



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)



INTERIM REPORT 2018

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Wong Lik Ping (*Chairman*)
Mr. Lai Ka Fai
Mr. Tao Ke
Mr. Qiao Weibing

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Goh Choo Hwee
Mr. Ho Hin Yip
Mr. U Keng Tin

CHIEF EXECUTIVE OFFICER

Mr. Lai Ka Fai

JOINT COMPANY SECRETARIES

Mr. Li Chak Hung
Mr. Siu Wai Bun

AUTHORISED REPRESENTATIVES

Mr. Wong Lik Ping
Mr. Lai Ka Fai

AUDIT COMMITTEE

Mr. Ho Hin Yip (*Chairman*)
Mr. Goh Choo Hwee
Mr. U Keng Tin

REMUNERATION COMMITTEE

Mr. Ho Hin Yip (*Chairman*)
Mr. Wong Lik Ping
Mr. Goh Choo Hwee

NOMINATION COMMITTEE

Mr. Wong Lik Ping (*Chairman*)
Mr. Goh Choo Hwee
Mr. Ho Hin Yip

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

PRINCIPAL BANKERS

In Hong Kong:
The Hongkong and Shanghai Banking Corporation Limited
Fubon Bank (Hong Kong) Limited
Chiyu Corporation Banking Limited

In the PRC:
China Citic Bank
China Guangfu Bank
Bank of China
Industrial and Commercial Bank of China

REGISTERED OFFICE

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Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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Wanchai, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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Hong Kong

STOCK CODE

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WEBSITE

<http://www.egichk.com>

The board of directors (“Board” or “Directors”) of China Ever Grand Financial Leasing Group Co., Ltd. (“Company”) hereby presented the unaudited condensed consolidated results of the Company and its subsidiaries (“Group”) for the six months ended 30 June 2018 together with the comparative figures for the corresponding period in 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Continuing operations			
Revenue	3	54,920	63,216
Cost of services		(40,943)	(47,982)
Gross profit		13,977	15,234
Other income	5	6,166	10,167
Other gains and losses	6	(16,984)	(12,829)
Administrative expenses		(26,119)	(32,762)
Other operating expenses		(411)	–
Share of result of a joint venture		29,740	21,084
Profit before taxation from continuing operations		6,369	894
Income tax expense	7	(1,688)	(1,475)
Profit/(loss) for the period from continuing operations		4,681	(581)
Discontinued operation			
Loss for the period from discontinued operation		–	(114)
Profit/(loss) for the period	8	4,681	(695)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018

	Notes	Six months ended 30 June	
		2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Attributable to:			
– Owners of the Company		2,197	(2,165)
– Non-controlling interests		2,484	1,470
		4,681	(695)
Earnings/(loss) per share (HK cent)	10		
From continuing and discontinued operations			
– Basic		0.02	(0.02)
– Diluted		0.02	(0.02)
From continuing operations			
– Basic		0.02	(0.02)
– Diluted		0.02	(0.02)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit/(loss) for the period	4,681	(695)
Other comprehensive (expense)/income Items that will not be reclassified to profit or loss:		
Exchange difference arising on translation to presentation currency	(14,631)	29,616
Net fair value loss on equity investments at fair value through other comprehensive income	(6,561)	–
Items that may be subsequently reclassified to profit or loss:		
Reclassification adjustments relating to foreign operation disposed during the period	–	114
Other comprehensive (expense)/income for the period, net of income tax	(21,192)	29,730
Total comprehensive (expense)/income for the period	(16,511)	29,035
Total comprehensive (expense)/income attributable to:		
– Owners of the Company	(13,408)	22,794
– Non-controlling interests	(3,103)	6,241
	(16,511)	29,035

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

		30 June 2018 (Unaudited) <i>HK\$'000</i>	31 December 2017 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		25,371	26,157
Goodwill		72,373	72,373
Interest in a joint venture		850,562	831,236
Equity investments at fair value through other comprehensive income		48,085	–
Available-for-sale investments		–	77,096
Finance lease receivables	11	599,544	602,643
Loan receivables		5,926	24,014
Restricted bank deposits		21,227	21,505
Service income receivables and deposits	12	15,569	12,693
		1,638,657	1,667,717
Current assets			
Finance lease receivables	11	422,014	478,037
Loan receivables		178,666	101,022
Service income receivables, other receivables, deposits and prepayments	12	23,355	56,851
Investments at fair value through profit or loss		60,000	–
Held for trading investments		–	40,628
Deposits placed with non-bank financial institutions		7,603	143,288
Restricted bank deposits		39,648	40,167
Bank and cash balances		111,909	56,879
		843,195	916,872

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

		30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
	<i>Notes</i>		
Current liabilities			
Service cost payables, other payables and accruals	13	40,162	64,186
Deposits received from customers		35,448	35,094
Taxation payable		16,506	17,055
Borrowings	14	416,558	472,795
		508,674	589,130
Net current assets		334,521	327,742
Total assets less current liabilities		1,973,178	1,995,459
Capital and reserves			
Share capital	15	119,192	119,192
Reserves		1,071,847	1,085,255
Equity attributable to owners of the Company		1,191,039	1,204,447
Non-controlling interests		141,993	149,961
Total equity		1,333,032	1,354,408
Non-current liabilities			
Deposits received from customers		25,897	25,912
Borrowings	14	596,886	597,466
Deferred tax liabilities		17,363	17,673
		640,146	641,051
		1,973,178	1,995,459

