

The global economy is generally recovering. The international financial market tends to be stable, though a recent downward adjustment on stock market triggered by the faster-than-expected interest rate hike. In China, the economy continued to display a steady growth with gross domestic product (so called "GDP") of 6.8% in 2017, published by National Bureau of Statistics, as compared with 6.7% in 2016, indicating a more stable foundation. However, there were various uncertainties and issues in the operation of the domestic economy such as the economic structural reform and measures to address the surplus capacity and the accumulation of financial risks on debt risks from provincial governments, highly leveraged enterprises and certain real estate market.

Implementation of a series of various regulations on the PRC financial market has brought about certain adverse impact on the PRC finance lease industry, in particular for the finance lease company which greatly relies on the provision of credit from banks. Such measure led to a short-term adverse impact on the industry as banks become more cautious and difficult to grant credit and that resulted in a short term liquidity shortage and putting up the overall interest cost in the current year. However, emphasis on enhancement of financial risk prevention and control could enhance stability of the PRC financial market, including the finance lease industry, in the PRC and thus sustain steady growth in the long term. The future finance lease 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 overall medical facilities upgrade and government supporting policies to facilitate the finance lease industry development. Moreover, the penetration rate of the finance lease service is still relatively low in the PRC financial market as compared with those of the developed countries and still has a great room for growth. Local management team will exploit every opportunity to broaden the financing channels and cooperate with other non-bank financial institutions such as insurance companies, trusts and funds to enrich the capital and hence reduce its reliance of source of funds from banks. Local management will endeavor to create innovative financial service solutions to broaden the revenue base and expand the existing clientele. By adherence to the effective and proven risk management and control policies and leveraging on highly experienced local management team, we are cautiously optimistic to overcome the short term predicament and could pick up the business volume in the financial leasing business in the foreseeable future.

The terminal and logistics services has been struggling with declining low demand from the customers of the port for the past few years. Local management will endeavor to improve the operation efficiency and promote cost reduction during the downturn. Meantime, disposal of the terminal and logistics services experiences delay since additional time is required by 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, 28 April 2017 and 31 October 2017 relating to the delay in dispatch of the circular for the disposal.

The global stock markets generally showed a strong upward trend during the year with the recent downward adjustment. The general market perspective tends to be optimistic about the future performance with attention drawn to the pace of the interest rate hike. The Group will continue to adopt a proven and effective investment strategy towards the investment portfolio.

The Food additive business is still in a preliminary stage. The project has been run as scheduled so far and the trial run of the first production line of Sorbitol, a nutritive sweetener commonly used in sugar-free chewing gum and diet foods, is expected to take place in the second half of 2018. Its expected capacity could reach 4,000 ton per annum and aims to sell to the food manufacturers and traders in the PRC. The segment is expected as an impetus to our future revenue and profit growth of the Group.

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 in the long term.

SIGNIFICANT INVESTMENTS AND MATERIAL DISPOSALS

At 31 December 2017, the Group held loan receivables of HK$125.0 million (2016: 69.1 million), available-for-sale investments of HK$77.1 million (2016: HK$22.3 million) and held for trading investments of approximately HK$40.6 million (2016: HK$113.0 million). During the year, the Group made a 35 million 1-year 10% per annum loan to an individual third party in Hong Kong, further invested in loan receivables through 2-years trust products of RMB15.0 million or HK$18.0 million both issued by financial institutions in the PRC. The Group recorded loan interest income from loan receivables amounting to HK$9.7 million (2016: HK$4.5 million). Included in the available-for-sale investment represents unlisted equity securities issued by private entities established in the PRC with a carrying amount of HK$24.0 million and various wealth management products acquired from the private and public equity firms in the PRC in an aggregate amount of HK$53.1 million. The Group recorded income from the wealth management products of HK$1.7 million in profit or loss and its fair value loss of HK$0.9 million in other comprehensive expense during the year. The held for trading investments as at 31 December 2017 mainly represented the listed equity shares in the Hong Kong and Chinese stock exchange and the resulting fair value loss in the current year was mainly due to the significant decline in their market value.

During the year, 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 31 December 2017, the Group had approximately 39 (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.

A new share option scheme was adopted on 29 July 2016. As at 31 December 2016, a total number of 145,500,000 share options were granted to the eligible employees, including directors of the Company. With 43,500,000 share options lapsed during the year, the outstanding number as at 31 December 2017 amounted to 102,000,000 share options. Details of the share options granted are set out in the announcement of the Company dated 8 December 2016. There was no share option granted during the Current Year and its movement refers to the note 28 to the consolidated financial statement.

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 year.

CLOSURE OF REGISTER OF MEMBER

For the purposes of ascertaining shareholders' right to attend and vote at the forthcoming annual general meeting, the register of members of the Company will be closed from 31 May 2018 to 5 June 2018 (both days inclusive), during such period no transfer of shares of the Company will be effected. In order to qualify for entitlement to attend and vote at the forthcoming annual general meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m., 30 May 2018.

CORPORATE GOVERNANCE PRACTICE

During the financial year ended 31 December 2017, the Company has complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report ("CG Code") as set out in Appendix 14 of the Listing Rules, except for certain deviations as below:–

Code Provision A.2.7

During 2017, the Chairman did not hold any formal meeting with independent non-executive directors without the executive directors (as provided under code provision A.2.7 of the CG Code) due to the tight schedule of the Chairman and independent non-executive directors. The Board continues to maintain a culture of openness and constructive relations between executive and non-executive Directors (including independent non-executive directors). In the absence of the Chairman, the CEO is in the position to facilitate the effective contribution of non-executive directors, and ensure their views are communicated and heard by the Board.

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.

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.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("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. Following a specific enquiry, all directors confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2017.

AUDIT COMMITTEE REVIEW

The Company has an audit committee which was established in accordance with the requirements of the CG code, for the purposes of reviewing and providing supervision over the financial reporting process, risk management and internal controls of the Group. The audit committee comprises 3 independent non-executive directors of the Company. The audit committee has adopted terms of reference which are in line with the CG Code. The Group's consolidated financial statements for the year ended 31 December 2017 have been reviewed and approved by the audit committee.

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

Hong Kong, 23 March 2018

As at the date of this announcement, the Board comprises (1) Mr. Wong Lik Ping, Mr. Lai Ka Fai, Mr. Qiao Weibing and Mr. Tao Ke 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.