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Unaudited										
	Attributable to owners of the Company										
	Share capital	Share premium	Statutory reserve	Share option reserve	Equity investment		Translation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
					revaluation reserve	reserve					
HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	
At 1 January 2018	119,192	1,520,921	6,397	1,481	(932)	85	(442,697)	1,204,447	149,961	1,354,408	
Profit for the period	-	-	-	-	-	-	2,197	2,197	2,484	4,681	
Other comprehensive expense for the period	-	-	-	-	(2,928)	(12,677)	-	(15,605)	(5,587)	(21,192)	
Total comprehensive expense for the period	-	-	-	-	(2,928)	(12,677)	2,197	(13,408)	(3,103)	(16,511)	
Dividend paid to non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	-	(4,865)	(4,865)	
Transfer	-	-	-	-	837	-	(837)	-	-	-	
Share options lapsed	-	-	-	(275)	-	-	275	-	-	-	
At 30 June 2018	119,192	1,520,921	6,397	1,206	(3,023)	(12,592)	(441,062)	1,191,039	141,993	1,333,032	

	Unaudited									
	Attributable to owners of the Company									
	Share capital	Share premium	Statutory reserve	Share option reserve	Special reserve	Translation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
At 1 January 2017	119,192	1,520,921	4,811	1,982	(45,781)	(60,746)	(353,177)	1,187,202	152,695	1,339,897
(Loss)/profit for the period	-	-	-	-	-	-	(2,165)	(2,165)	1,470	(695)
Other comprehensive income for the period	-	-	-	-	-	24,959	-	24,959	4,771	29,730
Total comprehensive income for the period	-	-	-	-	-	24,959	(2,165)	22,794	6,241	29,035
Dividend paid to non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	-	(20,509)	(20,509)
Transfer upon disposal of subsidiaries	-	-	-	-	45,781	-	(45,781)	-	-	-
At 30 June 2017	119,192	1,520,921	4,811	1,982	-	(35,787)	(401,123)	1,209,996	138,427	1,348,423

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(304,297)	(294,554)
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition of loan receivables	(80,323)	(127,096)
Proceeds from disposal of equity investments at fair value through other comprehensive income	23,686	–
Other investing cash flows	14,589	28,497
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(42,048)	(98,599)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	404,595	442,060
Other financing cash flows	(4,865)	(20,508)
NET CASH INFLOW FROM FINANCING ACTIVITIES	399,730	421,552
INCREASE IN CASH AND CASH EQUIVALENTS	53,385	28,399
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	56,879	81,236
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	1,645	1,269
CASH AND CASH EQUIVALENTS AT END OF PERIOD	111,909	110,904
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	111,909	110,904

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2017. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the consolidated financial statements for the year ended 31 December 2017 except as stated below.

(a) Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Group are classified under the following categories:

- Financial assets at amortised cost;
- Equity investments at fair value through other comprehensive income; and
- Investments at fair value through profit or loss.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION (Continued)

(a) Financial assets (Continued)

(i) *Financial assets at amortised cost*

Financial assets (including loan receivables, finance lease receivables, service income receivables and other receivables) are classified under this category if they satisfy both of the following conditions:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

(ii) *Equity investments at fair value through other comprehensive income*

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments that are not held for trading as at fair value through other comprehensive income.

Equity investments at fair value through other comprehensive income are subsequently measured at fair value with gains and losses arising from changes in fair values recognised in other comprehensive income and accumulated in the equity investment revaluation reserve. On derecognition of an investment, the cumulative gains or losses previously accumulated in the equity investment revaluation reserve are not reclassified to profit or loss.

Dividends on these investments are recognised in profit or loss, unless the dividends clearly represent a recovery of part of the cost of the investment.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION (Continued)

(a) Financial assets (Continued)

(iii) Investments at fair value through profit or loss

Financial assets are classified under this category if they do not meet the conditions to be measured at amortised cost and the conditions of debt investments at fair value through other comprehensive income unless the Group designates an equity investment that is not held for trading as at fair value through other comprehensive income on initial recognition.

Investments at fair value through profit or loss are subsequently measured at fair value with any gains or losses arising from changes in fair values recognised in profit or loss. The fair value gains or losses recognised in profit or loss are net of any interest income and dividend income. Interest income and dividend income are recognised in profit or loss.

(b) Loss allowances for expected credit losses

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost and finance lease receivables. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("lifetime expected credit losses") for loan receivables, service income receivables and finance lease receivables, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than loan receivables, service income receivables and finance lease receivables) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION (Continued)

(c) Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2018. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”), Hong Kong Accounting Standards (“HKAS”), and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current period and prior years except as stated below.

(a) HKFRS 9 (2014) “Financial Instruments”

Available-for-sale investments are now classified as equity investments at fair value through other comprehensive income. Held for trading investments are now classified as investments at fair value through profit or loss.

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to expected credit losses under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	1 January 2018 <i>HK\$’000</i>
Decrease in available-for-sale investments	(77,096)
Increase in equity investments at fair value through other comprehensive income	77,096
Decrease in held for trading investments	(40,628)
Increase in investments at fair value through profit or loss	40,628

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

NOTES TO THE 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	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Continuing operations		
Service fee income	25,390	47,929
Finance lease interest income	29,530	15,287
	54,920	63,216

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 security trading investments and loan receivables from the money lending business
Others	- research and development, manufacturing and sales of food additives, new food ingredients and nutritional enhancers in the PRC ("Food Additives Business")

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. SEGMENT INFORMATION (Continued)

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.

During the six months ended 30 June 2017, 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 six months ended 30 June 2017 was classified as discontinued operation.

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		Six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Segments				
Financial leasing	54,920	63,216	6,800	4,469
Terminal and logistics services	-	-	29,687	21,084
Investment	-	-	(12,317)	(10,004)
Others	-	-	(1,390)	-
	54,920	63,216	22,780	15,549
Unallocated corporate expenses			(16,427)	(14,774)
Unallocated other income, gains and losses			16	119
Profit before taxation			6,369	894

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. SEGMENT INFORMATION (Continued)

The Group's geographical market is in PRC only. The major services are provision of finance lease consulting services and financing services and the revenue is recognised at a point of time for the both reporting periods.

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

	Assets		Liabilities	
	30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000	30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
Segments				
Continuing operations				
Financial leasing	1,478,779	1,563,881	1,105,186	1,179,659
Terminal and logistics services	850,570	831,256	–	–
Investment	99,608	105,177	14,770	14,804
Others	7,541	4,090	234	–
Unallocated corporate items	45,354	80,185	28,630	35,718
	2,481,852	2,584,589	1,148,820	1,230,181

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 and cash balances; and
- all liabilities are allocated to reportable and operating segments other than certain other payables, tax payables and deferred tax liabilities.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. OTHER INCOME

Continuing operations

	Six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Government grants	–	4,110
Interest income from loan receivables	4,610	3,747
Interest income from banks and non-bank financial institutions	74	1,805
Dividend income from equity investments at fair value through other comprehensive income	1,259	–
Rental income	–	154
Sundry income	223	351
	6,166	10,167

6. OTHER GAINS AND LOSSES

Continuing operations

	Six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Change in fair value of investments at fair value through profit or loss	(11,760)	–
Change in fair value of held for trading investments	–	(12,528)
Impairment loss on a loan receivable	(4,000)	–
Foreign exchange losses	–	(301)
Others	(1,224)	–
	(16,984)	(12,829)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. TAXATION

Continuing operations

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
The charge comprises:		
Current tax		
– Hong Kong Profits Tax	–	(20)
– PRC income tax	1,980	1,495
Deferred tax	(292)	–
	1,688	1,475

8. PROFIT/(LOSS) FOR THE PERIOD

The Group's profit/(loss) for the period arrived after charging:

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Directors' remuneration	5,424	5,487
Interest expenses (included in cost of services)	28,450	12,452
Depreciation	1,044	704
Minimum lease payment in respect of rental premises	2,298	1,659
Staff costs (including directors' and chief executive's emoluments)	16,341	23,257

9. DIVIDEND

The Board does not recommend payment of an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. EARNINGS/(LOSS) PER SHARE

For continuing operations

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

	Six months ended 30 June	
	2018 (Unaudited) <i>HK\$'000</i>	2017 (Unaudited) <i>HK\$'000</i>
Earnings/(loss)		
Profit/(loss) for the period attributable to owners of the Company	2,197	(2,165)
Add: Loss for the period from discontinued operation	–	114
Earnings/(loss) for the purpose of basic and diluted earnings/(loss) per share from continuing operations	2,197	(2,051)

	Number of shares	
	30 June 2018 (Unaudited) <i>'000</i>	30 June 2017 (Unaudited) <i>'000</i>
Number of shares		
Number of ordinary shares for the purpose of basic earnings/(loss) per share	11,919,198	11,919,198
Number of ordinary shares for the purpose of diluted earnings/(loss) per share	11,919,198	11,919,198

The computation of diluted earnings/(loss) per share for the six months ended 30 June 2018 and 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. EARNINGS/(LOSS) PER SHARE (Continued)

For continuing and discontinued operations

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

	Six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Profit/(loss)		
Profit/(loss) for the period attributable to owners of the Company	2,197	(2,165)

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

For discontinued operation

There is no profit or loss from the discontinued operation for the six months ended 30 June 2018 and therefore nil earnings/(loss) per share from the discontinued operation during the period.

For the six months ended 30 June 2017, basic and diluted loss per share for the discontinued operation is HK0.001 cent per share based on the loss for the period from the discontinued operation of HK\$114,000 and the denominators detailed above.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. FINANCE LEASE RECEIVABLES

	30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
Current finance lease receivables	422,014	478,037
Non-current finance lease receivables	599,544	602,643
	1,021,558	1,080,680

Leasing arrangements

Certain of the Group's machinery and equipment are leased out under finance leases. All leases are denominated in Renminbi ("RMB"). As at 30 June 2018, the average term of finance leases entered into is 3.2 years (31 December 2017: 3.5 years).

Amounts receivable under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000	30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
Not later than one year	449,551	518,710	422,014	478,037
Later than one year and not later than five years, inclusive	674,176	638,926	599,544	602,643
	1,123,727	1,157,636	1,021,558	1,080,680
Less: unearned finance income	(102,169)	(76,956)	N/A	N/A
Present value of minimum lease payments receivable	1,021,558	1,080,680	1,021,558	1,080,680

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. FINANCE LEASE RECEIVABLES (Continued)

The Group's finance leases receivables are denominated in RMB. The effective interest rates of the finance leases as at 30 June 2018 range from 4.28% to 8.00% (31 December 2017: 4.28% to 6.30%) per annum.

As at 30 June 2018, finance lease receivables amounting to HK\$843,779,000 (31 December 2017: HK\$866,925,000) 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 30 June 2018, the finance lease receivables with carrying amounts of HK\$632,107,000 (31 December 2017: HK\$656,169,000) were pledged as security for the Group's borrowings.

Deposits of HK\$61,345,000 (31 December 2017: HK\$61,006,000) 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 of HK\$13,571,000 (31 December 2017: HK\$45,786,000), 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 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
Service income receivables:		
Within 30 days	–	33,520
31 – 60 days	–	–
61 – 90 days	–	–
91 – 180 days	–	–
181 – 365 days	9,383	–
Over 365 days	4,188	12,266
	13,571	45,786
Other receivables, deposits and prepayments	25,353	23,758
Less: Amounts not receivable within one year shown under non-current assets	(15,569)	(12,693)
	23,355	56,851

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. SERVICE COST PAYABLES, OTHER PAYABLES AND ACCRUALS

The aged analysis of the service cost payables of HK\$23,498,000 (31 December 2017: HK\$42,351,000) which are included in the Group's service cost payables, other payables and accruals is as follows:

	30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
Service cost payables:		
Within 30 days	4,741	32,440
31 – 60 days	–	–
61 – 90 days	–	–
91 – 180 days	–	450
181 – 365 days	12,535	–
Over 365 days	6,222	9,461
	23,498	42,351
Other payables and accruals	16,664	21,835
	40,162	64,186

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. BORROWINGS

	30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
Secured:		
Bank borrowings	440,598	207,992
Other borrowings	572,846	862,269
	1,013,444	1,070,261
Repayable as follows:		
Within one year	416,558	472,795
Within a period of more than one year but not exceeding five years	596,886	597,466
	1,013,444	1,070,261

The bank and other borrowings at 30 June 2018 are interest bearing at floating rates ranged from 4.28% to 8.00% (31 December 2017: 4.28% to 5.50%) per annum, secured by the machinery and equipment leased to customers under finance lease, restricted bank deposits and/or finance lease receivables of the Group. Approximately HK\$598,625,000 (31 December 2017: HK\$856,507,000) of the borrowings were also guaranteed by a finance lease customer or shareholders of certain finance lease customers.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. SHARE CAPITAL

	Number of ordinary shares of HK\$0.01 each '000	Nominal value HK\$'000
Authorised:		
At 1 January 2017, 31 December 2017, 1 January 2018 and 30 June 2018	40,000,000	400,000
Issued and fully paid:		
At 1 January 2017, 31 December 2017, 1 January 2018 and 30 June 2018	11,919,198	119,192

16. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30 June 2018 (31 December 2017: Nil).

17. CAPITAL COMMITMENTS

	30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	1,028	2,016

18. SHARE-BASED PAYMENT TRANSACTIONS

The Company's new share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 29 July 2016 for the primary purpose of providing incentives to directors and eligible employees (the "Grantees"). Under the Scheme, the Board of the Company may grant options to eligible employees, including directors of the Company, to subscribe for shares in the Company.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

On 8 December 2016, a number of shares in respect of which options had been granted to the Grantees under the Scheme was 145,500,000, representing 1.2% of the shares of the Company in issue at that date. Options are divided into 3 tranches and are exercisable upon vesting to 28 July 2021 with exercise price of HK\$0.12 per share, subject to the fulfilment of vesting conditions. Further details of the share option scheme are set out in note 28 to the consolidated financial statements of the Company for the year ended 31 December 2017.

The following table discloses the movements of the Company's share options during the six months period ended 30 June 2018.

Name of participant	Number of share options outstanding at 1 January 2018				Lapsed during the period				Number of share options outstanding at 30 June 2018			
	Tranch 1	Tranch 2	Tranch 3	Total	Tranch 1	Tranch 2	Tranch 3	Total	Tranch 1	Tranch 2	Tranch 3	Total
Executive Directors												
Qiao Weibing	3,333,333	3,333,333	3,333,334	10,000,000	-	(3,333,333)	-	(3,333,333)	3,333,333	-	3,333,334	6,666,667
Lai Ka Fai	1,333,333	1,333,333	1,333,334	4,000,000	-	(1,333,333)	-	(1,333,333)	1,333,333	-	1,333,334	2,666,667
Tao Ke	1,000,000	1,000,000	1,000,000	3,000,000	-	(1,000,000)	-	(1,000,000)	1,000,000	-	1,000,000	2,000,000
Independent non-executive Directors												
Goh Choo Hwee	666,667	666,667	666,666	2,000,000	-	(666,667)	-	(666,667)	666,667	-	666,666	1,333,333
Ho Hin Yip	666,667	666,667	666,666	2,000,000	-	(666,667)	-	(666,667)	666,667	-	666,666	1,333,333
U Keng Tin	666,667	666,667	666,666	2,000,000	-	(666,667)	-	(666,667)	666,667	-	666,666	1,333,333
Employees												
Wang Liang	3,333,333	3,333,333	3,333,334	10,000,000	-	(3,333,333)	-	(3,333,333)	3,333,333	-	3,333,334	6,666,667
Other participants	22,999,999	22,999,999	23,000,002	69,000,000	(2,333,334)	(22,999,999)	(2,333,334)	(27,666,667)	20,666,665	-	20,666,668	41,333,333
	33,999,999	33,999,999	34,000,002	102,000,000	(2,333,334)	(33,999,999)	(2,333,334)	(38,666,667)	31,666,665	-	31,666,668	63,333,333
Exercisable at the end of the reporting period									31,666,665	-	-	31,666,665

During the six months period ended 30 June 2017, no share options had been further granted, exercised and lapsed.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Except as disclosed elsewhere in notes to the condensed consolidated financial statements, the carrying amounts of the Group's financial assets and financial liabilities as reflected in the condensed consolidated statement of financial position approximate their respective fair values.

(a) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and inputs used).

Financial assets	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs
	30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000		
Recurring fair value measurements				
Held for trading investments	–	40,628	Level 1	Quoted bid prices in active market
Investments at fair value through profit or loss	43,248	–	Level 1	Quoted bid prices in active market
Investments at fair value through profit or loss	16,752	–	Level 3	Based on the net asset values of the wealth management products, determined with reference to third party valuation of underlying investment portfolio and adjustments of related expense
Available-for-sale investments	–	53,082	Level 3	Based on the net asset values of the wealth management products, determined with reference to third party valuation of underlying investment portfolio and adjustments of related expense
Equity investments at fair value through other comprehensive income	24,381	–	Level 3	Based on the net asset values of the wealth management products determined with reference to third party valuation of underlying investment portfolio and adjustments of related expense

There was no transfer between the different levels of the fair value hierarchy for the period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

(b) Reconciliation of assets measured at fair value based on level 3:

Description	Unaudited			Total HK\$'000
	Investments at fair value through profit or loss HK\$'000	Equity investments at fair value through other comprehensive income HK\$'000	Available- for-sale investments HK\$'000	
At 1 January 2018	-	-	53,082	53,082
Reclassification under HKFRS 9 on 1 January 2018	-	53,082	(53,082)	-
Total losses in profit or loss (#)	(1,026)	-	-	(1,026)
Total losses in other comprehensive income	-	(6,561)	-	(6,561)
Purchases	17,778	-	-	17,778
Settlements	-	(22,140)	-	(22,140)
At 30 June 2018	16,752	24,381	-	41,133
(#) Include total losses in profit or loss for assets held at end of reporting period	(1,026)	-	-	(1,026)

During the six months period ended 30 June 2017, there was no financial instruments measured at fair value based on level 3.

The total losses in other comprehensive income are presented in net fair value loss on equity investments at fair value through other comprehensive income in the condensed consolidated statement of profit or loss and other comprehensive income.

The total losses in profit or loss including those for assets held at end of reporting period are presented in other gains and losses in the condensed consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

20. RELATED PARTY TRANSACTIONS

- (a) The Group had the following transactions with the fellow subsidiaries of its partner of a joint venture during the period:

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Continuing operations:		
Fellow subsidiaries of a partner of a joint venture:		
Service charges paid	67,271	43,003
Leasing income	83,518	52,110

- (b) The Group's key management personnel are all directors and chief executive of the Company. The remuneration to the directors and chief executive of the Company during the period is as follows:

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Continuing operations:		
Fees	270	270
Salaries and other benefits	5,118	5,181
Retirement benefit scheme contributions	36	36
	5,424	5,487

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The continuing operations of the Group recorded the revenue of HK\$54.9 million in the Current Period as compared with HK\$63.2 million for the six-months ended 30 June 2017 (the “Corresponding Period”), gross profit of HK\$14.0 million in the Current Period against HK\$15.2 million in the Corresponding Period and net profit of HK\$4.7 million as compared with the net loss of HK\$0.6 million in the Corresponding Period. Together with the discontinued operation, the Group recorded the net profit of HK\$4.7 million from the continuing and discontinued operations in the Current Period as compared with the net loss of HK\$0.7 million in the Corresponding Period.

For the period under review, the Financial leasing business has contributed a segment profit of HK\$6.8 million (30 June 2017: HK\$4.5 million) (the definition of segment profit or loss and detailed analysis set out in note 4 to the condensed consolidated financial statements). The increase was mainly attributable to (i) decrease in staff cost but partially offset by (ii) the decrease in other income as a result of absence of government grants of HK\$4.1 million and (iii) decrease in gross profit amount as a result of decrease in overall revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

The Terminal and logistics services business contributed a segment profit of approximately HK\$29.7 million in the Current Period as compared with HK\$21.1 million in the Corresponding Period. The increase was mainly due to the improvement of the operation efficiency and cost reduction. The Investment division expanded the segment loss from HK\$10.0 million in the Corresponding Period to HK\$12.3 million in the Current Period. The segment performance was adversely affected by the net loss from change in fair value on securities investments of approximately HK\$9.5 million and an impairment loss of a loan receivable of HK\$4.0 million. The Food additives business, classified under others in the segment information, only commenced in the second half of last year and the necessary machineries, equipment and manpower for the first production line of 4,000 tonnage sorbitol have been nearly in place. It is expecting to commence trial production in the second half of this year after obtaining the production license. This segment loss of HK\$1.4 million represented the start-up cost. The Polishing segment, classified as discontinued operation, was disposed of on 5 January 2017 and ceased to be consolidated thereafter. The net loss of the discontinued operations in the Corresponding Period amounted to HK\$0.1 million. After further considering the corporate expenses of HK\$16.4 million, up by HK\$1.6 million, certain unallocated other income and income tax expense, the Group recorded net profit of HK\$4.7 million and net profit attributable to owners of the Company of HK\$2.2 million in the Current Period as compared with net loss of HK\$0.7 million and net loss attributable to the owner of the Company of HK\$2.2 million in the Corresponding Period.

Continuing Operations

Revenue and gross profit

The Group's revenue and gross profit, entirely derived from the Financial leasing business, represented HK\$54.9 million and HK\$14.0 million (six months ended 30 June 2017: HK\$63.2 million and HK\$15.2 million) respectively. The revenue represents (i) service fee income for financing arrangements and consultancy 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.

MANAGEMENT DISCUSSION AND ANALYSIS

The decrease in revenue by HK\$8.3 million or 13% was mainly attributable to decrease in number of finance lease transactions and aggregate finance lease volume as a result of the increasingly stringent regulatory environment in the China's financial market in the Current Period. The decrease in gross profit amount is generally in line with that in revenue, but with higher profitability of the new finance lease projects in the Current Period, the extent of the decrease was narrowed to HK\$1.2 million or 8%.

Other income

Other income of the Group mainly comprised of interest income from loan receivables, banks and non-bank financial institutions. During the Current Period, the other income amounted to HK\$6.2 million, down by HK\$4.0 million. The decrease was primarily attributable to absence of government grants of HK\$4.1 million recorded in the Corresponding Period.

Other gains and losses

In the Current Period, other gains and losses of the Group amounted to loss of HK\$17.0 million predominantly representing losses from change in fair value of investments at fair value through profit or loss of HK\$11.8 million and an impairment loss on a loan receivable of HK\$4.0 million.

Administrative expenses and other operating expenses

The Group's administrative expenses and other operating expenses in the Current Period amounted to HK\$26.5 million, down by HK\$6.3 million, mainly including staff costs (including directors' and chief executive's emoluments) of HK\$16.3 million (six months ended 30 June 2017: HK\$23.3 million), office rental expenses, legal and professional fees and various other administrative expenses. The decrease is primarily due to the decrease in staff cost in the Financial leasing business.

Share of result of a joint venture

The share of result of a joint venture from the Terminal and logistics services business in the Current Period amounted to HK\$29.7 million as compared with HK\$21.1 million in the Corresponding Period. Detailed analysis refers to the above.

MANAGEMENT DISCUSSION AND ANALYSIS

Income taxation

Income tax expenses for the Current Period mainly comprised of current PRC income tax payable of HK\$2.0 million and being offset by deferred tax credit of HK\$0.3 million on imputed interest on deposits from customers.

Discontinued operation

The Polishing segment result has been deconsolidated since it was disposed of on 5 January 2017 and there was no profit or loss in the Current Period (six months ended 30 June 2017: HK\$0.1 million).

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

Net profit for the Current Period of the Group amounted to approximately HK\$4.7 million against net loss of approximately HK\$0.7 million in the Corresponding Period was mainly owing to the above-mentioned increase in share of result of a joint venture, decrease in staff cost and partially offset by decrease in government grant income, decrease in gross profit amount and an impairment loss on a loan receivable.

The total asset amount of the Group as at 30 June 2018 amounted to HK\$2,481.9 million, down by HK\$102.7 million as compared with HK\$2,584.6 million as at 31 December 2017. The slight decrease was mainly attributable to the decrease by HK\$85.1 million in segment assets of Financial leasing business, whose leverage ratio was slightly reduced in the Current Period when the repayment amount of the existing finance lease transactions with recourse basis outweighed the additional amount of the new finance lease transactions in kind. The total liability amount of the Group therefore decreased by the similar extent of HK\$81.4 million from HK\$1,230.2 million as at 31 December 2017 to HK\$1,148.8 million as at 30 June 2018. The gearing ratios (measured as total liabilities over total assets) slightly decreased from 47.6% as at 31 December 2017 to 46.3% as at 30 June 2018 and the current ratios (measured as total current assets over total current liabilities) increased from 1.6 as at 31 December 2017 to 1.7 as at 30 June 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2018, the Group had bank balances, restricted bank deposits, deposits placed with non-bank financial institutions and cash of approximately HK\$180.4 million (of which HK\$60.9 million was pledged to the banks to secure bank borrowings granted to the Group for Financial leasing business (31 December 2017: HK\$61.7 million)) as compared to HK\$261.8 million as at 31 December 2017. As at 30 June 2018, the Group had bank and other borrowings amounting to HK\$416.6 million (31 December 2017: HK\$472.8 million) and HK\$596.9 million (31 December 2017: HK\$597.5 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

In the both reporting periods, the continuing operations of the Group had no foreign currency revenue and cost of service.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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. As at 30 June 2018, a loan receivable with carrying value of HK\$26.7 million was past due. The Group entered into a revised repayment schedule with the legal representative of the borrower and the guarantor in which the outstanding sum is settled in six monthly installments of approximately HK\$5.0 million to HK\$6.0 million each beginning in May 2018. Since then, the borrower only repaid an amount of approximately HK\$1.2 million. Given the default history of the borrower, an impairment loss of HK\$4.0 million on the loan receivable was recognised in accordance with HKFRS 9. Management will closely monitor their credibility and take appropriate follow-up actions in due course.

CHARGE OF ASSETS

As at 30 June 2018, the restricted bank deposits of HK\$60.9 million (31 December 2017: HK\$61.7 million) and the finance lease receivables of HK\$632.1 million (31 December 2017: HK\$656.2 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 2018 and 31 December 2017.

CAPITAL COMMITMENTS

The Group had capital commitments of HK\$1,028,000 for the acquisition of property, plant and equipment as at 30 June 2018 (31 December 2017: HK\$2,016,000).

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECT

The global economy maintained a moderate pace of growth, triggering central banks in key developed economies to continue raising interest rates and tighten monetary policies at a modest pace.

In China, GDP growth averaged 6.8% in the Current Period, same as the average level in 2017, but ongoing economic deleveraging fueled a further slowdown in investment growth. The Chinese stock market has been adversely affected since the tension on the US-China trade relationship escalated. Despite certain conflicts and problems in the economy of China, with the potential and resilience in its nature and the recent sign of loosening monetary policy by the China's central bank, the Chinese government is determined to safeguard the economy against internal and external risks.

Opportunities and challenges coexisted in the China's leasing industry. On the one hand, the favorable policies such as the trend of consumption and technology upgrading will bolster the industrial development. On the other hand, the uncertainties in the economic and financial environments, the increasing industrial competition and the expected intensifying regulation and stringent oversight on the industry since the supervisory authority of the financial leasing companies was handed over from Ministry of Commerce to China Banking and Insurance Regulatory Commission on 20 April 2018 have also imposed greater requirements on leasing companies in terms of business model, compliance operation, risk prevention and control and other aspects.

As always, local management team will put more efforts on the development of financing varieties. Together with proceed from the disposal of equity interest in terminal and logistics services business, the Group could alleviate its reliance of source of funds from banks to finance the finance lease projects. By adherence to the effective and proven risk management and control policies and leveraging on highly experienced local management team, we will cautiously enhance business model to create innovative business and profit growth driver such as studying the possibility of self-funded finance lease projects to medium-sized enterprise and exploitation of high technology and e-commerce sectors.

MANAGEMENT DISCUSSION AND ANALYSIS

The terminal and logistics services business has been faded out of the Group step by step since the Disposal Agreement and the Call Option Undertaking (as defined in the circular of the Company dated 25 June 2018) and the transactions contemplated thereunder were duly approved by the Company's shareholders in the extraordinary general meeting on 17 July 2018. Application of the transfer of the first 25% equity interest is in progress and will become an associate of the Company upon completion of the disposal. The remaining 25% equity interest will be disposed of at the Purchaser's discretion of exercising the Call Option Understanding in the first half of 2020. Reference is made to the announcements of the Company dated 15 May 2018 and 17 July 2018 and the circular dated 25 June 2018 in relation to the termination of the old disposal arrangement and the introduction of the new disposal arrangement.

The Hong Kong and China's stock markets experienced a downward adjustment during the period. The general market perspective tends to be cautious about the future performance in amid of uncertainties over the US-China trade conflict and 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 additives business 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. Management will closely monitor the segment performance and will diligently allocate more resources to expand the product varieties and production capability in due course. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENTS/MATERIAL DISPOSALS

At 30 June 2018, the Group held loan receivables of HK\$184.6 million (31 December 2017: HK\$125.0 million), equity investments at fair value through other comprehensive income of HK\$48.1 million (31 December 2017: available-for-sale investments of HK\$77.1 million) and investments at fair value through profit or loss of approximately HK\$60.0 million (31 December 2017: held for trading investments of HK\$40.6 million). During the period, the Group invested in loan receivables through short-term wealth management products/trust products of HK\$80.3 million issued by financial institutions in the PRC. The Group recorded loan interest income from loan receivables amounting to HK\$4.6 million (30 June 2017: HK\$3.7 million). The equity investments at fair value through other comprehensive income as at 30 June 2018 comprised of (i) an unlisted equity securities issued by private entities established in the PRC with carrying value of HK\$23.7 million and (ii) wealth management products acquired from the private equity firms in the PRC in an aggregate carrying value of HK\$24.4 million. The investments at fair value through profit or loss as at 30 June 2018 mainly comprised of wealth management products acquired from the private and public equity firms for trading with a aggregate carrying value of HK\$16.8 million and listed shares of HK\$43.2 million. The Group recorded a fair value loss on equity investments at fair value through other comprehensive income of HK\$6.6 million in other comprehensive income while an overall loss from change in fair value on investments at fair value through profit or loss of HK\$11.8 million in profit or loss in the Current Period.

At 30 June 2018, the Group made deposits for acquisition of plant and equipment of HK\$3.7 million (2017: HK\$0.7 million) for the Food additives business which will be reclassified to plant and equipment when the relevant machineries and equipment are ready to use.

MANAGEMENT DISCUSSION AND ANALYSIS

On 15 May 2018, the Company entered into an agreement with the joint venture partner of Rizhao Lanshan (the “Purchaser”), pursuant to which the Company has agreed to dispose of 25% equity interest in Rizhao Lanshan to the Purchaser at a consideration of RMB294 million (the “Disposal”). The Company simultaneously entered into an undertaking to grant a call option to the Purchaser, pursuant to which the Purchaser or its associate is entitled to acquire the remaining 25% equity interest in Rizhao Lanshan at a consideration of RMB294 million at any time during the period from 1 January 2020 to 30 June 2020. At the date of this report, the Disposal has not been completed.

EMPLOYEE AND REMUNERATION

As at 30 June 2018, the Group had 59 (31 December 2017: 39) 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.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S LONG AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 30 June 2018, the following directors and chief executive of the Company have the following interests and short positions in shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code:

Long and short positions in the ordinary shares/underlying shares of the Company:

Directors/chief executive	Number of share/underlying shares held			Total interests	Long(L) or Short(S) Position	Percentage of interests
	Personal interests	Corporate interests	Number of underlying shares held under equity derivatives (Note 3)			
Wong Lik Ping	466,000,000	1,455,000,000 (Note2)		1,921,000,000	S	16.12%
Yeung Sau Han Agnes (Note 1)	27,250,000	-		27,250,000	L	0.23%
Qiao Weibing			6,666,667	6,666,667	L	0.06%
Lai Ka Fai			2,666,667	2,666,667	L	0.02%
Tao Ke			2,000,000	2,000,000	L	0.02%
Goh Choo Hwee			1,333,333	1,333,333	L	0.01%
Ho Hin Yip			1,333,333	1,333,333	L	0.01%
U Keng Tin			1,333,333	1,333,333	L	0.01%

Notes:

- Ms. Yeung Sau Han Agnes resigned as Non-Executive Director of the Company on 3 August 2018.
- These interests are held by Worldkin Development Limited ("Worldkin") which is wholly-owned by Mr. Wong Lik Ping. Mr. Wong is therefore deemed to be interested in the shares held by Worldkin. The interests held by Worldkin are disclosed under the section headed "SUBSTANTIAL SHAREHOLDERS" below.
- These interests represented the interests in underlying shares in respect of the share options granted by the Company to the directors/chief executive. Details of which are set out in note 18 to the condensed consolidated financial statements.

OTHER INFORMATION

Save as disclosed above, none of the directors, chief executive and their associated had any interests or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations, within the meaning of Part XV of the SFO, as recorded in the register kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2018, in accordance with the register of the substantial shareholders kept by the Company under Section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the Listing Rules, the following persons were interest (including short positions) in the shares or underlying shares of the Company.

Interest in the ordinary shares/underlying shares of the Company:

Name of Shareholders	<i>Notes</i>	Number of Shares/ underlying Shares held	Long(L) or Short (S) positions	Percentage holding
Worldkin Development Limited		1,455,000,000	S	12.21%
Mr. Wong Lik Ping	1	1,921,000,000	S	16.12%
Funde Sino Life Insurance Co. Ltd.		3,574,430,000	L	29.99%
Active Way International Limited	2&3	1,921,000,000	L	16.12%
FDG Kinetic Investment (BVI) Limited	3	1,921,000,000	L	16.12%
FDG Kinetic Limited	3	1,921,000,000	L	16.12%
Sinopoly Strategic Investment Limited	3	1,921,000,000	L	16.12%
FDG Electric Vehicles Limited	3	1,921,000,000	L	16.12%
Mr. Xu Yufeng		800,000,000	L	6.71%
Mr. Li Bensheng		600,000,000	L	5.03%

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Notes:

1. Mr. Wong Lik Ping holds entire equity interest of Worldkin Development Limited (“Worldkin”) and is accordingly deemed to have interest in 1,455,000,000 shares of the Company that Worldkin has interests in. Mr. Wong personally owns 466,000,000 shares of the Company.
2. Active Way International Limited has security interests in 1,921,000,000 shares.
3. Active Way International Limited is a wholly owned subsidiary of FDG Kinetic Investment (BVI) Limited (formerly known as CIAM Investment (BVI) Limited), which in turn is wholly owned by FDG Kinetic Limited, which in turn owned as to 67.19% by Sinopoly Strategic Investment Limited, which in turn is a wholly owned subsidiary of FDG Electric Vehicles Limited. Accordingly, FDG Electric Vehicles Limited is deemed to have interests in 1,921,000,000 shares held by Active Way International Limited.

Save as disclosed above, no other parties were recorded in the register required to be kept under Section 336 of the SFO as having an interest or a short position in the shares or underlying shares of the Company as at 30 June 2018.

DIRECTORS’ AND CHIEF EXECUTIVE’S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, as at 30 June 2018, neither the directors, chief executive of the Company nor their associates had or was deemed to have any long positions or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which has been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which has been notified to the Company and the Stock Exchange pursuant to the Model Code of the Listing Rules.

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

During the six months ended 30 June 2018, 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:–

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 5 June 2018 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 (“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 six months ended 30 June 2018.

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.

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AUDIT COMMITTEE REVIEW

The Audit Committee together with management has reviewed and provided supervision over the unaudited interim condensed consolidated financial statements for the six months ended 30 June 2018.

The Audit Committee comprises three independent non-executive directors, namely Mr. Ho Hin Yip, Mr. Goh Choo Hwee and Mr. U Keng Tin.

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

Hong Kong, 16 August 2018